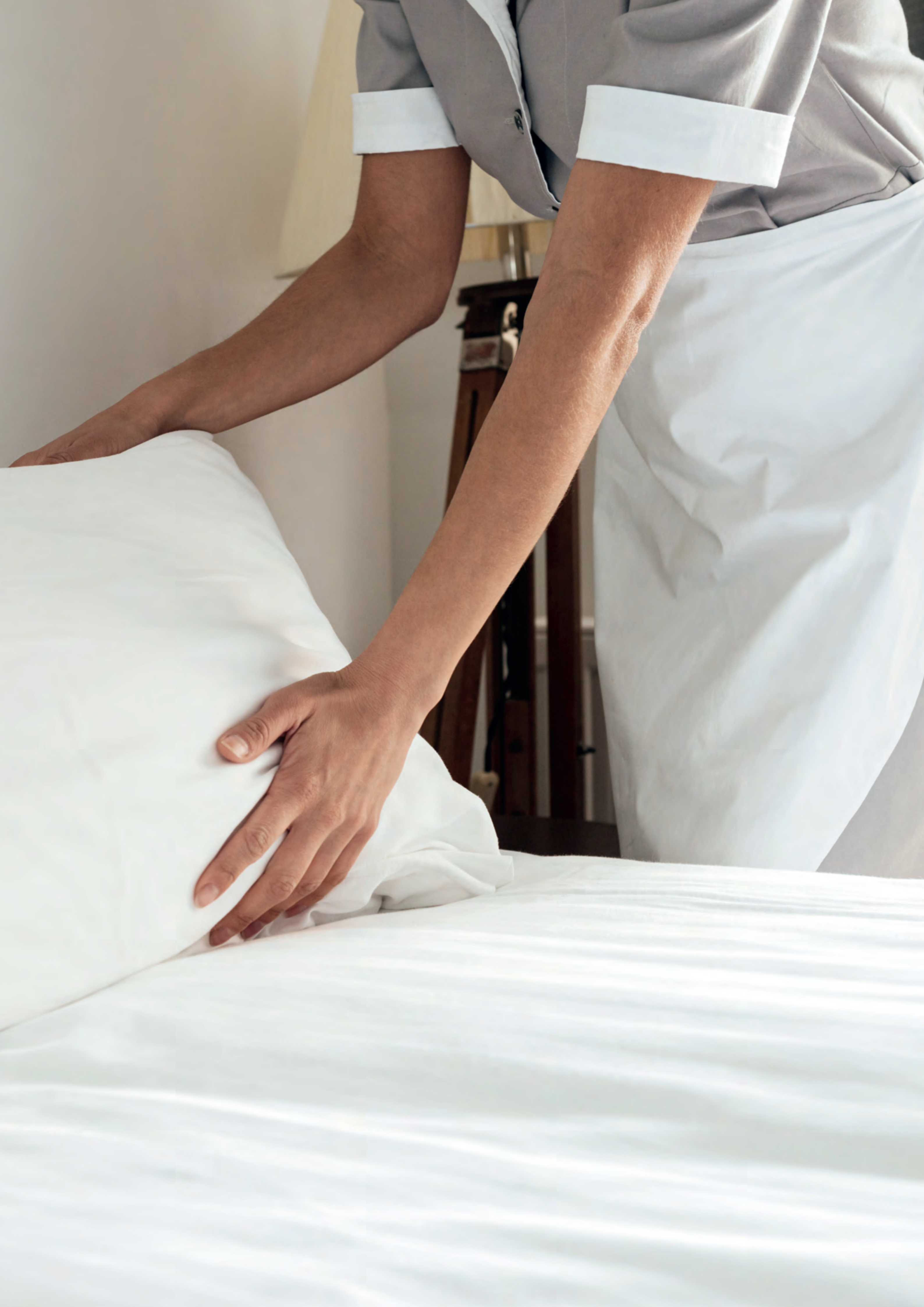
2019
INTERIM REPORT & ACCOUNTS

JOHNSON
Service Group PLC



Financial and Operational Review

FINANCIAL REVIEW

Financial Results

Following very strong sales growth and continued high levels of customer retention across all market sectors, organic revenue growth reached 7.5% in the first half of the year. This, combined with a full six months trading from the South West Laundry acquisition completed in August 2018, together with the benefit of acquiring a number of contracts in January 2019, increased the Group's revenue by 9.8% to £167.1 million (June 2018: £152.2 million).

The increase of 13.6% in adjusted operating profit for the first half to £22.6 million (2018: £19.9 million) reflects the revenue growth, ongoing efficiency improvements and a modest benefit of £0.6 million following the adoption of IFRS 16.

Total finance costs increased to £2.5 million (June 2018: £1.7 million). Whilst underlying borrowing costs and notional interest remained unchanged, the implementation of IFRS 16 resulted in an additional cost of £0.8 million in respect of recognised lease liabilities.

Adjusted profit before taxation increased to £20.1 million (June 2018: £18.2 million) and was slightly adversely impacted by a net cost of £0.2 million from the adoption of IFRS 16. The underlying tax rate was 18.9% (June 2018: 19.5%).

The statutory profit before taxation, after amortisation of intangible assets (excluding software amortisation) of £4.9 million (June 2018: £4.2 million), increased by 8.6% to £15.2 million (June 2018: £14.0 million).

Adjusted diluted earnings per share increased by 10.0% to 4.4 pence (June 2018: 4.0 pence). Diluted earnings per share, after amortisation of intangible assets (excluding software amortisation), increased by 6.5% to 3.3 pence (June 2018: 3.1 pence).

Dividend

Reflecting the Group's strong performance and prospects, the Board is pleased to increase the interim dividend by 15.0% to 1.15 pence (June 2018: 1.00 pence). This is in line with our progressive dividend policy, whilst also maintaining satisfactory dividend cover.

The interim dividend will be paid on 1 November 2019 to those Shareholders on the register of members at the close of business on 4 October 2019. The ex-dividend date is 3 October 2019.

Finances

Total net debt (excluding the impact of IFRS 16) at 30 June 2019 was £92.6 million (December 2018: £98.4 million), slightly better than management expectations, and reflected the strong trading performance in the first half offset by significant planned investment in both plant and equipment and new rental stock which was required to support organic growth. The Group's net debt to adjusted EBITDA leverage ratio (excluding the impact of IFRS 16) was 1.47:1 at the end of June 2019 (June 2018: 1.57:1).

After including the impact of IFRS 16, net debt at June 2019 was £130.5 million.

Subsequent to the balance sheet date we have extended the tenure of our £135.0 million revolving credit facility by 12 months, such that it now runs to August 2023.

Interest costs on our floating rate borrowings continue to benefit from the current low levels of LIBOR. Interest payable on bank borrowings is based upon LIBOR plus a margin which is linked to leverage levels, and was, in the first half, 1.75%. The lower leverage ratio at June 2019 reduces the margin to 1.5% from July until at least the next quarterly covenant test. We have mitigated our exposure to future increases in LIBOR rates through the use of interest rate hedging. Current hedging arrangements, each over a £15.0 million tranche of borrowings, replace LIBOR with 1.665% for the full year 2019, 1.07% for the period to January 2021 and 1.144% to January 2022.

Post-Employment Benefits

The recorded net deficit after tax for all post-employment benefit obligations, calculated in accordance with IAS 19, has increased to £10.6 million at June 2019 from £3.8 million at December 2018. The increase is due, in part, to the reduction in the discount rate assumed on liabilities partially offset by a higher return on scheme assets. We continue to have a significant portion of scheme assets invested so as to hedge against movements in liabilities, thereby reducing overall scheme volatility.

The current agreement with the Trustee of the defined benefit pension scheme requires deficit recovery payments of £1.9 million in the year to December 2019, of which £0.9 million was contributed during the first half. The payments are expected to continue at this level until the results of the next triennial actuarial valuation, as at 30 September 2019, are finalised, which is likely to be in the second half of 2020.

OPERATIONAL REVIEW

Our Businesses

The Group has again had a successful six months, delivering continued strong organic growth and increased profit. We continue to invest in many of our laundry facilities to improve productivity and capacity and, given current and anticipated strong demand, there is further scope to continue this plan. Our geographic coverage gives us the opportunity to acquire groups of contracts as an efficient way of utilising available capacity in a cost effective manner.

The Group comprises Textile Rental businesses which trade through a number of very well recognised brands servicing the UK's Workwear and Hotel Restaurant and Catering ('HORECA') market sectors. The 'Johnsons Workwear' brand predominantly provides workwear rental and laundry services to corporates across all industry sectors, 'Stalbridge', 'London Linen' and 'South West Laundry' provide premium linen services to the restaurant, hospitality and corporate events market and 'Bourne', 'Afonwen' and 'PLS' provide high volume hotel linen services.

We have made significant progress in developing our new national brand and this is now being rolled out across the businesses. This roll out will take several years to fully implement and will be at a modest cost.

All of our brands experienced significant new business wins which, combined with high levels of customer retention, resulted in a strong first half performance, generating revenues of £167.1 million (June 2018: £152.2 million), an increase of 9.8%. This increase includes six months of trading from the acquisition of South West Laundry, completed in August 2018, and additional revenue from a small number of hospitality contracts acquired in January 2019. Our strong underlying organic growth of 7.5% included the benefit of price increases and some significant contract wins across all businesses during the last 12 months.

Adjusted operating profit from our Textile Rental businesses increased by £2.8 million to £25.0 million (June 2018: £22.2 million), representing an increase of 12.6%, with the operating margin improving slightly to 15.0% (June 2018: 14.6%), including the benefit of £0.6 million from the impact of IFRS 16.

Workwear Division

Johnsons Workwear provides workwear rental and laundry services to over 36,000 customers in the UK, from small local businesses to the largest companies covering food related and other industrial sectors.

Trading for the first six months of 2019 was strong with organic revenue growth of 6.8% to £67.5 million (June 2018: £63.2 million). This growth was

Financial and Operational Review

Continued >

driven by strong sales to both new and existing customers, particularly in the second half of 2018. The business has a strong cultural ethos for delivery of excellent customer service which has ensured customer retention levels have been maintained at 95%. Our continuing investment in sales and marketing through our in-house call centre supported the sales to new customers and 19% of all new business won came from new to rental customers.

To further support the sales and service personnel additional improvements have been made to the tablet based dynamic catalogue, increasing its functionality and improving the product range in line with our customers' requirements. The business continues to focus on stocked products which have improved garment delivery times for both new and existing customers. The business was also pleased to renew agreements with a number of large national accounts.

With the benefit of strong revenue growth and a continued focus on efficiency, Workwear's adjusted operating profit increased by 12.0% to £12.1 million (June 2018: £10.8 million) and the margin improved to 17.9% (June 2018: 17.1%). This includes a modest benefit of £0.3 million from the implementation of IFRS 16.

Operationally the business continued to invest in plant and machinery. This included the installation of highly efficient garment folding machines in the high care food units at Gateshead and Birmingham, increasing their folding capacity. Several new industrial washing machines have also been installed across the estate. In Manchester a refurbishment of the industrial unit to improve its efficiency is nearing completion, resulting in the removal of drycleaning processing which is being replaced by washer extractors. Work on expanding the industrial garment processing capacity at Basingstoke is underway with additional plans being considered for expanding food garment processing capacity next year as part of our normal ongoing level of capital investment.

In line with the development of the new Group wide national brand, Johnsons Workwear rebranding has commenced starting with a number of vehicles being rebranded with the new livery. The rollout of the brand will continue over the coming years in order to reinforce the strong reputation of the Johnson Service Group.

The internal training Academy is continuing to provide development and support to employees at all levels within the business and an updated portfolio of blended learning is benefitting all personnel. The specific focus on health and safety and product knowledge training has resulted in enhancing knowledge and empowerment within the business. Various apprenticeships are being undertaken which will help to provide internal succession in some of our more technical and skilled areas.

HORECA Division

The total revenue for the HORECA division increased by 11.9% to £99.6 million (June 2018: £89.0 million). After adjusting for the acquisition of South West Laundry, which was completed in August 2018, and also excluding the revenue from a small number of contracts acquired in January 2019, underlying revenue increased by 8.0%.

HORECA's adjusted operating profit increased to £12.9 million (June 2018: £11.4 million), an increase of 13.2%. This includes a modest benefit of £0.3 million from the implementation of IFRS 16. The operating margin was largely unchanged at 13.0% (June 2018: 12.8%).

Johnsons Hotel Linen, our high volume linen business (comprising Afonwen, Bourne and PLS brands) has continued with the successful integration of the acquisitions purchased in the last few years. The seamless consolidation of the finance function to our Preston Brook offices at the beginning of the year gave us the benefit of consolidating from three different financial systems into a single integrated reporting line using the new Microsoft Dynamics finance package.

Operationally, the business continues to benefit from our reputation for excellent customer service, strong service delivery and national scale. Johnsons Hotel Linen is continuing to win a wide range of customers across the core of its business, being the corporate 4 star and budget hotel sectors as well as independent hotels across the UK. Despite operating at close to capacity, service levels continue to improve year on year with a strong emphasis on seeking to deliver complete orders on time to our customers.

Construction of the new Leeds production facility continues to be on time and on budget. The site in Gildersome, Leeds is now largely complete with the developer expected to hand over the site by the end of this month. This timescale will allow us to work with our appointed contractors on the installation of all equipment in time for opening in the second quarter of 2020. Rapid progress has already been made with the installation of all core utilities ahead of plan. We have worked with the appointed contractors for many years and all have extensive experience in building and commissioning new laundry installations. As such, we are pleased to reconfirm that the overall project remains on plan, to schedule and in line with the previously announced capital expenditure cost in the region of £10.0 million.

Sales activity within the business has increased to take advantage of current market opportunities as well as to identify further sales opportunities for the autumn of 2019 into the spring of 2020 across the whole of the UK. We anticipate that we will transfer work from a number of our existing sites to the new Leeds site over a six month commissioning period, ramping up volume to enable the Leeds production facility to reach approximately 50% capacity once all the expected transfers have been completed. This will in turn create new capacity, along with logistical benefits, in our existing plants to allow service to new customers in those areas.

Despite a somewhat uncertain economic outlook and some customers experiencing a slight softening in hotel occupancy demand, overall, Johnsons Hotel Linen has continued to trade slightly ahead of our expectations reflecting the importance of our quality local service delivery and the everyday need for our products and services.

We have experienced strong organic sales growth through the signing of new hotels together with a number of bolt-on hotels being added to current customer contracts. Tight cost control has been maintained and efficiency improvements have been realised as a result of continued capital investment in the first half of the year.

Growth at Stalbridge continues with strong new sales in 2019 building on the full year effect of record new sales in 2018. Stalbridge continues to successfully market its high value, flexible and responsive service which attracts both new market entrants and established hospitality operators where service, quality and reliability are the primary drivers.

South West Laundry, which was acquired in 2018 with capacity for growth, has enabled us to relocate the processing and servicing of some Devon and Cornwall based customers from our Dorset plants at Milborne Port and Sturminster Newton to South West, thereby streamlining distribution and service.

Similarly, the Stalbridge plant in Southall, following the £3.3 million refurbishment and extension completed at the end of 2018, is now fully operational and has allowed us to move some London based catering customers from our Dorset plant in Shaftesbury.

We have extended the Stalbridge operations in both Grantham and Wrexham with additional space and investment in washing processes to deal with the continuing growth of the business in the North of the country. We have also replaced four ironer lines across the estate in the first half of 2019. This new equipment provides greater capacity, better quality and is more energy efficient than the machinery it replaces.

At London Linen we have commenced a project to extend the dispatch area and improve workflows to allow for the increased linen volumes being experienced. The business continues to focus on delivering excellent quality and service to the customer base in order to ensure the high levels of customer satisfaction are maintained.

London Linen and Stalbridge have begun the process of combining sales and marketing resource to better engage with, and attract, potential new customers. This stronger sales and marketing focus on the independent restaurant market in London is designed to negate any potential reduction in the casual dining market.

We have acquired a number of customer contracts from two small laundries to add to the strong organic growth being achieved. In January we acquired annualised revenue of £1.2 million to be processed in our newly extended Grantham site and in July we have acquired an additional £2.5 million of annualised revenue to be processed at our sites in Southall.

TECHNICAL INNOVATION

The project for updating and improving our IT systems is ongoing. Replacement of all of the finance systems which are in scope will be completed by the end of October 2019. We are also intending to supplement the Microsoft Dynamics platform with a leading industry standard laundry operating system which should reduce the overall time frame for implementation. Our overall budgeted cost remains broadly unchanged.

EMPLOYEES

The Group now employs over 5,700 people who have all contributed to the performance of the business. Our people are fundamental to us being able to deliver our market–leading customer service standards. We thank them for their significant contribution to another tremendous first half performance.

BREXIT

The main potential impact on the Group from Brexit and the ongoing uncertainty around the post Brexit arrangements depends on the extent to which it has a negative effect on the macroeconomic environment. We consider that the potential risks we may have to mitigate against would be a change in consumer confidence, a reduction in levels of employment or a reluctance to invest from within our customer base. We do recognise, however, that the services we provide are, in many cases, essential for our customers to continue in operation. The Group has undertaken a review of potential actions that it would take in the event that mitigation was required.

OUTLOOK

The Group's performance in the two months since the period end, which are two of the busiest months particularly for our Hotel Linen plants, has been slightly ahead of our expectations.

The capital investment made to increase our processing capacity has allowed us to meet high customer demand and provide a quality service more efficiently. This investment in our sites will be maintained and will help us to further increase revenue going forward.

We are looking forward to the completion of the new Leeds plant in Spring 2020 and we see opportunities for filling the additional processing capacity that will be created across the Hotel Linen plants in the medium term. As with all major development capital investments there will be some up–front costs which may have a small impact on the HORECA margin in 2020, until throughput of the Leeds plant reaches its optimum level.

In view of the encouraging performance over the summer months we now anticipate that the results for the current full year will be slightly ahead of current expectations.

Responsibility Statement

The condensed consolidated interim financial statements comply with the Disclosure Guidance and Transparency Rules ('DTR') of the United Kingdom's Financial Conduct 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, 'Interim Financial Reporting' 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 six months and description of principal risks and uncertainties for the remaining six months 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 2018. Details of the Directors are available on the Johnson Service Group PLC website: www.jsg.com

By order of the Board

Peter Egan	**Yvonne Monaghan**
Chief Executive Officer	Chief Financial Officer
3 September 2019	3 September 2019

Forward Looking Statements

Certain statements in these condensed consolidated interim financial statements constitute forward-looking statements. Any statement in this document that is not a statement of historical fact including, without limitation, those regarding the Company's future expectations, operations, financial performance, financial condition and business is a forward-looking statement. Such forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially. These risks and uncertainties include, among other factors, changing economic, financial, business or other market conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in these condensed consolidated interim financial statements. As a result you are cautioned not to place reliance on such forward-looking statements. Nothing in this document should be construed as a profit forecast.

Consolidated Income Statement

	Note	Half Year to 30 June 2019 £m	Half Year to 30 June 2018 £m	Year ended 31 December 2018 £m
Revenue	2	**167.1**	152.2	321.1
Operating profit	2	**17.7**	**15.7**	**36.6**
Operating profit before amortisation of intangible assets (excluding software amortisation) and exceptional items		22.6	19.9	46.0
Amortisation of intangible assets (excluding software amortisation)		(4.9)	(4.2)	(8.8)
Exceptional items				
– Costs in relation to business acquisition activity		–	–	(0.6)
Operating profit	2	**17.7**	**15.7**	**36.6**
Finance cost	3	(2.5)	(1.7)	(3.5)
Profit before taxation		**15.2**	**14.0**	**33.1**
Taxation charge	4	(2.9)	(2.8)	(6.3)
Profit for the period attributable to equity holders		**12.3**	**11.2**	**26.8**
Earnings per share	7			
Basic earnings per share		**3.3p**	**3.1p**	**7.3p**
Diluted earnings per share		**3.3p**	**3.1p**	**7.2p**
Adjusted basic earnings per share		**4.4p**	**4.0p**	**9.4p**
Adjusted diluted earnings per share		**4.4p**	**4.0p**	**9.3p**

Consolidated Statement of Comprehensive Income

		Note	Half Year to 30 June 2019 £m	Half Year to 30 June 2018 £m	Year to 31 December 2018 £m
Profit for the period			**12.3**	**11.2**	**26.8**
Items that will not be subsequently reclassified to profit or loss					
Re-measurement and experience (losses)/gains on post-employment benefit obligations		8	(9.1)	5.0	5.7
Taxation in respect of re-measurement and experience losses/(gains)			1.6	(0.9)	(1.1)
Items that may be subsequently reclassified to profit or loss					
Cash flow hedges	– fair value gain/(loss)		0.2	0.3	(0.3)
(net of taxation)	– transfers to administrative expenses		–	(0.2)	(0.4)
	– transfers to finance cost		0.1	0.2	0.2
Other comprehensive (loss)/income for the period			**(7.2)**	**4.4**	**4.1**
Total comprehensive income for the period			**5.1**	**15.6**	**30.9**

The notes on pages 8 to 23 form an integral part of these condensed consolidated interim financial statements.

Consolidated Statement of Changes in Shareholders' Equity

	Share Capital £m	Share Premium £m	Merger Reserve £m	Capital Redemption Reserve £m	Hedge Reserve £m	Retained Earnings £m	Total Equity £m
Balance at 31 December 2017	**36.6**	**15.2**	**1.6**	**0.6**	**(0.1)**	**113.7**	**167.6**
Change in accounting standard	–	–	–	–	–	1.0	1.0
Restated balance at 1 January 2018	**36.6**	**15.2**	**1.6**	**0.6**	**(0.1)**	**114.7**	**168.6**
Profit for the period	–	–	–	–	–	11.2	11.2
Other comprehensive income for the period	–	–	–	–	0.3	4.1	4.4
Total comprehensive income for the period	–	–	–	–	0.3	15.3	15.6
Share options (value of employee services)	–	–	–	–	–	0.4	0.4
Dividend paid	–	–	–	–	–	(7.0)	(7.0)
Transactions with Shareholders recognised directly in Shareholders' equity	**–**	**–**	**–**	**–**	**–**	**(6.6)**	**(6.6)**
Balance at 30 June 2018	**36.6**	**15.2**	**1.6**	**0.6**	**0.2**	**123.4**	**177.6**
Profit for the period	–	–	–	–	–	15.6	15.6
Other comprehensive (loss)/income for the period	–	–	–	–	(0.8)	0.5	(0.3)
Total comprehensive (loss)/income for the period	–	–	–	–	(0.8)	16.1	15.3
Share options (value of employee services)	–	–	–	–	–	0.4	0.4
Deferred tax on share options	–	–	–	–	–	0.1	0.1
Issue of Share Capital	0.2	0.5	–	–	–	–	0.7
Dividend paid	–	–	–	–	–	(3.7)	(3.7)
Transactions with Shareholders recognised directly in Shareholders' equity	**0.2**	**0.5**	**–**	**–**	**–**	**(3.2)**	**(2.5)**
Balance at 31 December 2018	**36.8**	**15.7**	**1.6**	**0.6**	**(0.6)**	**136.3**	**190.4**
Change in accounting standard (note 20)	–	–	–	–	–	0.2	0.2
Restated balance at 1 January 2019	**36.8**	**15.7**	**1.6**	**0.6**	**(0.6)**	**136.5**	**190.6**
Profit for the period	–	–	–	–	–	12.3	12.3
Other comprehensive income/(loss) for the period	–	–	–	–	0.3	(7.5)	(7.2)
Total comprehensive income for the period	–	–	–	–	0.3	4.8	5.1
Share options (value of employee services)	–	–	–	–	–	0.4	0.4
Purchase of shares by EBT*	–	–	–	–	–	(0.2)	(0.2)
Current tax on share options	–	–	–	–	–	0.3	0.3
Deferred tax on share options	–	–	–	–	–	(0.1)	(0.1)
Issue of Share Capital	0.2	0.4	–	–	–	–	0.6
Dividend paid	–	–	–	–	–	(7.7)	(7.7)
Transactions with Shareholders recognised directly in Shareholders' equity	**0.2**	**0.5**	**–**	**–**	**–**	**(9.8)**	**(9.1)**
Balance at 30 June 2019	**37.0**	**16.1**	**1.6**	**0.6**	**(0.3)**	**134.0**	**189.0**

* The Group has an Employee Benefit Trust (EBT), to administer share plans and to acquire shares, using funds contributed by the Group, to meet commitments to employee share schemes. As at 30 June 2019, the EBT held 12,468 shares (June 2018: 16,256; December 2018: 16,256).

Consolidated Balance Sheet

	Note	As at 30 June 2019 £m	As at 30 June 2018 £m	As at 31 December 2018 £m
Non-current assets				
Goodwill		128.1	120.4	128.1
Intangible assets	9	36.1	39.6	39.3
Property, plant and equipment	10	87.8	91.2	96.0
Right-of-use assets	20	47.5	–	–
Textile rental items	11	53.5	54.3	56.4
Trade and other receivables		0.7	0.7	0.7
Derivative financial assets		–	0.2	–
Deferred income tax assets		3.0	1.5	1.8
		356.7	**307.9**	**322.3**
Current assets				
Inventories		2.4	2.9	2.8
Trade and other receivables		57.0	55.0	52.1
Derivative financial assets		–	0.2	–
Cash and cash equivalents		9.8	6.0	7.1
		69.2	**64.1**	**62.0**
Current liabilities				
Trade and other payables		67.0	71.9	64.8
Current income tax liabilities		3.8	4.1	5.1
Borrowings		10.7	13.2	14.5
Lease liabilities	20	10.1	–	–
Derivative financial liabilities		0.1	–	–
Provisions		**1.3**	1.7	1.5
		93.0	**90.9**	**85.9**
Non-current liabilities				
Post-employment benefit obligations	8	12.8	6.1	4.6
Deferred income tax liabilities		6.8	8.2	7.6
Trade and other payables		**2.5**	3.0	2.3
Borrowings		85.8	84.0	91.0
Lease liabilities	20	33.7	–	–
Derivative financial liabilities		0.2	0.2	0.7
Provisions		2.1	2.0	1.8
		143.9	**103.5**	**108.0**
Net assets		**189.0**	**177.6**	**190.4**
Capital and reserves attributable to the Company's Shareholders				
Share capital	12	37.0	36.6	36.8
Share premium		16.1	15.2	15.7
Merger reserve		1.6	1.6	1.6
Capital redemption reserve		0.6	0.6	0.6
Hedge reserve		(0.3)	0.2	(0.6)
Retained earnings		134.0	123.4	136.3
Total equity		**189.0**	**177.6**	**190.4**

The notes on pages 8 to 23 form an integral part of these condensed consolidated interim financial statements. The condensed consolidated interim financial statements on pages 4 to 23 were approved by the Board of Directors on 3 September 2019 and signed on its behalf by:

Yvonne Monaghan
Chief Financial Officer

Consolidated Statement of Cash Flows

	Note	Half Year to 30 June 2019 £m	Half Year to 30 June 2018 £m	Year ended 31 December 2018 £m
Cash flows from operating activities				
Profit for the period		12.3	11.2	26.8
Adjustments for:				
Taxation charge	4	2.9	2.8	6.3
Total finance cost		2.5	1.7	3.5
Depreciation		32.6	26.4	55.3
Amortisation		4.9	4.3	8.9
Decrease in inventories		0.4	–	0.1
Increase in trade and other receivables		(5.9)	(7.0)	(2.8)
Increase/(decrease) in trade and other payables		5.6	3.2	(3.2)
Costs in relation to business acquisition activity		–	–	0.6
Deficit recovery payments in respect of post-employment benefit obligations		(0.9)	(0.9)	(1.9)
Share-based payments		0.4	0.4	0.8
Post-employment benefit obligations		(0.1)	(0.1)	(0.1)
Increase/(decrease) in provisions		0.1	–	(0.5)
Cash generated from operations		54.8	42.0	93.8
Interest paid		(2.3)	(1.4)	(3.5)
Taxation paid		(4.6)	(3.6)	(7.8)
Net cash generated from operating activities		**47.9**	**37.0**	**82.5**
Cash flows from investing activities				
Acquisition of business (net of cash and cash equivalents acquired)	13	(0.2)	–	(14.0)
Purchase of property, plant and equipment		(8.8)	(6.9)	(17.5)
Purchase of software		(0.5)	(0.3)	(0.6)
Purchase of other intangible assets	9	(1.1)	–	–
Proceeds from sale of property, plant and equipment		0.1	–	0.2
Purchase of textile rental items		(22.8)	(23.8)	(48.9)
Proceeds received in respect of special charges		1.2	1.2	2.2
Net cash used in investing activities		**(32.1)**	**(29.8)**	**(78.6)**
Cash flows from financing activities				
Proceeds from borrowings		52.0	31.0	86.0
Repayments of borrowings		(53.0)	(29.0)	(77.0)
Capital element of leases (2018: Capital element of finance leases)		(4.0)	(2.3)	(3.9)
Purchase of own shares by EBT		(0.2)	–	–
Net proceeds from issue of Ordinary shares		0.6	–	0.7
Dividend paid		(7.7)	(7.0)	(10.7)
Net cash used in financing activities		**(12.3)**	**(7.3)**	**(4.9)**
Net increase/(decrease) in cash and cash equivalents		3.5	(0.1)	(1.0)
Cash and cash equivalents at beginning of the period		(4.7)	(3.7)	(3.7)
Cash and cash equivalents at end of the period	15	**(1.2)**	**(3.8)**	**(4.7)**
Cash and cash equivalents comprise:				
Cash		9.8	6.0	7.1
Overdraft		(11.0)	(9.8)	(11.8)
Cash and cash equivalents at end of the period		**(1.2)**	**(3.8)**	**(4.7)**

The notes on pages 8 to 23 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 textile rental and related services across the UK.

The Company is incorporated and domiciled in the UK, its registered number is 523335 and the address of its registered office is Johnson House, Abbots Park, Monks Way, Preston Brook, Cheshire, WA7 3GH. The Company is a public limited company and has its primary listing on the AIM division of the London Stock Exchange.

The condensed consolidated interim financial statements were authorised for issue by the Board on 3 September 2019.

1 BASIS OF PREPARATION

These condensed consolidated interim financial statements of the Group are for the half year ended 30 June 2019. They have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

The condensed consolidated interim financial 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 2018 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 31 December 2018 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 30 June 2018 included herein is derived from the condensed consolidated interim financial statements for that period.

Going Concern

The Group currently meets its day-to-day working capital requirements through committed bank facilities which, as at 30 June 2019, ran to August 2022 but which now, following the extension of that facility on 17 July 2019, will run to August 2023. Current economic conditions continue to create uncertainty, particularly over the level of demand for the Group's services. The Group's latest forecasts and projections, taking account of reasonably possible changes in trading performance, show that there is not a substantial doubt that the Group should be able to operate within the level of its current facilities for a period of at least 12 months from the date of these condensed consolidated interim financial statements.

As a consequence, and having reassessed the principal risks and uncertainties, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the condensed consolidated interim financial information.

2 SEGMENT ANALYSIS

Segment information is presented in respect of the Group's operating segments, which are based on the Group's management and internal reporting structure as at 30 June 2019. These segments are the same as those included within the 2018 Annual Report and Accounts.

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. The Board determines the operating segments based on these reports and on the internal reporting structure. For reporting purposes, in accordance with IFRS 8, the Board aggregates operating segments with similar economic characteristics and conditions into reporting segments, which form the basis of the reporting in the Annual Report. The Board has identified two trading reporting segments, being Workwear and Hotel, Restaurants and Catering ("HORECA"). Discontinued operations are reported separately.

The Board assesses the performance of the reporting segments based on a measure of operating profit, both including and excluding the effects of non-recurring items from the reporting segments, such as restructuring costs and impairments when the impairment is the result of an isolated, non-recurring or non-operating event. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis, for example, prior to adoption of IFRS 16 in the 2018 comparative information, rental income received by Johnson Group Properties PLC is credited back, where appropriate, to the paying company for the purpose of segmental reporting. In 2019, any right-of-use assets, lease liabilities and depreciation relating to internal property leases with Johnson Group Properties PLC are eliminated on consolidation. Interest income and expenditure are not included in the result for each reporting segment that is reviewed by the Board.

Other information provided to the Board is measured in a manner consistent with that in the financial statements. Segment assets exclude deferred income tax assets, derivative financial assets and cash and cash equivalents, all of which are managed on a central basis. Segment liabilities include non-bank borrowings but exclude current income tax liabilities, bank borrowings, derivative financial liabilities, post-employment benefit obligations and deferred income tax liabilities, all of which are managed on a central basis. These balances are part of the reconciliation to total assets and liabilities.

2 SEGMENT ANALYSIS (Continued)

The reporting segment results for the half year ended 30 June 2019, together with comparative figures, are as follows:

Half year to 30 June 2019	Workwear £m	HORECA £m	All Other Segments £m	Total £m
Revenue	**67.5**	**99.6**	**–**	**167.1**
Operating profit/(loss) before amortisation of intangible assets (excluding software amortisation)	**12.1**	**12.9**	**(2.4)**	**22.6**
Amortisation of intangible assets (excluding software amortisation)	(0.2)	(4.7)	–	(4.9)
Operating profit/(loss)	**11.9**	**8.2**	**(2.4)**	**17.7**
Total finance cost				(2.5)
Profit before taxation				**15.2**
Taxation				(2.9)
Profit for the period attributable to equity holders				**12.3**

		Discontinued Operations £m	Workwear £m	HORECA £m	All Other Segments £m	Total £m
Balance sheet information						
Segment assets		–	138.7	272.2	2.2	413.1
Unallocated assets:	Deferred income tax assets					3.0
	Cash and cash equivalents					9.8
Total assets						**425.9**
Segment liabilities		(3.6)	(42.7)	(65.0)	(5.4)	(116.7)
Unallocated liabilities:	Bank borrowings					(96.5)
	Current income tax liabilities					(3.8)
	Deferred income tax liabilities					(6.8)
	Derivative financial liabilities					(0.3)
	Post-employment benefit obligations					(12.8)
Total liabilities						**(236.9)**
Other information						
Non-current asset additions						
– Property, plant and equipment		–	2.4	7.6	–	10.0
– Textile rental items		–	10.0	10.9	–	20.9
– Software		–	0.6	–	–	0.6
Depreciation and amortisation expense						
– Property, plant and equipment		–	2.1	4.3	–	6.4
– Right-of-use assets		–	1.2	2.3	0.1	3.6
– Textile rental items		–	8.9	13.7	–	22.6

Notes to the Condensed Consolidated Interim Financial Statements Continued >

2 SEGMENT ANALYSIS (Continued)

Half year to 30 June 2018	Workwear £m	HORECA £m	All Other Segments £m	Total £m
Revenue	**63.2**	**89.0**	**–**	**152.2**
Operating profit/(loss) before amortisation of intangible assets (excluding software amortisation)	**10.8**	**11.4**	**(2.3)**	**19.9**
Amortisation of intangible assets (excluding software amortisation)	(0.2)	(4.0)	–	(4.2)
Operating profit/(loss)	**10.6**	**7.4**	**(2.3)**	**15.7**
Total finance cost				(1.7)
Profit before taxation				**14.0**
Taxation				(2.8)
Profit for the period attributable to equity holders				**11.2**

		Discontinued Operations £m	Workwear £m	HORECA £m	All Other Segments £m	Total £m
Balance sheet information						
Segment assets		–	121.1	241.9	1.1	364.1
Unallocated assets:	Derivative financial assets					0.4
	Deferred income tax assets					1.5
	Cash and cash equivalents					6.0
Total assets						**372.0**
Segment liabilities		(3.6)	(29.5)	(49.0)	(4.2)	(86.3)
Unallocated liabilities:	Bank borrowings					(89.5)
	Current income tax liabilities					(4.1)
	Deferred income tax liabilities					(8.2)
	Derivative financial liabilities					(0.2)
	Post-employment benefit obligations					(6.1)
Total liabilities						**(194.4)**
Other information						
Non-current asset additions						
– Property, plant and equipment		–	2.2	6.2	–	8.4
– Textile rental items		–	10.6	14.8	–	25.4
– Software		–	0.4	–	–	0.4
Depreciation and amortisation expense						
– Property, plant and equipment		–	2.3	4.2	–	6.5
– Textile rental items		–	8.0	11.9	–	19.9
– Software		–	–	0.1	–	0.1

2 SEGMENT ANALYSIS (Continued)

Year ended 31 December 2018	Workwear £m	HORECA £m	All Other Segments £m	Total £m
Revenue	**128.8**	**192.3**	**–**	**321.1**
Operating profit/(loss) before amortisation of intangible assets (excluding software amortisation) and exceptional items	**22.7**	**28.0**	**(4.7)**	**46.0**
Amortisation of intangible assets (excluding software amortisation)	(0.5)	(8.3)	–	(8.8)
Exceptional items:				
– Costs in relation to business acquisition activity	–	(0.6)	–	(0.6)
Operating profit/(loss)	**22.2**	**19.1**	**(4.7)**	**36.6**
Total finance cost				(3.5)
Profit before taxation				**33.1**
Taxation				(6.3)
Profit for the period attributable to equity holders				**26.8**

		Discontinued Operations £m	Workwear £m	HORECA £m	All Other Segments £m	Total £m
Balance sheet information						
Segment assets		–	121.9	252.0	1.5	375.4
Unallocated assets:	Deferred income tax assets					1.8
	Cash and cash equivalents					7.1
Total assets						**384.3**
Segment liabilities		(3.9)	(29.2)	(41.0)	(3.7)	(77.8)
Unallocated liabilities:	Current income tax liabilities					(5.1)
	Bank borrowings					(98.1)
	Derivative financial liabilities					(0.7)
	Post-employment benefit obligations					(4.6)
	Deferred income tax liabilities					(7.6)
Total liabilities						**(193.9)**
Other information						
Non-current asset additions						
– Property, plant and equipment		–	5.0	11.4	–	16.4
– Textile rental items		–	21.7	27.4	–	49.1
– Software		–	0.7	–	–	0.7
Depreciation and amortisation expense						
– Property, plant and equipment		–	4.8	8.7	–	13.5
– Textile rental items		–	16.5	25.3	–	41.8
– Software		–	–	0.1	–	0.1

Notes to the Condensed Consolidated Interim Financial Statements Continued >

3 FINANCE COST

	Half year to 30 June 2019 £m	Half year to 30 June 2018 £m	Year ended 31 December 2018 £m
Finance cost:			
– Interest payable on bank loans and overdrafts	1.3	1.3	2.6
– Amortisation of bank facility fees	0.2	0.2	0.3
– Finance costs on lease liabilities relating to IAS 17	–	0.1	0.3
– Finance costs on lease liabilities relating to IFRS 16	0.9	–	–
– Notional interest on post-employment benefit obligations	0.1	0.1	0.3
	2.5	**1.7**	**3.5**

4 TAXATION

	Half year to 30 June 2019 £m	Half year to 30 June 2018 £m	Year ended 31 December 2018 £m
Current tax			
UK corporation tax charge for the period	3.8	3.8	9.5
Adjustment in relation to previous periods	(0.3)	–	(0.5)
Current tax charge for the period	**3.5**	**3.8**	**9.0**
Deferred tax			
Origination and reversal of temporary differences	(0.9)	(1.0)	(2.6)
Changes in statutory tax rate	–	–	(0.2)
Adjustment in relation to previous years	0.3	–	0.1
Deferred tax credit for the period	**(0.6)**	**(1.0)**	**(2.7)**
Total charge for taxation included in the income statement	**2.9**	**2.8**	**6.3**

Taxation in relation to amortisation of intangible assets (excluding software amortisation) has reduced the charge for taxation on continuing operations in the half year to 30 June 2019 by £0.9 million (June 2018: £0.8 million reduction in the charge; December 2018: £1.7 million reduction in the charge). There is no taxation in relation to exceptional items in any of the periods reported.

During the half year to 30 June 2019, a £1.5 million credit relating to deferred taxation (June 2018: £1.0 million charge; December 2018: £1.0 million charge) has been recognised in other comprehensive income.

During the half year to 30 June 2019, there has been a £0.3 million credit relating to current taxation (June 2018: £nil; December 2018: £nil) and a £0.1 million charge relating to deferred taxation (June 2018: £nil; December 2018: £0.1 million credit) recognised directly in Shareholders' equity.

Reconciliation of effective tax rate

Taxation on non-exceptional items for the half year to 30 June 2019 is calculated based on the estimated average annual effective tax rate (excluding prior year items) of 18.9% (June 2018: 19.5%; December 2018: 20.0%). This compares to the weighted average tax rate expected to be enacted or substantively enacted at the balance sheet date of 19.0% (June 2018: 19.0%; December 2018: 19.0%). 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 adjustment for under or over provisions in previous years is recognised when the amounts are agreed.

Deferred income taxes at the balance sheet date have been measured at the tax rate expected to be applicable at the date the deferred income tax assets and liabilities are realised. Management has performed an assessment, for all material deferred income tax assets and liabilities, to determine the period over which the deferred income tax assets and liabilities are forecast to be realised, which has resulted in an average deferred income tax rate of 17.5% being used to measure all deferred tax balances as at 30 June 2019 (June 2018: 18.0%; December 2018: 17.5%).

5 ADJUSTED PROFIT BEFORE AND AFTER TAXATION

	Half year to 30 June 2019 £m	Half year to 30 June 2018 £m	Year ended 31 December 2018 £m
Profit before taxation	15.2	14.0	33.1
Amortisation of intangible assets (excluding software amortisation)	4.9	4.2	8.8
Costs in relation to business acquisition activity	–	–	0.6
Adjusted profit before taxation	20.1	18.2	42.5
Taxation on adjusted profit	(3.8)	(3.6)	(8.0)
Adjusted profit after taxation	**16.3**	**14.6**	**34.5**

6 DIVIDENDS

	Half year to 30 June 2019 £m	Half year to 30 June 2018 £m	Year ended 31 December 2018 £m
Dividend per share (pence)			
2019 Interim dividend proposed	1.15	–	–
2018 Interim dividend proposed and paid	–	1.00	1.00
2018 Final dividend proposed and paid	–	–	2.10
	1.15	1.00	3.10
Shareholders' funds committed (£m)			
2019 Interim dividend proposed	4.3	–	–
2018 Interim dividend proposed and paid	–	3.7	3.7
2018 Final dividend proposed and paid	–	–	7.7

On 10 May 2019 a final dividend of 2.10 pence per share in respect of 2018 was paid to Shareholders, utilising £7.7 million of Shareholders' funds.

The Directors are proposing an interim dividend in respect of the year ended 31 December 2019 of 1.15 pence which will reduce Shareholders' funds by £4.3 million. The dividend will be paid on 1 November 2019 to Shareholders on the register of members at the close of business on 4 October 2019. The trustee of the EBT has waived the entitlement to receive dividends on the Ordinary shares held by the trust.

In accordance with IAS 10 there is no payable recognised at 30 June 2019 in respect of this proposed dividend.

Notes to the Condensed Consolidated Interim Financial Statements Continued >

7 EARNINGS PER SHARE

	Half year to 30 June 2019 £m	Half year to 30 June 2018 £m	Year ended 31 December 2018 £m
Profit for the period attributable to Shareholders	12.3	11.2	26.8
Amortisation of intangible assets (net of taxation)	4.0	3.4	7.1
Exceptional items (net of taxation)	–	–	0.6
Adjusted profit attributable to Shareholders	16.3	14.6	34.5
	Number of shares	**Number of shares**	**Number of shares**
Weighted average number of Ordinary shares	368,536,954	366,483,899	366,547,752
Potentially dilutive options	833,439	3,366,690	3,053,927
Fully diluted number of Ordinary shares	369,370,393	369,850,589	369,601,679
	Pence per share	**Pence per share**	**Pence per share**
Basic earnings per share			
Basic earnings per share	3.3p	3.1p	7.3p
Adjustment for amortisation of intangibles assets	1.1p	0.9p	1.9p
Adjustment for exceptional items	–	–	0.2p
Adjusted basic earnings per share	4.4p	4.0p	9.4p
Diluted earnings per share			
Diluted earnings per share	3.3p	3.1p	7.2p
Adjustment for amortisation of intangibles assets	1.1p	0.9p	1.9p
Adjustment for exceptional items	–	–	0.2p
Adjusted diluted earnings per share	4.4p	4.0p	9.3p

* Includes outstanding share options granted to employees.

Basic earnings per share is calculated using the weighted average number of Ordinary shares in issue during the period, excluding those held by the Employee Benefit Trust, based on the profit for the period attributable to Shareholders.

Adjusted earnings per share figures are given to exclude the effects of amortisation of intangible assets (excluding software amortisation) and exceptional items, all net of taxation, and are considered to show the underlying performance of the Group.

For diluted earnings per share, the weighted average number of Ordinary shares in issue is adjusted to assume conversion of all potentially dilutive Ordinary shares. The Company has potentially dilutive Ordinary shares arising from share options granted to employees. Options are dilutive under the SAYE scheme, where the exercise price together with the future IFRS 2 charge of the option is less than the average market price of the Company's Ordinary shares during the year. Options under the LTIP schemes, as defined by IFRS 2, are contingently issuable shares and are therefore only included within the calculation of diluted EPS if the performance conditions, as set out in the Board Report on Remuneration in the 2018 Annual report and Accounts, are satisfied.

Potentially dilutive Ordinary shares are dilutive at the point, from a continuing operations level, when their conversion to Ordinary shares would decrease earnings per share or increase loss per share. For all periods, potentially dilutive Ordinary shares have been treated as dilutive, as their inclusion in the diluted earnings per share calculation decreases earnings per share from continuing operations.

There were no events occurring after the balance sheet date that would have changed significantly the number of Ordinary shares or potentially dilutive Ordinary shares outstanding at the balance sheet date if those transactions had occurred before the end of the reporting period.

8 POST-EMPLOYMENT BENEFIT OBLIGATIONS

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

In the half year to 30 June 2019 deficit recovery payments of £0.9 million were paid by the Group to the defined benefit scheme (June 2018: £0.9 million; December 2018: £1.9 million).

Following discussions with the Group's appointed actuary a re-measurement loss of £9.1 million has been recognised in the half year to 30 June 2019. This is principally as a result of asset returns over the period for the scheme having been higher than the assumed interest credit at the year end, resulting in an actuarial gain of £6.8 million, offset, to a greater extent, by the decrease in the assumed discount rate from 2.9% per annum to 2.35% per annum resulting in an actuarial loss of £15.9 million.

The post-employment benefit obligation and associated deferred income tax asset thereon is shown below:

	As at 30 June 2019 £m	As at 30 June 2018 £m	As at 31 December 2018 £m
Post-employment benefit obligation	(12.8)	(6.1)	(4.6)
Deferred income tax asset thereon	2.2	1.1	0.8
	(10.6)	**(5.0)**	**(3.8)**

The reconciliation of the opening gross post-employment benefit obligation to the closing gross post-employment benefit obligation is shown below:

	As at 30 June 2019 £m	As at 30 June 2018 £m	As at 31 December 2018 £m
Opening post-employment benefit obligation	(4.6)	(12.0)	(12.0)
Notional interest	(0.1)	(0.1)	(0.3)
Employer contributions	0.9	0.9	1.9
Re-measurement (losses)/gains	(9.1)	5.0	5.7
Utilisation of healthcare provision	0.1	0.1	0.1
Closing post-employment benefit obligation	**(12.8)**	**(6.1)**	**(4.6)**

9 INTANGIBLE ASSETS

Capitalised software

	As at 30 June 2019 £m	As at 30 June 2018 £m	As at 31 December 2018 £m
Opening net book value	0.7	0.1	0.1
Additions	0.6	0.4	0.7
Amortisation	–	(0.1)	(0.1)
Closing net book value	**1.3**	**0.4**	**0.7**

Other intangible assets

	As at 30 June 2019 £m	As at 30 June 2018 £m	As at 31 December 2018 £m
Opening net book value	38.6	43.4	43.4
Additions	1.1	–	4.0
Amortisation	(4.9)	(4.2)	(8.8)
Closing net book value	**34.8**	**39.2**	**38.6**

Other intangibles assets comprise of customer contracts and relationships. During the half year to 30 June 2019, the Group acquired customer contracts valued at £1.1 million.

Notes to the Condensed Consolidated Interim Financial Statements Continued >

10 PROPERTY, PLANT AND EQUIPMENT

	As at 30 June 2019 £m	As at 30 June 2018 £m	As at 31 December 2018 £m
Opening net book value	96.0	89.3	89.3
Additions	10.0	8.4	16.4
Business combinations	–	–	4.0
Depreciation	(6.4)	(6.5)	(13.5)
Disposals	–	–	(0.2)
Transfer between right-of-use assets (See note 20)	(11.8)	–	–
Closing net book value	**87.8**	**91.2**	**96.0**

Following the adoption of IFRS 16, the transfer between the right-of-use assets represents the reclassification of the net book value of finance lease assets held at 1 January 2019 (£11.9m) to the right-of-use assets, offset by the reclassification of the net book value of finance lease assets back to property, plant and equipment where the lease expired in the half year to 30 June 2019 and the assets are now owned.

Capital Commitments

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

	As at 30 June 2019 £m	As at 30 June 2018 £m	As at 31 December 2018 £m
Software	1.3	2.2	–
Property, plant and equipment	10.3	3.9	5.2

Property, plant and equipment capital commitments as at 30 June 2019 includes £8.2 million in relation to the new Leeds based plant currently under construction.

11 TEXTILE RENTAL ITEMS

	As at 30 June 2019 £m	As at 30 June 2018 £m	As at 31 December 2018 £m
Opening net book value	56.4	50.0	50.0
Additions	20.9	25.4	49.1
Business combinations	–	–	1.3
Depreciation	(22.6)	(19.9)	(41.8)
Special charges	(1.2)	(1.2)	(2.2)
Closing net book value	**53.5**	**54.3**	**56.4**

12 SHARE CAPITAL

Issued share capital is as follows:

	Half year to 30 June 2019 £m	Half year to 30 June 2018 £m	Year ended 31 December 2018 £m
Share capital at the start of the period	36.8	36.6	36.6
New shares issued	0.2	–	0.2
Share capital at the end of the period	**37.0**	**36.6**	**36.8**

In the half year to 30 June 2019, 363,612 SAYE scheme options were exercised with a total nominal value of £36,361 (June 2018: £344; December 2018: £92,734). In the half year to 30 June 2019, LTIP options were exercised with a total nominal value of £180,500. Proceeds in excess of the nominal value were credited to Share Premium.

13 BUSINESS COMBINATIONS

There have been no business combinations in the half year to 30 June 2019. During the half year to 30 June 19, £0.2 million of deferred consideration was paid relating to the acquisition of Ashbon in 2015. The remaining deferred consideration of £0.1 million was paid in July 2019.

During 2018, the Group acquired 100% of the share capital of South West Laundry Holdings Limited, together with its trading subsidiary South West Laundry Limited ('South West'). Full details of the acquisition in 2018 are provided in the 2018 Annual Report and Accounts.

14 BORROWINGS

As at 30 June 2019, borrowings were secured and drawn down under a committed facility dated 21 February 2014, as amended and restated on 24 April 2015 and as further amended and restated on 22 April 2016 and 9 August 2018, comprising a £135.0 million rolling credit facility (including an overdraft) which runs to August 2022. A £15.0 million short term facility, due to expire on 9 August 2019 was cancelled and repaid on 31 May 2019.

On 17 July 2019, the Group exercised a one year extension such that the facility now runs until August 2023.

Under the rolling credit facility, 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. The margin varies between 1.25% and 2.25%. The margin payable on the short term facility was fixed at 1.25% plus LIBOR.

As at 30 June 2019, £55.0 million of borrowings were subject to hedging arrangements which had the effect of replacing LIBOR with fixed rates as follows:

- for £10.0 million of borrowings, LIBOR is replaced with 0.5525% from 30 June 2016 to 30 June 2019; and
- for £15.0 million of borrowings, LIBOR is replaced with 1.665% from 8 January 2016 to 8 January 2020; and
- for £15.0 million of borrowings, LIBOR is replaced with 1.070% from 30 January 2019 to 29 January 2021; and
- for £15.0 million of borrowings, LIBOR is replaced with 1.144% from 30 January 2019 to 29 January 2022.

Borrowings are stated net of unamortised issue costs of £0.5 million (30 June 2018: £0.3 million; 31 December 2018: £0.7 million).

15 ANALYSIS OF NET DEBT

Net debt is calculated as total borrowings net of unamortised bank facility fees, less cash and cash equivalents. Non-cash changes represent the effects of the recognition and subsequent amortisation of fees relating to the bank facility, changing maturity profiles, debt acquired as part of an acquisition, new finance leases and, following the adoption of IFRS 16, the recognition of lease liabilities entered into during the period.

June 2019	At 31 December 2018 £m	Adoption of IFRS 16 £m	At 1 January 2019 £m	Cash Flow £m	Non-cash Changes £m	At 30 June 2019 £m
Debt due within one year	0.3	–	0.3	–	(0.1)	0.2
Debt due after more than one year	(86.6)	–	(86.6)	1.0	(0.1)	(85.7)
Finance leases	(7.4)	7.4	–	–	–	–
Lease liabilities (See note 20)	–	(44.6)	(44.6)	4.0	(3.2)	(43.8)
Total debt and lease financing	(93.7)	(37.2)	(130.9)	5.0	(3.4)	(129.3)
Cash and cash equivalents	(4.7)	–	(4.7)	3.5	–	(1.2)
Net debt	**(98.4)**	**(37.2)**	**(135.6)**	**8.5**	**(3.4)**	**(130.5)**

June 2018	At 1 January 2018 £m	Cash Flow £m	Non-cash Changes £m	At 30 June 2018 £m
Debt due within one year	(1.7)	1.0	–	(0.7)
Debt due after more than one year	(75.9)	(3.0)	(0.1)	(79.0)
Finance leases	(10.0)	2.3	–	(7.7)
Total debt and lease financing	(87.6)	0.3	(0.1)	(87.4)
Cash and cash equivalents	(3.7)	(0.1)	–	(3.8)
Net debt	**(91.3)**	**0.2**	**(0.1)**	**(91.2)**

Notes to the Condensed Consolidated Interim Financial Statements Continued >

15 ANALYSIS OF NET DEBT (Continued)

December 2018	At 1 January 2018 £m	Cash Flow £m	Non-cash Changes £m	At 31 December 2018 £m
Debt due within one year	(1.7)	2.0	–	0.3
Debt due after more than one year	(75.9)	(11.0)	0.3	(86.6)
Finance leases	(10.0)	3.9	(1.3)	(7.4)
Total debt and lease financing	(87.6)	(5.1)	(1.0)	(93.7)
Cash and cash equivalents	(3.7)	(1.0)	–	(4.7)
Net debt	**(91.3)**	**(6.1)**	**(1.0)**	**(98.4)**

The cash and cash equivalents figures are comprised of the following balance sheet amounts:

	As at 30 June 2019 £m	As at 30 June 2018 £m	As at 31 December 2018 £m
Cash (Current assets)	9.8	6.0	7.1
Overdraft (Borrowings, Current liabilities)	(11.0)	(9.8)	(11.8)
	(1.2)	**(3.8)**	**(4.7)**

Lease Liabilities (2018: Finance Lease obligations) are comprised of the following balance sheet amounts:

	As at 30 June 2019 £m	As at 30 June 2018 £m	As at 31 December 2018 £m
Amounts due within one year (Borrowings, Current Liabilities)	–	(2.7)	(3.0)
Amounts due within one year (Lease Liabilities, Current Liabilities)	(10.1)	–	–
Amounts due after more than one year (Borrowings, Non-Current Liabilities)	–	(5.0)	(4.4)
Amounts due within one year (Lease Liabilities, Non-Current Liabilities)	(33.7)	–	–
	(43.8)	**(7.7)**	**(7.4)**

16 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Half year to 30 June 2019 £m	Half year to 30 June 2018 £m	Year ended 31 December 2018 £m
Increase/(decrease) in cash in the period	3.5	(0.1)	(1.0)
Decrease/(increase) in debt and lease financing	5.0	0.3	(5.1)
Change in net debt resulting from cash flows	8.5	0.2	(6.1)
Debt acquired through business combinations	–	–	(1.3)
Leases previously recognised as operating leases under IAS 17	(37.2)	–	–
Lease liabilities recognised during the period	(3.2)	–	–
Movement in unamortised issue costs of bank loans	(0.2)	(0.1)	0.3
Movement in net debt during the period	(32.1)	0.1	(7.1)
Opening net debt	(98.4)	(91.3)	(91.3)
Closing net debt	**(130.5)**	**(91.2)**	**(98.4)**

17 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 31 December 2018. There have been no material changes in these relationships in the half year to 30 June 2019 or up to the date of this Report.

18 CONTINGENT LIABILITIES

The Group operates from a number of sites across the UK. Some of the sites have operated as laundry 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 Trustee of the Pension Scheme (the 'Trustee') security over the assets of the Group. The priority of security is as follows:

- first ranking security for £28.0 million to the Trustee ranking pari passu with up to £155.0 million of bank liabilities; and
- second ranking security for the balance of any remaining liabilities to the Trustee ranking pari passu with any remaining bank liabilities.

During the period of ownership of the Facilities Management division the Company had given guarantees over the performance of contracts entered into by the division. As part of the disposal of the division the purchaser has agreed to pursue the release or transfer of obligations under the Parent Company guarantees and this is in process. The sale and purchase agreement contains an indemnity from the purchaser to cover any loss in the event a claim is made prior to release. In the period until release the purchaser is to make a payment to the Company of £0.2 million per annum, reduced pro rata as guarantees are released. Such liabilities are not expected to give rise to any significant loss.

As a condition of the sale of the Facilities Management division in August 2013, the Group has put in place indemnities, to the purchaser, in relation to any future amounts payable in respect of contingent consideration related to the Nickleby acquisition completed in February 2012. As set out in the 2012 Annual Report and Accounts the maximum amount payable under the terms of the indemnity could be up to £5.0 million. The Directors believe the risk of settlement at, or near, the maximum level to be remote.

19 EVENTS AFTER THE REPORTING PERIOD

There have been no events that require disclosure in accordance with IAS 10, 'Events after the balance sheet date'.

20 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 31 December 2018.

(a) Taxation

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings before exceptional items. Taxation on exceptional items is accrued as the exceptional items are recognised. Prior year adjustments in respect of taxation are recognised when it becomes probable that such adjustment is needed.

(b) Seasonality of operations

Seasonality or cyclicality could affect all of the businesses to varying extents, however, the Directors do not consider such seasonality or cyclicality to be significant in the context of the condensed consolidated interim financial statements.

(c) 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.

(d) Standards and amendments to standards effective in 2019

IFRS 16, 'Leases'

The Group has adopted this new standard retrospectively from 1 January 2019, with the cumulative effect of initially applying this standard being an adjustment to the opening balance of retained earnings as at 1 January 2019. The comparative information for 2018 has not been restated and is presented, as previously reported, under IAS 17.

The new standard results in almost all leases being recognised on the Balance Sheet as, from a lessee perspective, the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors has not significantly changed.

Notes to the Condensed Consolidated Interim Financial Statements Continued >

20 ACCOUNTING POLICIES (Continued)

The Group currently leases both properties and vehicles, comprising cars and commercial vehicles, which under IAS 17, were classified as a series of operating lease contracts with payments made (net of any incentives received from the lessor) charged to profit or loss on a straight-line basis over the period of the lease. From 1 January 2019, under IFRS 16, leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period using the effective interest method. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- In determining whether existing contracts meet the definition of a lease, the Group will not reassess those contracts previously identified as leases and will not apply the standard to those contracts not previously identified as leases.
- Short-term leases (leases of less than 12 months) and leases with less than 12 months remaining as at the date of adoption of the new standard will not be within the scope of IFRS 16.
- Leases for which the asset is of low value (IT equipment and small items of office equipment) will not be within the scope of IFRS 16.
- The use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. For vehicles, these liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate on the current facility as of 1 January 2019, which was 2.48%. The Group also leases various offices and plants, which can differ significantly in terms of property value and location and, with leases negotiated on an individual basis, they can contain a wide range of different terms and conditions. The discount rate applied therefore differs by property and ranges from 2.85% – 7.15%. The weighted average Group's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.46%.

The associated right-of-use assets were measured using the approach set out in IFRS 16.C8(b)(ii), whereby right-of-use assets are equal to the lease liabilities, adjusted by the amount of any prepaid (£1.0 million) or accrued lease payments (£2.3 million) (including unamortised lease incentives such as rent free periods). There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

For leases previously classified as finance leases, which relate to plant and equipment and motor vehicles, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right-of-use asset and the lease liability at the date of initial application.

The overall impact of the adoption of IFRS 16 on the Group's opening Balance Sheet is as follows:

	As at 31 December 2018 £m	IFRS 16 adjustment £m	As at 1 January 2019 £m
Non-current assets			
Property, plant and equipment	96.0	**(11.9)**	84.1
Right-of-use assets	–	**48.0**	48.0
Current assets			
Trade and other receivables	52.1	**(1.0)**	51.1
Current liabilities			
Trade and other payables	64.8	**(2.3)**	62.5
Borrowings	14.5	**(3.0)**	11.5
Lease liabilities	–	**9.2**	9.2
Non-current liabilities			
Borrowings	91.0	**(4.4)**	86.6
Lease liabilities	–	**35.4**	35.4
Net assets	190.4	**0.2**	190.6
Capital and reserves attributable to the Company's Shareholders			
Retained earnings	136.3	**0.2**	136.5
Total equity	190.4	**0.2**	190.6

The adoption of IFRS 16 increased retained earnings as at 1 January 2019 by £0.2m. This represents the reversal of previously recognised property cost accruals which are no longer required.

20 ACCOUNTING POLICIES (Continued)

The table below presents a reconciliation from operating lease commitments disclosed at 31 December 2018 to lease liabilities recognised at 1 January 2019.

	£m
Operating lease commitments disclosed as at 31 December 2018	51.7
(Less): short-term and low value leases recognised on a straight-line basis as an expense	(0.9)
Undiscounted operating lease commitments at 31 December 2018	**50.8**
Discounted using the Group's incremental borrowing rate of at the date of initial application	37.2
Add: finance lease liabilities recognised as at 31 December 2018	7.4
Lease liabilities recognised as at 1 January 2019	**44.6**
Of which are:	
Current lease liabilities	9.2
Non-current lease liabilities	35.4
Lease liabilities recognised as at 1 January 2019	**44.6**

The tables below shows the split of the total right-of-use assets and lease liabilities following the adoption of IFRS 16:

	As at 1 January 2019 £m
Properties	30.8
Plant and equipment	5.3
Leases previously held under finance leases	11.9
Total right-of-use assets	**48.0**
Properties	32.0
Plant and equipment	5.2
Leases previously held under finance leases	7.4
Total lease liabilities	**44.6**

During the half year to 30 June 2019, the application of IFRS 16 resulted in an increase in operating profit in the Consolidated Income Statement of £0.6 million in comparison to treatment under IAS 17, as operating lease payments under IAS 17 were replaced by a depreciation charge on right-of-use assets and operating lease payments in relation to short term and low value leases. Profit before taxation reduced by £0.2 million with the inclusion of £0.8 million of finance costs under the new standard.

The table below shows a reconciliation between profit under IAS 17 and the new standard, IFRS 16.

	£m
Operating lease costs under IAS 17	4.0
(Less): Depreciation of right-of-use assets for leases previously recognised as operating leases under IAS 17	(2.7)
(Less): Short term and low value lease expense under IFRS 16	(0.7)
Impact on operating profit for the half year to 30 June 2019	**0.6**
(Less): Finance costs associated with lease liabilities for leases previously recognised as operating leases under IAS 17	(0.8)
Impact on profit before taxation for the half year to 30 June 2019	**(0.2)**

Notes to the Condensed Consolidated Interim Financial Statements Continued >

20 ACCOUNTING POLICIES (Continued)

During the half year to 30 June 2019, the movement on the right-of-use assets and lease liabilities are as follows:

	As at 30 June 2019 £m
Right-of-use assets	
Opening net book value	48.0
New leases recognised	2.3
Reassessment/modification of leases previously recognised	0.9
Depreciation	(3.6)
Transfer to plant, property and equipment	(0.1)
Closing net book value	**47.5**

The reassessment/modification of leases relates to rent increases and extensions to lease terms that have been agreed during the half year to 30 June 2019 for property leases that were in place on 1 January 2019 following the adoption of IFRS 16.

The transfer to plant, property and equipment represents the reclassification of the net book value of finance lease assets where the lease expired in the half year to 30 June 2019 and the assets are now owned.

	As at 30 June 2019 £m
Lease liabilities	
Opening liabilities	44.6
New leases recognised	2.3
Reassessment/modification of leases previously recognised	0.9
Lease payments	(4.9)
Finance cost	
Closing liabilities	**43.8**

21 PRINCIPAL RISKS AND UNCERTAINTIES

The Group operates a structured risk management process, which identifies and evaluates risks and uncertainties and reviews mitigation activity. The Group set out in its 2018 Annual Report and Accounts the principal risks and uncertainties that could impact its performance. These remain unchanged since the Annual Report and Accounts was published and are summarised below:

Financial Risks

– Economy
– Cost Inflation
– Interest Rate Fluctuations
– Liquidity Risk
– Taxation

Operational Risks

– Failure of Strategy
– Customers
– Competition
– Retention and Motivation of Employees
– Loss of a Processing Facility
– Information Systems and Technology

Regulatory Risk

– Health and Safety
– Compliance and Fraud

These risks and uncertainties do not comprise all of the risks that the Group may face and are not listed in any order of priority. Additional risks and uncertainties not presently known to the Board, or deemed to be less material may also have an adverse effect on the Group. These include risks resulting from the UK's decision to leave the EU which could adversely affect the economic and political environment as well as affecting financial risks such as liquidity and credit. The Board views the potential impact of Brexit as an integral part of its principal risks rather than a stand-alone risk. However, there is still significant uncertainty about the withdrawal process, its timeframe, and the outcome of negotiations about future arrangements between the UK and the EU, and the period for which existing EU laws for member states will continue to apply to the UK. The Board will continue to assess the risk to the business as the Brexit process evolves and will implement any appropriate action.

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 customer demand, together with the impact of product cost pressures and an associated level of customer price inflation. Other potential risks and uncertainties around sales and/or profits include competitor activity, energy prices, 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 28 to 31 of the 2018 Annual Report and Accounts.

22 PUBLISHED FINANCIAL STATEMENTS

As previously announced, there is no longer a requirement to 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.jsg.com.

Notes

Electronic Communications

The Company offers Shareholders the opportunity to receive communications such as notices of Shareholder meetings and the annual report and accounts electronically. The Company encourages the use of electronic communication as, not only does it save the Company printing and mailing costs, it is also a more convenient and prompt method of communication.

If you decide to receive communications electronically, you will be sent an email message each time a new Shareholder report or notice of meeting is published. The email will contain links to the appropriate website where documents can be viewed. It is possible to change your instruction at any time by amending your details on the register.

If you would like to receive electronic communications, you will need to register your email address by accessing the Shareholder Services page within the Investor Relations section of the Company's website at www.jsg.com.

This will link you to the service offered by the Company's Registrar. If you decide not to register an email address with the Registrar, you will continue to receive all communications in hard copy form.

Those Shareholders who are CREST members and who wish to appoint a proxy or proxies utilising the proxy voting service please refer to Note 2 of the Notice of Annual General Meeting.

If you have any queries regarding electronic communications, please contact the Company's registrar, Link Asset Services, on 0871 664 0300 (calls cost 12p per minute plus network extras, lines are open 9.00am-5.30pm Mon-Fri).

FSC
www.fsc.org
MIX
Paper from responsible sources
FSC® C005244

Design: sterlingfp.com
hive.agency
Production: sterlingfp.com

This interim report is printed on paper from an
ISO 14001 certified manufacturer, and is made with ECF pulp sourced
from carefully managed and renewed forests.

JOHNSON
Service Group PLC

Johnson House, Abbots Park, Monks Way
Preston Brook, Cheshire WA7 3GH

T: +44 (0)1928 704 600

F: +44 (0)1928 704 620

enquiries@jsg.com