Interim Report 2011

JOHNSON
SERVICE GROUP PLC

The established name in the Textile Rental, Drycleaning and Facilities Management sectors.

Chairman's Statement

I am pleased to report an overall result in line with our expectations.

The Textile Rental division has performed very well and has benefited from a period of stability within existing customer accounts. Within the Drycleaning division, revenue benefited from a more normal weather pattern compared to the previous year, although High Street conditions remain challenging. The Facilities Management business, SGP, has significantly increased its level of adjusted operating profit and has continued to strengthen its potential new business pipeline, which will benefit the medium to long term growth of the business.

Net debt has been reduced further to £51.0 million and we have significant headroom under existing bank facilities. An increased interim dividend of 0.33p (H1 2010: 0.27p) will be paid in November 2011.

Group Results

Throughout this statement "adjusted operating profit" refers to operating profit before amortisation and impairment of intangibles (excluding software amortisation) and exceptional items. "Adjusted profit before tax" refers to adjusted operating profit less finance costs.

Total revenue in the six months to 30th June 2011 was £117.3 million (H1 2010: £113.0 million), while underlying revenue, excluding costs recharged to customers, was £113.6 million (H1 2010: £109.8 million). Adjusted operating profit increased by 5.0% to £8.4 million (H1 2010: £8.0 million).

Adjusted profit before tax increased to £6.5 million (H1 2010: £6.2 million). The underlying tax rate was reduced to 25.6% (H1 2010: 28.3%) reflecting the reduction in the enacted corporation tax rate.

There were no exceptional items in the first half of 2011.

Net finance costs were £1.9 million (H1 2010: £1.8 million) with the benefit of lower average borrowings being offset by the higher interest rate applicable to the hedged part of the bank facility.

After amortisation of intangibles (excluding software) of £1.3 million the pre-tax profit was £5.2 million (H1 2010: £2.2 million loss). Adjusted fully diluted earnings per share were unchanged at 1.8 pence (H1 2010: 1.8 pence) while fully diluted earnings per share after exceptional items and amortisation and impairment of intangibles (excluding software amortisation) were 1.4 pence (H1 2010: 0.7 pence loss).

Pension Deficit

The recorded net deficit after tax for all post retirement obligations has reduced to £4.2 million at June 2011 from £12.3 million at December 2010, of which £3.2 million (2010: £11.2 million) is in relation to the Group's defined benefit pension schemes. The reduction arises from a combination of an increase in the market value of assets, particularly equity investments, combined with a decrease in liabilities reflecting the various initiatives undertaken in the last two years.

The current agreements reached with the Trustees of the three defined benefit pension schemes require additional contributions of £1.7 million in 2011 and £1.8 million in 2012. The valuation of the largest scheme as at 5th April 2010 was completed earlier this year and agreement was reached with the Trustee such that additional contributions under the deficit recovery plan could be used in a more efficient manner. Accordingly the Company is currently undertaking an enhanced transfer value exercise with the purpose of reducing the overall size of the Scheme and therefore the level of risk assumed. The timing of this exercise will defer the payment of the deficit contributions required under the Schedules such that the amount paid in respect of 2011 will be second half weighted.

Finances

Total net debt at the end of the first half was reduced to £51.0 million (31st December 2010: £59.5 million). The lower net debt is partly due to the £5.8 million tax refund received in February 2011, which remains subject to final agreement with HMRC, and partly due to a second half weighting on capital expenditure and pension deficit payments. For both the March and June quarter end covenant tests we achieved our previously stated long term objective of attaining a bank gearing covenant ratio of less than 2 times.

The available bank facility, which runs to April 2013, is currently £73.45 million and will reduce to £71.95 million by the end of December. This facility is significantly in excess of the anticipated level of borrowings, with comfortable cover on all bank covenants, for the foreseeable future.

John Talbot, Executive Chairman

Chairman's Statement continued

Apparelmaster's Logix Park plant, our state of the art facility in Hinckley

Interest cover based on adjusted operating profit was 4.4 times (H1 2010: 4.4 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 3.0% for the period to 8th January 2013 compared to a fixed rate on the same amount of 1.9% in 2010.

Dividend

The management team has worked hard to reduce the Group's net debt to a manageable level, whilst continuing to invest in the Group's operations. In light of our improved performance and current financial position, the Board feels it is appropriate to adopt a more progressive dividend policy, which will see dividend cover reduced gradually over time. Accordingly, the Board has recommended an interim dividend of 0.33 pence, representing an increase of 22.2% over the same period last year (H1 2010: 0.27 pence).

The interim dividend will be paid on 11 November 2011 to those Shareholders on the register of members at the close of business on 14th October 2011. The ex dividend date is 12th October 2011.

DIVISIONAL PERFORMANCE

Textile Rental

The Textile Rental division performed above our expectations throughout the first six months of 2011 despite the challenges of difficult trading conditions within the industrial and hospitality market sectors of the UK and anticipated cost increases.

Revenue increased by 3.0% to £58.0 million (H1 2010: £56.3 million) and adjusted operating profit increased by 1.3% to £7.7 million (H1 2010: £7.6 million).

The revenue increase was largely driven by a stable level of spend by existing customers, which is an improvement on the recent experience of spend reductions, and normal levels of customer terminations. In addition, new business sales at Johnsons Apparelmaster increased by 5%, and direct sales of uniforms to customers increased by 44% albeit from a low base.

Capital investment in new equipment and technologies continued although at a slower pace than previous years. During the first six months of the year we completed a major refit of our dedicated food sector cleanroom at Uttoxeter, which was the first such plant opened by the Group in 1994, and also completed the final stages of the Stalbridge Sturminster Newton plant upgrade.

Escalating energy, fuel and cotton prices were always expected to be a challenge to the business. However, the Division has continued to be proactive in these areas and hence further energy and productivity benefits were derived from previous strategic decisions to invest in modern energy efficient equipment. These decisions resulted in further savings of 6% in gas and electricity usage (in addition to the 12.4% savings achieved in 2010) which has helped to mitigate the effect of rising unit prices. We have some protection for the remainder of this year against the recently announced energy price increases through the forward buying of gas and electricity.

Fuel costs of our large transport fleet increased by over £0.2 million but improved driver training, route planning and monitoring have helped to mitigate the impact of rising fuel prices.

As previously reported the Division implemented a new integrated wages, training and human resources evaluation system for the entire workforce in September 2010 and this is now delivering real benefits across the Division.

Although the second half will be a normal trading period (unlike 2010 which benefited from additional trading days adding approximately £0.7 million to adjusted operating profit), the strong trading performance of the Division is expected to continue for the remainder of the year.

Drycleaning

The Drycleaning division operates under the brands Johnson Cleaners, our national retail arm, Jeeves of Belgravia, our predominantly London based luxury business and Alex Reid, our consumables business and major supplier to the Drycleaning sector. Adjusted operating profit increased to £0.6 million (H1 2010: £0.5 million) despite revenue for the Division being 2.3% lower at £37.9 million (2010: £38.8 million).

Although revenue showed some considerable fluctuations in the first 4 months of the year, a more stable trend was then established resulting in the combined revenue of Johnson Cleaners and Jeeves of Belgravia being some 1% lower for the first half on a like for like basis at £33.7 million (H1 2010: £34.6 million) notwithstanding the impact of the additional two Bank

Our new "POD" concept at Sainsbury's, East Mayne

The severe weather conditions experienced at the beginning of 2010 were not repeated, assisting the comparison to last year. As anticipated, trading on the High Street in 2011 has been tough, with the rise in VAT to 20% together with the underlying concerns of job security and rising inflation.

The roll out of our GreenEarth® silicone cleaning and store refurbishment programme to reflect our green credentials that we have implemented over the last 2 years is being slowed to enable this to incorporate the roll out of our improved Laundry and Ironing Service to a large percentage of the stores.

The enhanced focus on Laundry and Ironing has produced revenue growth in this category of some 7.5% in the first half of the year across the estate, with the 200 upgraded branches achieving double digit growth in the early weeks since installation in May and June. We anticipate that this category, which is currently some 7.4% of revenue, will continue to grow substantially in the second half of 2011 and provide strong full year returns in 2012 as both new and existing customers continue to react positively to the service.

There have been no significant changes to the portfolio in the first half of 2011 following the rationalisation process in 2010, other than at a lease end or a break option.

Two new stores have opened on Sainsbury sites in the form of a transportable modular unit. The 'Pods' are sited on the supermarket car park and occupy 2 car parking spaces. Our first Pods opened in May in Stevenage and East Mayne and customer reaction and results to date are favourable. We are exploring a number of further opportunities both with supermarkets and other appropriate landlords.

In the second half of 2010 we introduced an 'Empower' programme within our business, whereby store managers are encouraged and trained to use their entrepreneurial skills to improve revenue and profit. The empowered Branch Managers have continued to perform ahead of the core estate for a sustained period and the second half of the year will see the project rolled out to a further 100 managers, taking the empowered estate to over 200.

Our restoration business, JRS, is showing signs of reaching its profit potential following its relocation to the Central Processing Unit in Rugby last year and a strong second half trading result is anticipated.

Jeeves of Belgravia, our luxury brand and international franchise operation, has expanded in the first half of 2011 with a new opening at St. Pauls in London, followed by our first venture out of the capital with a stunning new store in Alderley Edge, Cheshire. Absorbing the opening costs of the new stores has impacted the first half results by approximately £0.1 million.

A further Jeeves store is identified to open in the latter part of the year. The performance of the new stores along with an increased level of interest in our international franchise business, and the development of our bespoke garment storage facility, gives us confidence that this brand will continue to grow successfully.

Alex Reid, our consumables business, has benefited from a period of stability following a significant business overhaul in 2010. Revenues and adjusted operating profit have remained flat at £4.2 million (H1 2010: £4.2 million) and £0.1 million (H1 2010: £0.1 million) respectively.

We anticipate a stronger second half in this business as the new management team focus on customer service and relations, alongside some exciting new initiatives to improve results.

We expect the drycleaning division to build on a satisfactory first half performance, and deliver a full year result significantly better than that of 2010.

Facilities Management

The FM division comprises SGP and the Special Purpose Companies (SPCs) which manage six PFI contracts in the Healthcare and Education sectors.

SGP provides building and facilities management (FM) services to many high street chains and to public and commercial organisations. SGP helps its clients make the right property and facilities management choices for their organisations. Working across the Healthcare, Education, Corporate and Retail/Hospitality sectors, SGP's consultative approach provides bespoke solutions and its unique supplier management model provides transparency and delivers effective, value for money services.

SGP's flexible model delivers the right level of management and the right combination of services that integrate with the way in which its clients' organisations

Chairman's Statement continued

Antelope House, Southern Health NHS Foundation Trust – one of our PFI contracts

The SPCs manage the PFI contracts acquired in 2010 and have built strong relationships with the various local authorities. We are working with the occupiers of the buildings to enhance the facilities and to provide improved value at each of the sites.

Controlling over £1 billion of customer spend, SGP gives clients the ability to report and interrogate areas of operation and spend in real-time, enabling them to make informed strategic decisions.

The combined presence of SGP and the SPCs in the key markets of Corporate (31% of revenue), Education (25%), Healthcare (22%) and Retail/Hospitality (22%) continues to strengthen. Revenue in the Education and Healthcare sectors in particular has shown strong growth in the period as a result of the PFI acquisitions from Jarvis in 2010. In the first half of 2011, nearly 60% of revenue, before costs recharged to customers, was derived from long term PFI contracts (H1 2010: 46%) delivered to the Corporate, Healthcare and Education sectors.

The revenue (excluding customer recharges) of the Division has significantly increased compared to the first half of 2010. Revenue excluding costs recharged to customers was 20.4% higher at £17.7 million (H1 2010: £14.7 million) whilst revenue including recharges was 19.6% higher than the first half of 2010 at £21.4 million (H1 2010: £17.9 million). This reflects the impact of last year's successful second half acquisition of long term PFI contracts. Adjusted operating profit at £2.0 million increased on 2010 by 25% (H1 2010: £1.6 million).

SGP's investment in additional business development resource to support growth in the medium and longer term is already beginning to show returns with a number of significant new contracts won within the Corporate and Retail sectors during the first half of 2011. These contracts are currently being mobilised and will be operational and contributing in the second half of this year. Our new business pipeline continues to strengthen benefiting not only from the additional resource but also from our greater presence in the long term PFI market. Clients' capital works activity has also continued to gain further momentum with work being undertaken for a number of new customers during the first half of this year. Property activity has held up well in what continues to be a difficult market. SGP has expanded its agency business with a new office due to open in Manchester following the success of the London office opening last year.

During the second half of this year, SGP will make significant investment into strengthening and broadening its building engineering infrastructure and capability and in particular its energy management and utilities offering. SGP will also continue to look for further strategically beneficial, earnings enhancing, acquisitions in addition to organic growth.

Whilst market conditions remain challenging, the new contract wins, together with continued capital expenditure by clients, should not only ensure SGP builds on this very successful first half and achieves a satisfactory overall growth this year, but will also ensure a strong platform is established for 2012.

Staff

I would like to thank employees at all levels for their continuing support and commitment to the Group and for their continuing enthusiasm in building for the future.

Outlook

I am pleased with the strong performance of the Group in the first half of the year, despite difficult market conditions.

Our Textile Rental division has had a strong first half year and has seen a return to growth. Whilst the cost pressures of the first half are likely to continue, we remain confident of a satisfactory second half performance.

The Drycleaning division performed well in a challenging consumer environment. We have made considerable investment in the business, underpinning the Board's confidence in the Division for the future.

SGP is starting to benefit from the investment that has been made in people and infrastructure over the last two years. I anticipate that new contract wins and the mobilisation of those already signed will result in continuing growth in revenue and profitability in this Division.

The overall financial position of the Group has continued to improve and we are confident that the Group will perform well in the second half.

John Talbot
Executive Chairman
6th September 2011

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 2010. There have been no changes since 31st December 2010.

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

By order of the Board

Yvonne Monaghan
Finance Director
6th September 2011

On behalf of the Board

Consolidated Income Statement

	Note	Half year to 30th June 2011 £m	Half year to 30th June 2010 £m	Year ended 31st December 2010 £m
Continuing Operations				
Revenue	3	117.3	113.0	235.1
Costs recharged to customers		(3.7)	(3.2)	(7.7)
Revenue excluding costs recharged to customers		113.6	109.8	227.4
Operating profit/(loss)	3	7.1	(0.4)	8.0
Operating profit before intangibles amortisation and impairment (excluding software amortisation) and exceptional items		8.4	8.0	18.3
Amortisation and impairment of intangible assets (excluding software amortisation)		(1.3)	(1.4)	(2.8)
Exceptional items	4			
– Restructuring costs		–	(6.5)	(8.3)
– Pension credits		–	–	2.2
– Costs in relation to business acquisition activity		–	(0.5)	(1.4)
Operating profit/(loss)	3	7.1	(0.4)	8.0
Finance costs		(2.0)	(1.8)	(3.8)
Finance income		0.1	–	–
Profit/(loss) before taxation		5.2	(2.2)	4.2
Taxation	5	(1.3)	0.6	(1.0)
Profit/(loss) for the period attributable to equity holders		3.9	(1.6)	3.2
Earnings per share *	7			
Basic earnings per share		1.5p	(0.7p)	1.3p
Diluted earnings per share		1.4p	(0.7p)	1.2p

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

The notes on pages 10 to 20 form an integral part of these condensed consolidated interim financial statements.

Consolidated Statement of Comprehensive Income

	Note	Half year to 30th June 2011 £m	Half year to 30th June 2010 £m	Year ended 31st December 2010 £m
Profit/(loss) for the period		3.9	(1.6)	3.2
Other Comprehensive Income				
Actuarial gain/(loss) on defined benefit pension plans	9	10.0	(8.3)	(1.5)
Taxation in respect of actuarial (gain)/loss		(2.6)	2.3	0.4
Change in deferred tax due to change in tax rate		(0.2)	–	(0.2)
Cash flow hedges (net of taxation) – fair value of losses		(0.2)	(1.3)	(1.4)
– transfer to interest		0.3	0.2	0.3
Other comprehensive income for the period		7.3	(7.1)	(2.4)
Total comprehensive income for the period		11.2	(8.7)	0.8

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 2010	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
Total comprehensive income for the period	–	–	–	9.5	9.5
Reserve transfer	–	–	(0.1)	0.1	–
Share options (value of employee services)	–	–	–	0.4	0.4
Issue of Share capital	0.1	–	–	–	0.1
Dividends paid	–	–	–	(0.7)	(0.7)
Balance at 31st December 2010	25.0	13.7	1.1	30.7	70.5
Total comprehensive income for the period	–	–	0.1	11.1	11.2
Share options (value of employee services)	–	–	–	0.4	0.4
Issue of Share capital	0.1	–	–	–	0.1
Dividends paid	–	–	–	(1.4)	(1.4)
Balance at 30th June 2011	25.1	13.7	1.2	40.8	80.8

The reserve transfer in 2010 relates to the amortisation of the warrants through the Income Statement.

Consolidated Balance Sheet

	Note	As at 30th June 2011 £m	As at 30th June 2010 £m	As at 31st December 2010 £m
Assets				
Non–Current Assets				
Goodwill		87.6	87.6	87.6
Intangible assets		9.2	8.8	10.5
Property, plant and equipment		43.1	44.8	44.4
Textile rental items		21.6	19.8	19.7
Trade and other receivables		0.6	0.6	0.6
Deferred income tax assets		3.4	9.6	6.5
		165.5	171.2	169.3
Current Assets				
Inventories		3.9	3.8	3.7
Trade and other receivables		39.2	37.8	35.4
Cash and cash equivalents		5.1	0.5	2.2
		48.2	42.1	41.3
Liabilities				
Current Liabilities				
Trade and other payables		48.5	40.7	44.0
Current income tax liabilities		7.7	–	0.6
Borrowings	12	2.7	11.0	6.4
Derivative financial liabilities		–	0.1	–
Provisions		4.7	5.0	5.0
		63.6	56.8	56.0
Net Current Liabilities		(15.4)	(14.7)	(14.7)
Non-Current Liabilities				
Retirement benefit obligations	9	5.7	27.4	16.8
Deferred income tax liabilities		1.0	1.7	1.3
Other non-current liabilities		2.0	1.3	2.2
Borrowings	12	51.5	54.1	53.5
Derivative financial liabilities		1.4	1.4	1.5
Provisions		7.7	9.4	8.8
		69.3	95.3	84.1
Net Assets		80.8	61.2	70.5
Equity				
Capital And Reserves Attributable To The Company's Equity Holders				
Called up share capital		25.1	24.9	25.0
Share premium		13.7	13.7	13.7
Other reserves		1.2	1.2	1.1
Retained earnings		40.8	21.4	30.7
Total Equity		80.8	61.2	70.5

The notes on pages 10 to 20 form an integral part of these condensed consolidated interim financial statements.

The condensed consolidated interim financial statements on pages 6 to 20 were approved by the Board of Directors on 6th September 2011 and signed on its behalf by:

Yvonne Monaghan
Finance Director

Consolidated Statement of Cash Flows

	Note	Half year to 30th June 2011 £m	Half year to 30th June 2010 £m	Year ended 31st December 2010 £m
Cash Flows From Operating Activities				
Profit/(loss) for the period		3.9	(1.6)	3.2
Adjustments for:				
Income tax – continuing operations	5	1.3	(0.6)	1.0
– discontinued operations		–	–	(0.1)
Finance income and expense		1.9	1.8	3.8
Depreciation and impairment		9.8	10.2	21.0
Amortisation of intangible assets		1.4	1.6	3.1
Increase in inventories		(0.3)	(0.4)	(0.3)
Increase in trade and other receivables		(3.7)	(3.0)	(0.2)
Increase in trade and other payables		2.8	3.3	0.6
(Profit)/loss on sale of property, plant and equipment		(0.2)	–	0.1
Pre-tax profit on disposal of business		–	–	(0.1)
Acquisition fees charged to income statement		–	0.5	1.4
Additional contribution to defined benefit pension schemes		(0.5)	(0.8)	(1.6)
Share-based payments		0.4	0.3	0.9
Retirement benefit obligations		(0.2)	(0.2)	(2.7)
Provisions		(1.6)	4.3	3.8
Cash generated from operations		15.0	15.4	33.9
Interest paid		(1.8)	(1.1)	(3.1)
Taxation received		5.8	2.1	1.8
Net cash generated from operating activities		19.0	16.4	32.6
Cash Flows From Investing Activities				
Acquisition of business (net of cash acquired)	11	(0.2)	(1.1)	(0.5)
Proceeds from sale of business		–	–	0.1
Purchase of property, plant and equipment		(1.9)	(4.1)	(7.7)
Proceeds from sale of property, plant and equipment		0.3	0.1	1.4
Purchase of intangible assets		(0.1)	(0.1)	(0.3)
Purchase of textile rental items		(7.5)	(7.5)	(14.3)
Proceeds from sale of textile rental items		1.0	1.1	2.2
Interest received		0.1	–	–
Net cash used in investing activities		(8.3)	(11.6)	(19.1)
Cash Flows From Financing Activities				
Proceeds from borrowings		2.5	70.5	73.5
Repayments of borrowings		(5.0)	(77.5)	(86.0)
Capital element of finance leases		(0.4)	(0.4)	(0.8)
Net proceeds from issue of Ordinary shares		0.1	–	0.1
Dividends paid to company Shareholders		(1.4)	(1.2)	(1.9)
Net cash used in financing activities		(4.2)	(8.6)	(15.1)
Net increase/(decrease) in cash and cash equivalents		6.5	(3.8)	(1.6)
Cash and cash equivalents at beginning of period		(1.4)	0.2	0.2
Cash and cash equivalents at end of period	13	5.1	(3.6)	(1.4)

The notes on pages 10 to 20 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 6th September 2011.

1 Basis of Preparation

These condensed consolidated interim financial statements of Johnson Service Group PLC are for the six months ended 30th June 2011. 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 2010 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 2010 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 2010 included herein is derived from the condensed consolidated interim financial statements for that period.

2 Principal Risks and Uncertainties

The Group set out in its 2010 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, 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 are detailed on pages 14 and 15 of the 2010 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 2011. Details of the Group's segments are provided on page 59 of the 2010 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 in the prior year 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 2011, together with comparative figures, are as follows:

Half year ended 30th June 2011	Textile Rental £m	Drycleaning £m	Facilities Management £m	All Other Segments £m	Total £m
Revenue					
Revenue	58.0	37.9	21.6	–	117.5
Inter-segment revenue	–	–	(0.2)	–	(0.2)
Total revenue	58.0	37.9	21.4	–	117.3
Revenue Excluding Costs Recharged to Customers					
Revenue	58.0	37.9	17.9	–	113.8
Inter-segment revenue	–	–	(0.2)	–	(0.2)
Total Revenue Excluding Costs Recharged to Customers	58.0	37.9	17.7	–	113.6
Result					
Operating Profit before Intangible Amortisation and Impairment (excluding Software Amortisation)	7.7	0.6	2.0	(1.9)	8.4
Amortisation and impairment of intangible assets	(0.3)	–	(1.0)	–	(1.3)
Operating Profit/(Loss)	7.4	0.6	1.0	(1.9)	7.1
Finance costs					(2.0)
Finance income					0.1
Profit before taxation					5.2
Taxation					(1.3)
Profit for the period					3.9

	Discontinued Operations £m	Textile Rental £m	Drycleaning £m	Facilities Management £m	All Other Segments £m	Total £m
Other Information						
Fixed asset additions						
– Property, plant and equipment	–	0.8	1.1	0.2	–	2.1
– Textile rental items	–	9.2	–	–	–	9.2
– Intangible software	–	–	–	0.1	–	0.1
Depreciation and amortisation expense						
– Property, plant and equipment	–	1.9	1.3	0.2	0.1	3.5
– Textile rental items	–	6.3	–	–	–	6.3
– Intangible software	–	–	–	0.1	–	0.1
Balance Sheet Information						
Segment assets	0.2	105.7	38.9	50.5	9.9	205.2
Unallocated assets: Deferred income tax						3.4
Cash and cash equivalents						5.1
Total assets						213.7
Segment liabilities	(0.5)	(28.7)	(18.5)	(10.7)	(5.4)	(63.8)
Unallocated liabilities: Borrowings						(52.8)
Deferred income tax						(1.0)
Current income tax						(7.7)
Derivative financial liabilities						(1.4)
Retirement benefits						(6.2)
Total liabilities						(132.9)
Return on Capital Employed		44.2%	15.7%	133.4%		

Notes to the Condensed Consolidated Interim Financial Statements

3 Segment Analysis continued

Half year ended 30th June 2010	Textile Rental £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)
Total Revenue	56.3	38.8	17.9	–	113.0
Revenue Excluding Costs Recharged to Customers					
Revenue	56.3	38.8	14.9	–	110.0
Inter-segment revenue	–	–	(0.2)	–	(0.2)
Total Revenue Excluding Costs Recharged To Customers	56.3	38.8	14.7	–	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					(1.6)

	Discontinued Operations £m	Textile Rental £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)
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%		

3 Segment Analysis continued

Year ended 31st December 2010	Textile Rental £m	Drycleaning £m	Facilities Management £m	All Other Segments £m	Total £m
Revenue					
Revenue	115.1	78.7	41.9	–	235.7
Inter-segment revenue	–	–	(0.6)	–	(0.6)
Total Revenue	115.1	78.7	41.3	–	235.1
Revenue Excluding Costs Recharged to Customers					
Revenue	115.1	78.7	34.2	–	228.0
Inter-segment revenue	–	–	(0.6)	–	(0.6)
Total Revenue Excluding Costs Recharged To Customers	115.1	78.7	33.6	–	227.4
Result					
Operating Profit Before Intangibles Amortisation And Impairment (Excluding Software Amortisation) And Exceptional Items	16.6	2.0	3.6	(3.9)	18.3
Amortisation and impairment of intangible assets	(0.8)	–	(2.0)	–	(2.8)
Exceptional items					
– Pension Credits	–	–	0.6	1.6	2.2
– Reorganisation costs	–	(6.5)	(0.3)	–	(6.8)
– Loss on disposal of property and property provisions	–	–	–	(1.5)	(1.5)
– Business acquisition activity	(0.1)	–	(1.3)	–	(1.4)
Operating Profit	15.7	(4.5)	0.6	(3.8)	8.0
Finance costs					(3.8)
Profit before taxation					4.2
Taxation					(1.0)
Profit for the period					3.2

	Discontinued Operations £m	Textile Rental £m	Drycleaning £m	Facilities Management £m	All Other Segments £m	Total £m
Other Information						
Fixed asset additions						
– Property, plant and equipment	–	4.5	3.8	0.4	–	8.7
– Textile rental items	–	15.6	–	–	–	15.6
– Intangible software	–	–	0.1	0.2	–	0.3
Depreciation and amortisation expense						
– Property, plant and equipment	–	4.2	3.0	0.3	0.2	7.7
– Textile rental items	–	13.3	–	–	–	13.3
– Intangible software	–	–	0.1	0.2	–	0.3
Balance Sheet Information						
Segment assets	0.1	102.3	38.2	49.7	11.6	201.9
Unallocated assets: Deferred income tax						6.5
Cash and cash equivalents						2.2
Total assets						210.6
Segment liabilities	(0.5)	(25.5)	(18.5)	(10.1)	(6.9)	(61.5)
Unallocated liabilities: Borrowings						(58.5)
Deferred income tax						(1.3)
Current income tax						(0.6)
Derivative financial liabilities						(1.5)
Retirement benefits						(16.7)
Total liabilities						(140.1)
Return on Capital Employed		46.0%	16.6%	144.1%		

Notes to the Condensed Consolidated Interim Financial Statements

4 Exceptional Items

	Half year to 30th June 2011 £m	Half year to 30th June 2010 £m	Year ended 31st December 2010 £m
Restructuring costs – Drycleaning	–	(6.5)	(6.5)
– Facilities Management	–	–	(0.3)
Property disposals and provisions	–	–	(1.5)
	–	(6.5)	(8.3)
Pension credits	–	–	2.2
Costs in relation to acquisition activity	–	(0.5)	(1.4)
Total exceptional items	–	(7.0)	(7.5)

Current year exceptional items
There are no exceptional items in the current year.

Prior year exceptional items
Restructuring costs – Drycleaning
The management of the Drycleaning division, in working to optimise the performance of stores in our more marginal locations, conducted a review which identified a number of loss making stores which continued to decline at a faster rate and where, in management's view, overall efficiency and focus would be improved by their closure. It was, therefore, decided to strengthen the overall portfolio by the closure of 20 such stores over and above those at lease expiry which also allowed a reduction in overhead. The review also identified a further 8 stores which it was uneconomic to close but which were considered unlikely to be restored to profitability and in respect of which a provision was recognised for both the least net cost of exiting these stores and asset impairments. The costs also included the restructuring of the warehousing and logistical operations supporting the division. Of the total restructuring cost, £0.5 million was non-cash. The majority of the cash outflow is in respect of existing property lease commitments which will remain until the locations are disposed of.

Restructuring costs – Facilities Management
Following from the acquisition of contracts from Jarvis PLC (in administration) the Division reorganised its management and support structures such that they were better aligned to the business needs going forward. Although these costs were directly as a result of the acquisition of PFI contracts from Jarvis PLC (in administration), they have not been classified as 'costs in relation to business acquisition activity' as they more closely fit the definition of 'restructuring costs'. All costs were incurred during the second half of 2010.

Property disposals and provisions
During the second half of 2010 a surplus freehold property was disposed of for net proceeds, after associated costs, of £1.1 million, resulting in a loss on disposal of £0.1 million. In addition the Group recognised further provisions of £1.4 million in respect of onerous lease commitments on surplus property.

Pension credits
The recent statutory change for the indexation of certain future pension benefits is being implemented, although it only affects certain categories of deferred members. The impact of the change from RPI to CPI was recognised as an exceptional credit in the Income Statement during the second half of 2010.

Costs in relation to business acquisition activity
Under IFRS 3 (revised), 'Business combinations', all acquisition-related costs (e.g. professional fees) are required 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 £1.3 million (as at 31st December 2010) and £0.4 million (as at 30th June 2010) 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.

5 Taxation

Continuing operations	Half year to 30th June 2011 £m	Half year to 30th June 2010 £m	Year ended 31st December 2010 £m
Current tax			
UK corporation tax charge/(credit) for the period	1.4	(0.9)	0.3
Adjustment in relation to previous periods	(0.1)	–	–
Current tax charge/(credit) for the period	1.3	(0.9)	0.3
Deferred tax			
Origination and reversal of temporary differences	–	0.3	1.1
Adjustment in relation to previous periods	–	–	(0.4)
Deferred tax charge for the period	–	0.3	0.7
Total taxation charge/(credit)	1.3	(0.6)	1.0

Tax relief on intangibles amortisation has reduced the taxation charge in the current period by £0.3 million (half year ended 30th June 2010: £0.4 million increase in the credit; year ended 31st December 2010: £0.8 million reduction in the charge). There are no exceptional items during the half year ended 30th June 2011. Exceptional items in the half year to 30th June 2010 increased the tax credit by £1.9 million and in the year ended 31st December 2010 reduced the tax charge by £2.1 million.

In February 2011 the Group received a tax repayment of £5.8 million plus interest relating to 2008. The tax computation for 2008 has yet to be agreed with HMRC and as such there is no adjustment in relation to previous periods within the tax charge for the half year to 30th June 2011 relating to this repayment.

Reconciliation of effective tax rate

Taxation on non-exceptional items for the six months to 30th June 2011 is calculated based on the estimated average annual effective tax rate of 25.6% (half year ended 30th June 2010: 28.3%; year ended 31st December 2010: 26.9%), as compared to the tax rates expected to be enacted or substantively enacted at the annual balance sheet date of 26% (half year ended 30th June 2010: 28%; year ended 31st December 2010: 27%). 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 2010-11'

The Finance (No 3) Bill 2010-11 received its third reading in the House of Commons on 5th July 2011 and is now awaiting passage through the House of Lords and Royal Assent. The effect of this Bill will be to reduce the main rate of corporation tax from 26% to 25% from 1st April 2012. This legislation has not been substantively enacted at the balance sheet date and therefore the effect has not been included in these financial statements. Future finance bills are expected to introduce additional reductions to 23%.

Whilst the reduction in the main rate of corporation tax from 26% to 25% 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 2012, 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 2011 £m	Half year to 30th June 2010 £m	Year ended 31st December 2010 £m
Profit/(loss) before taxation	5.2	(2.2)	4.2
Intangibles amortisation and impairment (excluding software amortisation)	1.3	1.4	2.8
Pension credits	–	–	(2.2)
Restructuring costs	–	6.5	6.8
Loss on disposal of property and property provisions	–	–	1.5
Costs in relation to business acquisition activity	–	0.5	1.4
Adjusted profit before taxation	6.5	6.2	14.5
Taxation on adjusted profit before taxation	(1.6)	(1.7)	(3.9)
Adjusted profit after taxation	4.9	4.5	10.6

Notes to the Condensed Consolidated Interim Financial Statements

7 Earnings Per Share

Continuing operations	Half year to 30th June 2011 £m	Half year to 30th June 2010 £m	Year ended 31st December 2010 £m
Profit/(loss) for the period attributable to Ordinary Shareholders	3.9	(1.6)	3.2
Intangibles amortisation (excluding software) (net of taxation)	1.0	1.0	2.0
Exceptional items (net of taxation)	–	5.1	5.4
Adjusted profit attributable to Ordinary Shareholders	4.9	4.5	10.6
Weighted average number of Ordinary shares	249,214,647	248,234,264	248,170,808
Potentially dilutive options *	21,628,279	12,907,898	13,513,610
Fully diluted number of Ordinary shares	270,842,926	261,142,162	261,684,418
Basic earnings per share			
From continuing operations	1.5p	(0.7p)	1.3p
Adjustment for intangibles amortisation	0.4p	0.4p	0.8p
Adjustment for exceptional items	–	2.1p	2.2p
Adjusted basic earnings per share	1.9p	1.8p	4.3p
Diluted earnings per share			
From continuing operations	1.4p	(0.7p)	1.2p
Adjustment for intangibles amortisation	0.4p	0.4p	0.8p
Adjustment for exceptional items	–	2.1p	2.1p
Adjusted diluted earnings per share	1.8p	1.8p	4.1p

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

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 profit/(loss) 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) and exceptional items, 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 warrants issued to the Company's banks and 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.

Potential dilutive Ordinary shares are dilutive at the profit/(loss) 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 2011 and to 31st December 2010, potential dilutive Ordinary shares are dilutive, as their inclusion in the diluted basic earnings per share calculation decreases earnings per share from continuing operations. For 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.

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

Dividend per share (p)	Half year to 30th June 2011	Half year to 30th June 2010	Year ended 31st December 2010
2011 Interim dividend proposed	0.33	–	–
2010 Interim dividend proposed and paid	–	0.27	0.27
2010 Final dividend proposed and paid	–	–	0.55

Shareholders' funds utilised (£m)	Half year to 30th June 2011	Half year to 30th June 2010	Year ended 31st December 2010
2011 Interim dividend proposed	0.8	–	–
2010 Interim dividend proposed and paid	–	0.7	0.7
2010 Final dividend proposed and paid	–	–	1.4

On 21st May 2011, a final dividend of 0.55 pence per Ordinary share in respect of 2010 was paid to Shareholders, utilising £1.4 million of Shareholders' funds.

The Directors are proposing an interim dividend in respect of the year ended 31st December 2011 of 0.33 pence which will reduce Shareholders' funds by £0.8 million. The dividend will be paid on 11th November 2011 to Shareholders on the register of members at the close of business on 14th October 2011. 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 £0.2 million were paid by the Group to the Johnson Group Staff Pension Scheme (JGSPS) during the period to 30th June 2011 (half year ended 30th June 2010: £0.6 million; year ended 31st December 2010: £1.3 million). A further contribution of £0.3 million was paid to the WML Final Salary Pension Scheme in the period to 30th June 2011 (half year ended 30th June 2010: £0.2 million; year ended 31st December 2010: £0.3 million). The current schedule of contributions for the JGSPS allows for some or all of the monthly deficit contributions to be deferred to February 2012 and also for the amount actually paid into the JGSPS to be reduced by the value of any enhancements to transfer values paid to certain categories of deferred members.

Following discussions with the Group's appointed actuary it has been identified that an actuarial gain of £10.0 million should be recognised in the period to 30th June 2011. This is principally as a result of a favourable movement in actuarial assumptions relating to liabilities (£4.8 million) and the use of the new agreed valuations as at 5th April 2010 for the JGSPS and Semara Augmented Pension Plan (SAPP) schemes (£5.2 million). Overall asset returns are broadly as expected.

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

	As at 30th June 2011 £m	As at 30th June 2010 £m	As at 31st December 2010 £m
Gross retirement benefit liability	(5.7)	(27.4)	(16.8)
Deferred tax asset thereon	1.5	7.7	4.5
Net retirement benefit liability	(4.2)	(19.7)	(12.3)

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10 Capital Expenditure and Commitments

Capital Expenditure

In the six months ended 30th June 2011 the Group acquired property, plant and equipment and intangible assets with a net book value of £2.2 million (half year ended 30th June 2010: £4.1 million; year ended 31st December 2010: £9.0 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 £9.2 million were acquired during the period (half year ended 30th June 2010: £7.5 million; year ended 31st December 2010: £15.6 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 2010: £0.1 million; year ended 31st December 2010: £1.5 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 £1.0 million were disposed of during the period (half year ended 30th June 2010: £1.1 million; year ended 31st December 2010: £2.2 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 2011 £m	As at 30th June 2010 £m	As at 31st December 2010 £m
Property, plant and equipment	0.8	0.6	0.4

11 Business Combinations and Disposals

Business Combinations

There have been no business combinations during the six months to 30th June 2011. Payments totalling £0.2 million have been made during this period relating to acquisition costs incurred during the previous year.

During the year to 31st December 2010 the Group acquired various contracts and companies from Jarvis Plc (in administration). Of these, three contracts and two companies were acquired during the six months to 30th June 2010. Full details of these acquisitions are shown in the 2010 Annual Report.

Disposals

There have been no business disposals in the six months to 30th June 2011.

There were no business disposals in the year to 31st December 2010, although deferred consideration of £0.1 million relating to the disposal of Workplace Engineering in December 2009 was received. Full details are given in the 2010 Annual Report.

12 Borrowings

The Group has a bank facility under which 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 2011, the bank facilities available to the Group were £73.45 million, reducing from the previous £78.5 million due to Term Loan repayments totalling £5.05 million. Further repayments of £1.5 million are to be made on 31 December 2011 and half yearly thereafter.

Under the 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. 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 £0.7 million (30th June 2010: £1.4 million; 31st December 2010: £1.1 million).

13 Analysis of Net Debt

	Cash and Cash Equivalents (including Lifecycle Funds) £m	Less Lifecycle Funds £m	Cash and Cash Equivalents (excluding Lifecycle Funds) £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 2009	0.2	–	0.2	(7.2)	(59.5)	(1.2)	(67.7)
Cash flow	(3.8)	–	(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)	–	(3.6)	(6.3)	(53.9)	(0.8)	(64.6)
Cash flow	2.2	(1.8)	0.4	4.1	1.5	0.4	6.4
Other non-cash changes	–	–	–	–	(0.3)	(1.0)	(1.3)
Balance at 31st December 2010	(1.4)	(1.8)	(3.2)	(2.2)	(52.7)	(1.4)	(59.5)
Cash flow	6.5	(0.1)	6.4	1.5	1.0	0.4	9.3
Other non-cash changes	–	–	–	(1.6)	1.2	(0.4)	(0.8)
Balance at 30th June 2011	5.1	(1.9)	3.2	(2.3)	(50.5)	(1.4)	(51.0)

At 30th June 2011 cash and cash equivalents comprise a cash balance of £5.1 million, and no overdraft (30th June 2010: £0.5 million of cash less an overdraft of £4.1 million; 31st December 2010: £2.2 million of cash less an overdraft of £3.6 million). 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 2011 £m	Half year to 30th June 2010 £m	Year ended 31st December 2010 £m
Increase/(decrease) in cash in the period	6.5	(3.8)	(1.6)
Movement in Lifecycle funds	(0.1)	–	(1.8)
Increase/(decrease) in cash excluding Lifecycle funds	6.4	(3.8)	(3.4)
Cash outflow on change in debt and lease financing	2.9	7.3	13.3
Change in net debt resulting from cash flows	9.3	3.5	9.9
Movement in unamortised issue costs of bank loans	(0.4)	(0.4)	(0.7)
New finance leases	(0.4)	–	(1.0)
Other non-cash movements	–	–	–
Movement in net debt during the period	8.5	3.1	8.2
Opening net debt	(59.5)	(67.7)	(67.7)
Closing net debt	(51.0)	(64.6)	(59.5)

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 2010. There have been no material changes in these relationships in the half year to 30th June 2011 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 Trustees.

At 30th June 2011 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

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

Notes to the Condensed Consolidated Interim Financial Statements

18 Going Concern

After due consideration, the Directors confirm that they have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Group's condensed consolidated interim financial statements.

19 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 2010.

(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 2011

The following standards, amendments and interpretations became effective for the first time for the financial year beginning 1st January 2011 but either have no material impact or are not relevant to the Group:

- IFRS 1 (Amendment) – "First time adoption" on financial instrument disclosures
- IAS 24 (Revised) – "Related party disclosures"
- IAS 32 (Amendment) – "Financial instruments presentation" on classification of rights issues
- IFRIC 14 (Amendment) – "Prepayments of a minimum funding requirement"
- IFRIC 19 – "Extinguishing financial liabilities with equity instruments"

There are also a number of changes to accounting standards as a result of the annual improvements to IFRSs 2010, mainly effective for the financial year beginning 1st January 2011. These had no material impact on the Group.

New standards, amendments and interpretations that have been issued but are not yet effective and have not been early adopted are not expected to have a material impact to the Group except for the amendment to IAS 19 Employee Benefits. The Group is currently assessing the full impact of this amendment and will apply the amended standard from 1st January 2013.

(d) 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.

(e) 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.

20 Published Financial Statements

As previously announced, there is no longer a 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.

Directors and Advisors

Directors

John Andrew Talbot FCA
Executive Chairman
Chairman of Nomination Committee

Yvonne May Monaghan BSc (Hons), FCA
Finance Director

Kevin Paul Elliott CIPS
Managing Director of the Facilities Management Division

Paul Derek Ogle FIOD
Managing Director of the Drycleaning Division
Director responsible for Health, Safety and the Environment

Christopher Sander
Managing Director of the Textile Rental Division

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

William Mervyn Frew Carey Shannon CA
Non-Executive
Member of Remuneration Committee
Member of Nomination Committee
Chairman of Audit Committee

Company Secretary

Yvonne May Monaghan BSc (Hons), FCA

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Timothy James Morris BA (Hons), ACA

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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.johnsonplc.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.

If you have any queries regarding electronic communications, please contact the Company's registrar, Capita Registrars, on 0871 664 0300 (calls cost 10p per minute plus network extras, lines are open 8.30am-5.30pm Mon-Fri).

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