Interim Report 2013

JOHNSON
SERVICE GROUP PLC

The established name in textile rental and drycleaning.

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Chairman's Statement

John Talbot

I am pleased to report a strong result for the first half, in line with our expectations and significantly ahead of 2012, as the results of a number of strategic initiatives come to fruition.

Since the end of the first half we have completed the disposal of the FM division, representing a major step in the Board's strategy to refocus the Group on our original core business of Textile Services and to reduce net debt. We are actively pursuing strategic bolt on acquisition opportunities within the Textile Rental arena to identify businesses which broaden our services and add value for Shareholders.

Textile Rental has performed strongly, with continuing benefit from the acquisition of the Cannon Textile business, completed in the first half of last year. The restructuring of the Drycleaning business which was announced over 12 months ago, has been substantially completed. Focus is now on maximising the benefit from the introduction of GreenEarth® throughout the estate and increased marketing efforts are being planned for the end of the year.

Net debt at 30th June was £53.6 million (31st December 2012: £58.5 million), and following the subsequent disposal of the FM division would have reduced to £25.6 million on a pro-forma basis.

Based on the encouraging performance of the ongoing business and the reduced level of net debt, the Board has recommended a 11.1% increase in the interim dividend to 0.40 pence (H1 2012: 0.36 pence) which will be paid on 8th November 2013 to shareholders on the register at close of business on 11th October 2013.

Group Results

Total revenue in the six months to 30th June 2013 was £96.1 million (H1 2012: £97.1 million), reflecting a full six months trade from the Cannon Textile business compared to three months in 2012 and the reduction in the number of Drycleaning branches following the reorganisation of the business in the second half of last year. Adjusted operating profit increased by 29.3% to £7.5 million (H1 2012: £5.8 million) reflecting improved performance from both Textile Rental and Drycleaning.

Adjusted profit before tax amounted to £5.5 million (H1 2012: £3.6 million). The underlying tax rate was 24.1% (H1 2012: 25.9%).

Exceptional items in the first half of 2013 amounted to £0.8 million (H1 2012: £1.9 million) in respect of the expected costs of the reorganisation of the Drycleaning business with a further £0.4 million to be incurred in the second half.

Net finance costs were £2.0 million (H1 2012: £2.2 million) reflecting the benefit of lower average borrowings and margin and including a notional interest charge on net pension liabilities of £0.4 million (H1 2012: £0.5 million).

After amortisation of intangibles (excluding software) of £0.3 million (H1 2012: £0.3 million) the pre-tax profit was £4.4 million (H1 2012: £1.4 million).

Adjusted fully diluted earnings per share were 1.5 pence (H1 2012: 1.2 pence) while fully diluted earnings per share after exceptional items and amortisation and impairment of intangibles (excluding software amortisation) were 1.2 pence (H1 2012: 0.6 pence).

Disposal of FM activities

The disposal of the Group's FM activities was completed on 7th August 2013 for consideration of £32.2 million on a debt free, cash free basis and subject to adjustments for normalised working capital. After the adjustments and transaction costs, the total net proceeds will be up to £30.2 million of which approximately £28.0 million will initially reduce net debt with up to a further £2.2 million of deferred consideration potentially receivable.

The FM business is included in the June 2013 Balance Sheet as "assets held for sale" and "liabilities associated with assets held for sale". The anticipated loss on disposal has been reflected as an impairment of goodwill as at June and amounts to £9.0 million within Discontinued Operations.

The disposal of the FM activities represents a further step in the Board's strategy to create a single, focused Textile Services business.

Chairman's Statement continued

Pension Deficit

The recorded net deficit after tax for all post retirement obligations has reduced to £7.9 million at June 2013 from £14.0 million at December 2012, of which £6.9 million (December 2012: £12.9 million) is in relation to the Group's defined benefit pension schemes. The reduction arises from the significantly better than expected returns on asset investments compared to only a marginal increase in the calculated liabilities of the schemes.

As part of our continuing programme to reduce the cost of, and limit the risk from, operating defined benefit pension schemes we have established one new defined benefit scheme, the Johnson Group Defined Benefit Plan (the DB Plan) with the intention of transferring members of the existing three defined benefit schemes into the DB Plan and winding up the original three schemes. This will simplify administration and enhance the opportunities for maximising the return on assets. Existing accrued benefits in the original schemes have been replicated in the new DB Plan.

The current agreements reached with the Trustees of the three original defined benefit pension schemes require additional contributions of £2.0 million in 2013. A final stage of establishing the new DB Plan will be to undertake an actuarial valuation and this will be as at 30th September 2013. Until such valuation is finalised this level of additional contributions will continue.

Finances

Total net debt at the end of the first half was £53.6 million (31st December 2012: £58.5 million) reflecting the strong trading performance in the first half together with a further improvement in working capital.

Following the disposal of the FM division, £25.5 million of the Term Loan facility was repaid and cancelled in August 2013. The remaining available bank facility, which runs to May 2015, is £50.0 million with no further repayments required. This facility is significantly in excess of the anticipated level of borrowings, with comfortable cover on all bank covenants, for the foreseeable future.

Interest cover based on adjusted operating profit was 3.75 times (H1 2012: 2.64 times), with interest costs continuing to benefit from the current low levels of LIBOR on the unhedged portion of the debt. Going forward hedges are in place for £20.0 million of the Term Loan, whereby LIBOR is replaced by a fixed rate of 1.79% to January 2016.

Dividend

In line with our stated intention to adopt a progressive dividend policy whilst maintaining an adequate level of cover, the Board has proposed an interim dividend of 0.40 pence, representing an increase of 11.1% over the same period last year (H1 2012: 0.36 pence) and reflecting the Board's confidence in the business going forward.

The interim dividend will be paid on 8th November 2013 to those Shareholders on the register of members at the close of business on 11th October 2013. The ex dividend date is 9th October 2013.

DIVISIONAL PERFORMANCE

Textile Rental

The Textile Rental business trades through two very well recognised brands in the UK, Johnsons Apparelmaster ("Apparelmaster"), which predominantly provides workwear rental and laundry services to all sectors of industry and Stalbridge Linen Services ("Stalbridge"), which provides premium linen services to the hospitality and corporate events market.

The business, which continues to form the largest part of the Group, performed strongly in very competitive market conditions. Despite the decision to withdraw from servicing a large contract catering group in April this year, with annualised revenue of £4.5 million, the revenue for the business increased by 5.6% to £67.6 million (H1 2012: £64.0 million), whilst adjusted operating profit increased by 11.7% to £8.6 million (H1 2012: £7.7 million).

Significant capital investment was made in the first half within Stalbridge to add additional capacity to meet the growing demand for our hotel linen services which continue to account for over 55% of all new business sales within Stalbridge. In addition the upgrade of the Apparelmaster sites has continued with further installations of energy saving equipment. Investment in textile rental stock amounted to £9.2 million but was slightly lower than in the previous year which had been impacted by the integration of the Cannon customers.

With the Cannon acquisition now fully integrated into the business our project teams have focused their attention on supply chain and further strategic bolt on acquisition opportunities.

The regular investment programme in modern, energy efficient plant and equipment over recent years has ensured that the business has been continuously meeting the Government targets for reduced energy consumption and, given the dramatic rise in energy unit costs, this has proven to be extremely beneficial to the business.

Drycleaning

Our Drycleaning business is represented across the UK through the highly recognised brands of Johnson Cleaners, and our London based premium brand, Jeeves of Belgravia.

Following the restructuring of the business in 2012, we are very pleased with the progress made in the first half of 2013. There were 336 branches trading at the end of June compared to 460 in June 2012. Whilst revenue was down to £28.5 million from the streamlined portfolio (H1 2012: £33.1 million) adjusted operating profit improved significantly to £0.7 million (H1 2012: £0.1 million loss).

The increase in adjusted operating profit was driven by a strong like for like sales growth of 3.4%, which shows continued improvement on the performance in the second half of 2012, following the restructure and re-launch of the business.

The growth on core drycleaning was complemented by the continued development of both our laundry and ironing and repairs and alterations services. Both of these categories have received marketing support to raise consumer awareness which was verified in a post campaign market research survey.

The investment programme to have all branches processing with GreenEarth® and to be rebranded in the "green" fascia is ahead of schedule. This will enable us to launch a national marketing campaign to raise awareness of the significant difference that Johnson Cleaners offers the consumer in all our branches across the country. The cost of undertaking such a campaign, which will start towards the end of the year, is expected to impact on the results for the final quarter and somewhat offset the benefit of the normally seasonally stronger second half. We believe that this short term impact will help us promote the business to a wider customer base and will build the brand message for the future.

Our investment into the GreenEarth® cleaning process over recent years has been significant and we are delighted to have extended our exclusivity agreement for the UK for a minimum ten year period.

Our Jeeves business has also had a very good first half of trading, both in its core London operation and in the developing international business.

Staff

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

Board Changes

Kevin Elliott resigned from the Board on 7th August 2013 on completion of the disposal of the FM division. I would like to thank him for his contribution to the Board over the last five years.

Outlook

There is a major opportunity for continued expansion within Textile Services based on a strong financial and operational platform. We are actively pursuing acquisitions within the broader Textile Rental arena and will seek to identify businesses which broaden our services and add value for Shareholders.

We are starting to see a strong performance in the Drycleaning business and we are optimistic that this will ultimately be enhanced by the proposed investment in a national marketing campaign.

I am very pleased with the strong performance of the Group in the first half of the year and anticipate the results for 2013 to be in line with expectations.

John Talbot, Executive Chairman
3rd September 2013

Responsibility Statement

Yvonne Monaghan

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 2012. There have been no changes since 31st December 2012 other than the resignation of Kevin Elliott with effect from 7th August 2013.

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
3rd September 2013

On behalf of the Board

Consolidated Income Statement

	Note	Half year to 30th June 2013 £m	Half year to 30th June 2012 (restated) £m	Year ended 31st December 2012 (restated) £m
Continuing operations:				
Revenue	2	96.1	97.1	198.7
Operating profit/(loss)	2	6.4	3.6	(10.7)
Operating profit before intangibles amortisation and impairment (excluding software amortisation) and exceptional items		7.5	5.8	15.3
Amortisation and impairment of intangible assets (excluding software amortisation)		(0.3)	(0.3)	(0.5)
Exceptional items	3			
– Restructuring costs		(0.8)	(1.2)	(24.8)
– Costs in relation to business acquisition activity		–	(0.4)	(0.4)
– Pension costs		–	(0.3)	(0.3)
Operating profit/(loss)	2	6.4	3.6	(10.7)
Ordinary finance cost				
– Finance cost		(1.6)	(1.7)	(3.5)
– Notional interest		(0.4)	(0.5)	(1.1)
Net finance cost		(2.0)	(2.2)	(4.6)
Profit/(loss) before taxation		4.4	1.4	(15.3)
Taxation	4	(1.1)	0.3	3.6
Profit/(loss) for the period from continuing operations		3.3	1.7	(11.7)
Discontinued operations:				
(Loss)/profit for the period from discontinued operations	12	(8.4)	2.1	–
(Loss)/profit for the period attributable to equity holders		(5.1)	3.8	(11.7)
Earnings per share	6			
Basic earnings per share				
From continuing operations		1.3p	0.6p	(4.6p)
From discontinued operations		(3.4p)	0.9p	–
From continuing and discontinued operations		(2.1p)	1.5p	(4.6p)
Fully diluted earnings per share				
From continuing operations		1.2p	0.6p	(4.6p)
From discontinued operations		(3.1p)	0.8p	–
From continuing and discontinued operations		(1.9p)	1.4p	(4.6p)
Adjusted basic earnings per share				
From continuing operations		1.6p	1.3p	3.4p
From discontinued operations		0.6p	0.6p	1.3p
From continuing and discontinued operations		2.2p	1.9p	4.7p
Adjusted fully diluted earnings per share				
From continuing operations		1.5p	1.2p	3.4p
From discontinued operations		0.6p	0.5p	1.3p
From continuing and discontinued operations		2.1p	1.7p	4.7p

The notes on pages 9 to 24 form an integral part of these condensed consolidated interim financial statements.

Consolidated Statement of Comprehensive Income

	Note	Half year to 30th June 2013 £m	Half year to 30th June 2012 (restated) £m	Year ended 31st December 2012 (restated) £m
(Loss)/profit for the period		(5.1)	3.8	(11.7)
Items that will not be reclassified subsequently to profit or loss				
Actuarial gain on defined benefit pension plans	8	7.3	1.4	1.3
Taxation in respect of actuarial gain		(1.7)	(0.3)	(0.4)
Change in deferred tax due to change in tax rate		–	(0.2)	(0.4)
Items that may be reclassified subsequently to profit or loss				
Cash flow hedges (net of taxation) – fair value of gains/(losses)		0.1	(0.4)	(0.6)
– transfer to interest		0.2	0.3	0.6
Other comprehensive income for the period		5.9	0.8	0.5
Total comprehensive income for the period		0.8	4.6	(11.2)

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 2012	25.4	13.8	1.1	33.4	73.7
Total comprehensive income for the period	–	–	(0.1)	4.7	4.6
Share options (value of employee services)	–	–	–	0.4	0.4
Issue of Share capital	0.2	0.1	–	–	0.3
Dividends paid	–	–	–	(1.7)	(1.7)
Balance at 30th June 2012	25.6	13.9	1.0	36.8	77.3
Total comprehensive income for the period	–	–	0.1	(15.9)	(15.8)
Share options (value of employee services)	–	–	–	0.4	0.4
Issue of Share capital	–	–	–	–	–
Dividends paid	–	–	–	(0.9)	(0.9)
Balance at 31st December 2012	25.6	13.9	1.1	20.4	61.0
Total comprehensive income for the period	–	–	0.3	0.5	0.8
Share options (value of employee services)	–	–	–	0.4	0.4
Issue of Share capital	0.1	0.1	–	–	0.2
Dividends paid	–	–	–	(1.9)	(1.9)
Balance at 30th June 2013	25.7	14.0	1.4	19.4	60.5

As at the balance sheet date Other Reserves include £1.6 million of merger reserve, £0.6 million of capital redemption reserve and £0.8 million debit balance of hedge reserve. The comparative figures for June 2012 are £1.6 million, £0.6 million and £1.2 million (debit balance) respectively and for December 2012 are £1.6 million, £0.6 million and £1.1 million (debit balance) respectively.

Consolidated Balance Sheet

	Note	As at 30th June 2013 £m	As at 30th June 2012 £m	As at 31st December 2012 £m
Assets				
Non-current assets				
Goodwill		52.4	87.6	84.2
Intangible assets		3.3	11.3	10.1
Property, plant and equipment		36.1	43.1	38.3
Textile rental items		26.0	26.6	26.9
Trade and other receivables		0.3	0.9	0.6
Deferred income tax assets		6.3	6.5	9.5
		124.4	176.0	169.6
Current assets				
Inventories		2.0	4.0	2.3
Trade and other receivables		32.9	46.2	43.2
Cash and cash equivalents		0.2	1.9	1.5
Assets held for sale	13	48.5	–	–
		83.6	52.1	47.0
Liabilities				
Current liabilities				
Trade and other payables		38.5	56.5	50.1
Current income tax liabilities		2.0	2.7	0.7
Borrowings	14	15.3	4.9	10.0
Derivative financial liabilities		–	0.5	–
Provisions		7.0	3.4	8.7
Liabilities associated with assets held for sale	13	14.7	–	–
		77.5	68.0	69.5
Net current assets/(liabilities)		6.1	(15.9)	(22.5)
Non-current liabilities				
Retirement benefit obligations	8	10.3	18.3	18.2
Deferred income tax liabilities		–	1.1	0.2
Other non-current liabilities		1.0	2.1	1.9
Borrowings	14	44.0	52.9	48.7
Derivative financial liabilities		1.0	1.1	1.4
Provisions		13.7	7.3	15.7
		70.0	82.8	86.1
Net assets		60.5	77.3	61.0
Equity				
Capital and reserves attributable to the company's equity holders				
Called up share capital		25.7	25.6	25.6
Share premium		14.0	13.9	13.9
Other reserves		1.4	1.0	1.1
Retained earnings		19.4	36.8	20.4
Total equity		60.5	77.3	61.0

The notes on pages 9 to 24 form an integral part of these condensed consolidated interim financial statements. The condensed consolidated interim financial statements on pages 5 to 24 were approved by the Board of Directors on 3rd September 2013 and signed on its behalf by:

Yvonne Monaghan
Finance Director

Consolidated Statement of Cash Flows

	Note	Half year to 30th June 2013 £m	Half year to 30th June 2012 (restated) £m	Year ended 31st December 2012 (restated) £m
Cash flows from operating activities				
(Loss)/profit for the period		(5.1)	3.8	(11.7)
Adjustments for:				
Income tax – continuing operations	4	1.1	(0.3)	(3.6)
– discontinued operations	12	0.2	(3.2)	(5.7)
Finance income and expense		2.0	2.2	4.6
Depreciation and impairment		12.6	11.5	27.3
Revaluation of assets held for resale		9.0	–	–
Amortisation and impairment of intangible assets		1.6	1.6	3.1
Decrease in inventories		0.3	0.3	0.6
Increase in trade and other receivables		–	(7.7)	(6.3)
Increase in trade and other payables		2.1	8.7	4.0
Loss/(profit) on sale of property, plant and equipment		0.1	–	(0.2)
Pre-tax loss on disposal of business		–	–	4.0
Acquisition fees charged to income statement		–	0.7	0.7
Additional contribution to defined benefit pension schemes		(0.9)	(1.0)	(1.9)
Share-based payments		0.4	0.4	0.8
Retirement benefit obligations		(0.1)	0.1	0.1
(Decrease)/increase in provisions		(3.8)	(1.7)	12.4
Cash generated from operations		19.5	15.4	28.2
Interest paid		(1.6)	(3.0)	(4.5)
Taxation paid		–	–	(0.4)
Net cash generated from operating activities		17.9	12.4	23.3
Cash flows from investing activities				
Acquisition of business (net of cash acquired)		–	(7.2)	(7.2)
Proceeds from sale of business	12	–	–	1.5
Purchase of property, plant and equipment		(2.4)	(3.4)	(5.0)
Proceeds from sale of property, plant and equipment		0.3	–	0.4
Purchase of intangible assets		(0.2)	(0.2)	(0.4)
Purchase of textile rental items		(9.2)	(9.7)	(21.0)
Proceeds from sale of textile rental items		1.1	1.1	2.4
Net cash used in investing activities		(10.4)	(19.4)	(29.3)
Cash flows from financing activities				
Proceeds from borrowings		7.0	9.5	18.5
Repayments of borrowings		(9.5)	(4.0)	(14.5)
Capital element of finance leases		(0.3)	(0.2)	(0.4)
Net proceeds from issue of Ordinary shares		0.2	0.3	0.3
Dividends paid to company Shareholders		(1.9)	(1.7)	(2.6)
Net cash (used in)/generated from financing activities		(4.5)	3.9	1.3
Net increase/(decrease) in cash and cash equivalents		3.0	(3.1)	(4.7)
Cash and cash equivalents at beginning of period		0.1	4.8	4.8
Cash and cash equivalents at end of period	15	3.1	1.7	0.1

The notes on pages 9 to 24 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 range of services, operating in two principal areas: Textile Rental and Drycleaning. The Group was also involved in Facilities Management (FM) prior to the disposal of all FM activities on 7th August 2013.

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 3rd September 2013.

1 Basis of preparation

These condensed consolidated interim financial statements of Johnson Service Group PLC are for the six months ended 30th June 2013. 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 2012 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 2012 included herein is derived from the statutory accounts for that year, (amended as shown in note 20) 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 2012 included herein is derived from the condensed consolidated interim financial statements for that period (amended as shown in note 20).

Going Concern

Current economic conditions create uncertainty over the level of demand for the Group's products and services, the price of raw materials and fuel and the exchange rate between Sterling, the US dollar and the Euro and thus the consequence for the cost of foreign supplies.

The Group currently has adequate financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. The Group's 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.

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 financial statements.

2 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 2013. Details of the Group's segments were provided on page 54 of the 2012 Annual Report. Since that date the Facilities Management segment has been reclassified as a discontinued operation.

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 results 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. All assets and related liabilities held for resale are included within discontinued operations. 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.

Notes to the Condensed Consolidated Interim Financial Statements continued

2 Segment analysis (continued)

Inter-segment pricing is determined on an arm's length basis. The exceptional items have been included within the appropriate business segment as shown on pages 10 to 12.

The business segment results for the half year ended 30th June 2013, together with comparative figures, are as follows:

Half year ended 30th June 2013	Textile Rental £m	Drycleaning £m	All Other Segments £m	Total £m
Revenue				
Continuing	67.6	28.5	–	96.1
Discontinued (note 12)				26.3
Total revenue				122.4

Result	Textile Rental £m	Drycleaning £m	All Other Segments £m	Total £m
Operating profit before intangibles				
Amortisation and impairment (excluding software amortisation) and exceptional items	8.6	0.7	(1.8)	7.5
Amortisation and impairment of intangible assets	(0.3)	–	–	(0.3)
Exceptional Items:				
– Restructuring costs	–	(0.8)	–	(0.8)
Operating profit	8.3	(0.1)	(1.8)	6.4
Finance cost (including notional interest)				(2.0)
Profit before taxation				4.4
Taxation				(1.1)
Profit for the period – from continuing operations				3.3
Loss for the period – from discontinued operations (note 12)				(8.4)
Loss for the period				(5.1)

	Discontinued Operations £m	Textile Rental £m	Drycleaning £m	All Other Segments £m	Total £m
Other information					
Fixed asset additions					
– Property, plant and equipment	0.1	2.3	0.3	–	2.7
– Textile rental items	–	9.3	–	–	9.3
– Intangible software	0.2	–	–	–	0.2
Depreciation and amortisation expense					
– Property, plant and equipment	0.2	1.9	1.2	0.1	3.4
– Textile rental items	–	9.2	–	–	9.2
– Intangible software	0.1	–	–	–	0.1
Balance sheet information					
Segment assets	48.5	118.5	23.6	10.9	201.5
Unallocated assets: Deferred income tax assets					6.3
Cash and cash equivalents					0.2
Total assets					208.0
Segment liabilities	(17.7)	(31.6)	(22.9)	(4.7)	(76.9)
Unallocated liabilities: Bank borrowings					(57.3)
Current income tax liabilities					(2.0)
Derivative financial liabilities					(1.0)
Retirement benefit obligations					(10.3)
Total liabilities					(147.5)
Return on capital employed (rolling 12 months)		41.1%	29.0%		

2 Segment analysis (continued)

Half year ended 30th June 2012 (restated)	Textile Rental £m	Drycleaning £m	All Other Segments £m	Total £m
Revenue				
Continuing	64.0	33.1	–	97.1
Discontinued (note 12)				29.2
Total Revenue				126.3
Result				
Operating profit before intangibles amortisation and impairment (excluding software amortisation) and exceptional items	7.7	(0.1)	(1.8)	5.8
Amortisation and impairment of intangible assets	(0.3)	–	–	(0.3)
Exceptional Items:				
– Restructuring costs	(1.2)	–	–	(1.2)
– Costs in relation to business acquisition activity	(0.4)	–	–	(0.4)
– Pension costs	–	–	(0.3)	(0.3)
Operating profit/(loss)	5.8	(0.1)	(2.1)	3.6
Finance cost (including notional interest)				(2.2)
Profit before taxation				1.4
Taxation				0.3
Profit for the period – from continuing operations				1.7
Profit for the period – from discontinued operations (note 12)				2.1
Profit for the period				3.8

	Discontinued Operations £m	Textile Rental £m	Drycleaning £m	All Other Segments £m	Total £m
Other information					
Fixed asset additions					
– Property, plant and equipment	0.2	2.6	0.9	–	3.7
– Textile rental items	–	10.9	–	–	10.9
– Intangible software	0.1	–	–	–	0.1
Depreciation and amortisation expense					
– Property, plant and equipment	0.2	1.9	1.3	0.1	3.5
– Textile rental items	–	8.0	–	–	8.0
– Intangible software	0.1	–	0.1	–	0.2
Balance sheet information					
Segment assets	58.8	120.1	29.8	11.0	219.7
Unallocated assets: Deferred income tax assets					6.5
Cash and cash equivalents					1.9
Total assets					228.1
Segment liabilities	(16.5)	(34.4)	(14.1)	(4.5)	(69.5)
Unallocated liabilities: Bank borrowings					(56.8)
Deferred income tax liabilities					(1.1)
Current income tax liabilities					(2.7)
Derivative financial liabilities					(1.6)
Retirement benefit obligations					(19.1)
Total liabilities					(150.8)
Return on capital employed (rolling 12 months)		39.6%	10.9%		

Notes to the Condensed Consolidated Interim Financial Statements continued

2 Segment analysis (continued)

Year ended 31st December 2012 (restated)	Textile Rental £m	Drycleaning £m	All Other Segments £m	Total £m
Revenue				
Continuing	134.4	64.3	–	198.7
Discontinued (note 12)				60.0
Total Revenue				258.7
Result				
Operating profit before intangibles amortisation and impairment (excluding software amortisation) and exceptional items	17.7	1.3	(3.7)	15.3
Amortisation and impairment of intangible assets	(0.5)	–	–	(0.5)
Exceptional items				
– Restructuring costs	(2.1)	(22.7)	–	(24.8)
– Business acquisition activity	(0.4)	–	–	(0.4)
– Pension costs and credits	–	–	(0.3)	(0.3)
Operating profit/(loss)	14.7	(21.4)	(4.0)	(10.7)
Finance cost (including notional interest)				(4.6)
Profit before taxation				(15.3)
Taxation				3.6
Loss for the period – continuing				(11.7)
Loss for the period – discontinued operations (note 12)				–
Loss for the period				(11.7)

	Discontinued Operations £m	Textile Rental £m	Drycleaning £m	All Other Segments £m	Total £m
Other information					
Fixed asset additions					
– Property, plant and equipment	0.5	4.6	1.0	–	6.1
– Textile rental items	–	21.4	–	–	21.4
– Intangible software	0.3	–	–	–	0.3
Depreciation and amortisation expense					
– Property, plant and equipment	0.4	3.9	6.1	0.2	10.6
– Textile rental items	–	16.7	–	–	16.7
– Intangible software	0.2	–	0.1	–	0.3
Balance sheet information					
Segment assets	50.9	119.8	24.0	10.9	205.6
Unallocated assets: Deferred income tax assets					9.5
Cash and cash equivalents					1.5
Total assets					216.6
Segment liabilities (16.2)	(29.9)	(25.8)	(4.9)	(76.8)	
Unallocated liabilities: Bank borrowings					(56.8)
Deferred income tax liabilities					(0.2)
Current income tax liabilities					(0.7)
Derivative financial liabilities					(1.4)
Retirement benefit obligations					(19.7)
Total liabilities					(155.6)
Return on capital employed (rolling 12 months)		38.2%	16.6%		

3 Exceptional items

	Half year to 30th June 2013 £m	Half year to 30th June 2012 (restated) £m	Year ended 31st December 2012 (restated) £m
Restructuring costs – Textile Rental	–	(1.2)	(2.1)
– Drycleaning	(0.8)	–	(22.7)
	(0.8)	(1.2)	(24.8)
Costs in relation to business acquisition activity	–	(0.4)	(0.4)
Pension costs	–	(0.3)	(0.3)
Total exceptional items	(0.8)	(1.9)	(25.5)

Current year exceptional items

Restructuring costs – Drycleaning

On 4th July 2012 the Group announced a review of the Drycleaning business and the following recommendations of this review were implemented:

- The combination of Drycleaning and Textile Rental into a single Textile Services division. Benefits include a unified branding strategy, significant cost savings and greater co-operation on sales opportunities.
- The closure of approximately 100 underperforming branches by the year end reducing the number of branches and achieving a corresponding reduction in back office and field teams and a reduced requirement for the warehousing and distribution of consumables.
- A significant acceleration of dilapidation provisions which increases flexibility on lease renewal.

The total estimated charge to the Income Statement for the planned restructuring and property provisions relating to the Drycleaning business amounts to an aggregate £23.9 million; of this amount £22.7 million was charged in 2012, a further £0.8 million has been charged in the six months to June 2013 with the remaining £0.4 million expected to be charged in the second half of the year.

Prior year exceptional items

Restructuring costs – Textile Rental

Following the acquisition of the business and specified garment, linen, mat and towel contracts and related assets of Cannon Textile Care (Cannon), the Textile Rental division reorganised its management and support structures such that they were better aligned to the combined business needs going forward. Furthermore, redundancy costs were recognised in the period to reflect the planned closure at certain of the Cannon sites acquired as a result of the majority of trade being transferred to existing plants within the Division.

Although these costs were directly as a result of the acquisition they have not been classified as 'costs in relation to business acquisition activity' as they more closely fit the definition of 'restructuring costs'.

Restructuring costs – Drycleaning

As mentioned above on 4th July 2012 the Group announced a review of the Drycleaning business. During 2012 the exceptional charge was £22.7 million. Of this amount £3.5 million was non-cash and only £2.1 million was an additional cash requirement relating to the restructuring cost, as the balance was already contractually committed cash spend (including rent, rates, insurance and dilapidations) irrespective of the restructuring plan.

The taxation credit in respect of the £22.7 million exceptional cost above was £5.0 million.

Costs in relation to business acquisition activity

Fees totaling £0.4 million were incurred in relation to the acquisition of the business and specified garment, linen, mat and towel contracts and related assets of Cannon.

Pension costs

During the period an enhanced partial or full transfer value exercise was offered to those members of the Johnson Group Staff Pension Scheme whose scheme pension was in excess of the minimum income requirement. 23 members were offered the enhancement; three accepted, resulting in an exceptional cost of £0.3 million (including fees) which was recognised as a settlement loss.

Notes to the Condensed Consolidated Interim Financial Statements continued

4 Taxation

	Half year to 30th June 2013 £m	Half year to 30th June 2012 (restated) £m	Year ended 31st December 2012 (restated) £m
Current tax – continuing operations			
UK corporation tax charge for the period	1.3	0.9	0.3
Adjustment in relation to previous periods	–	(0.7)	(0.7)
Current tax charge/(credit) for the period	1.3	0.2	(0.4)
Deferred tax – continuing operations			
Origination and reversal of temporary differences	(0.2)	(0.5)	(3.2)
Adjustment in relation to previous periods	–	–	–
Deferred tax credit for the period	(0.2)	(0.5)	(3.2)
Total taxation charge/(credit) for continuing operations	1.1	(0.3)	(3.6)

Tax relief on intangibles amortisation has reduced the taxation charge in the current period by £0.1 million (half year ended 30th June 2012: £0.1 million reduction in the charge; year ended 31st December 2012: £0.1 million reduction in the charge). Tax relief on exceptional items has reduced the taxation charge in the current period by £0.2 million (half year ended 30th June 2012: £0.5 million reduction in the charge; year ended 31st December 2012: £5.7 million reduction in the charge).

Changes in the UK corporation tax rate

The 2013 Budget announced that the UK corporation tax rate will reduce to 20% by 2015.

The first reduction in the UK corporation tax rate from 23% to 21% (effective 1 April 2014) was not substantively enacted at the balance sheet date. As a result the effect of this rate change has not been reflected in the above deferred taxation credit. The future rate reductions are not expected to have a material effect on the deferred tax provision of the Group.

The changes will result in a weighted average standard rate of 23.25% for 2013 (2012: 24.5%), 21.5% for 2014 and 20.25% for 2015.

Reconciliation of effective tax rate

Taxation on non-exceptional items for the six months to 30th June 2013 is calculated based on the estimated average annual effective tax rate (excluding prior year items) of 24.1%. (half year ended 30th June 2012: 25.9%; year ended 31st December 2012: 24.6%).

This compares to the tax rate expected to be enacted or substantively enacted at the annual balance sheet date of 23.0% (half year ended 30th June 2012: 24.0%; year ended 31st December 2012: 24.0%).

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 and the effect of tax losses utilised. The adjustment for under/over provisions in previous years is recognised when the amounts are agreed.

5 Adjusted profit before and after taxation

	Half year to 30th June 2013 £m	Half year to 30th June 2012 (restated) £m	Year ended 31st December 2012 (restated) £m
Profit/(loss) before taxation from continuing activities	4.4	1.4	(15.3)
Intangibles amortisation and impairment (excluding software amortisation)	0.3	0.3	0.5
Restructuring costs	0.8	1.2	24.8
Costs in relation to business acquisition activity	–	0.4	0.4
Pension costs	–	0.3	0.3
Adjusted profit before taxation	5.5	3.6	10.7
Taxation on adjusted profit before taxation	(1.4)	(0.3)	(2.2)
Adjusted profit after taxation attributable to continuing operations	4.1	3.3	8.5

6 Earnings per share

	Half year to 30th June 2013 £m	Half year to 30th June 2012 (restated) £m	Year ended 31st December 2012 (restated) £m
Profit for the period from continuing operations attributable to Ordinary Shareholders	3.3	1.7	(11.7)
(Loss)/profit for the period from discontinued operations attributable to Ordinary Shareholders	(8.4)	2.1	–
Intangibles amortisation from continuing operations (excluding software) (net of taxation)	0.2	0.2	0.4
Intangibles amortisation from discontinued operations (excluding software) (net of taxation)	0.9	0.9	1.8
Exceptional items from continuing operations (net of taxation)	0.6	1.4	19.8
Exceptional items from discontinued operations (net of taxation)	9.0	(1.5)	1.7
Adjusted profit attributable to Ordinary Shareholders relating to continuing activities	4.1	3.3	8.5
Adjusted profit attributable to Ordinary Shareholders relating to discontinued activities	1.5	1.5	3.5
Adjusted profit attributable to Ordinary Shareholders	5.6	4.8	12.0

	Number of shares	Number of shares	Number of shares
Weighted average number of Ordinary shares	254,803,502	253,614,135	254,039,462
Potentially dilutive options *	18,967,791	18,444,284	18,404,814
Fully diluted number of Ordinary shares	273,771,293	272,058,419	272,444,276

Basic earnings per share	Pence per share	Pence per share	Pence per share
From continuing operations	1.3p	0.6p	(4.6p)
From discontinued operations	(3.4p)	0.9p	–
From continuing and discontinued operations	(2.1p)	1.5p	(4.6p)
Adjustment for intangibles amortisation (continuing operations)	0.1p	0.1p	0.2p
Adjustment for intangibles amortisation (discontinued operations)	0.4p	0.3p	0.7p
Adjustment for exceptional items (continuing operations)	0.2p	0.6p	7.8p
Adjustment for exceptional items (discontinued operations)	3.6p	(0.6p)	0.6p
Adjusted basic earnings per share (continuing operations)	1.6p	1.3p	3.4p
Adjusted basic earnings per share (discontinued operations)	0.6p	0.6p	1.3p
Adjusted basic earnings per share (continuing and discontinued operations)	2.2p	1.9p	4.7p
Diluted earnings per share			
From continuing operations	1.2p	0.6p	(4.6p)
From discontinued operations	(3.1p)	0.8p	–
From continuing and discontinued operations	(1.9p)	1.4p	(4.6p)
Adjustment for intangibles amortisation (continuing operations)	0.1p	0.1p	0.2p
Adjustment for intangibles amortisation (discontinued operations)	0.4p	0.3p	0.7p
Adjustment for exceptional items (continuing operations)	0.2p	0.5p	7.8p
Adjustment for exceptional items (discontinued operations)	3.3p	(0.6p)	0.6p
Adjusted basic earnings per share (continuing operations)	1.5p	1.2p	3.4p
Adjusted basic earnings per share (discontinued operations)	0.6p	0.5p	1.3p
Adjusted basic earnings per share (continuing and discontinued operations)	2.1p	1.7p	4.7p

* 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 for the period attributable to Ordinary Shareholders.

Notes to the Condensed Consolidated Interim Financial Statements continued

6 Earnings per share (continued)

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

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

Potential dilutive Ordinary shares are dilutive at the profit from continuing operations level when their conversion to Ordinary shares would decrease earnings per share from continuing operations. In the half year to 30th June 2012 and the half year to 30th June 2013 the potential dilutive Ordinary shares are dilutive, as their inclusion in the diluted basic earnings per share calculation decreases earnings per share from continuing operations. In the year to 31st December 2012 the potential dilutive Ordinary shares are anti-dilutive, as their inclusion in the diluted basic earnings per share calculation decreases 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.

7 Dividends

	Half year to 30th June 2013	Half year to 30th June 2012	Year ended 31st December 2012
Dividend per share (pence)			
2013 Interim dividend proposed	0.40	–	–
2012 Interim dividend proposed and paid	–	0.36	0.36
2012 Final dividend proposed and paid	–	–	0.74
	0.40	0.36	1.10

	Half year to 30th June 2013 £m	Half year to 30th June 2012 £m	Year ended 31st December 2012 £m
Shareholders' funds utilised (£m)			
2013 Interim dividend proposed	1.0	–	–
2012 Interim dividend proposed and paid	–	0.9	0.9
2012 Final dividend proposed and paid	–	–	1.9

On 17th May 2013, a final dividend of 0.74 pence per Ordinary share in respect of 2012 was paid to Shareholders, utilising £1.9 million of Shareholders' funds.

The Directors are proposing an interim dividend in respect of the year ended 31st December 2013 of 0.40 pence which will reduce Shareholders' funds by £1.0 million. The dividend will be paid on 8th November 2013 to Shareholders on the register of members at the close of business on 11th October 2013. 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.

8 Retirement benefit obligations

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

On 6th April 2013 the Group established a new pension scheme, the Johnson Service Group Defined Benefit Scheme (JSGDBS). The Group is in the process of transferring the assets and liabilities from the Johnson Group Staff Pension scheme (JGSPS), the Semara Augmented Pension Plan (SAPP) and the WML Final Salary Pension Scheme (WML) into the new scheme. Once this transfer is completed the JGSPS, SAPP and WML schemes will be wound up. This is expected to be completed by the end of the financial year.

In the six months to 30 June 2013 additional contributions of £0.7 million were paid by the Group to JGSPS (half year ended 30th June 2012: £0.8 million; year ended 31st December 2012: £1.6 million) and £0.2 million was paid to the WML (half year ended 30th June 2012: £0.2 million; year ended 31st December 2012: £0.3 million).

Following discussions with the Group's appointed actuary it has been identified that an actuarial gain of £7.3 million should be recognised in the period to 30th June 2013. This is principally as a result of a gain on the return on assets of £8.5 million offset by a £1.2 million loss on assumption changes relating to the schemes' liabilities.

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

	As at 30th June 2013 £m	As at 30th June 2012 £m	As at 31st December 2012 £m
Gross retirement benefit liability	(10.3)	(18.3)	(18.2)
Deferred tax asset thereon	2.4	4.4	4.2
Net retirement benefit liability	(7.9)	(13.9)	(14.0)

The reconciliation of the opening gross retirement benefit liability to the closing gross retirement benefit liability is shown below:

	As at 30th June 2013 £m	As at 30th June 2012 (restated) £m	As at 31st December 2012 (restated) £m
Opening gross retirement benefit liability	18.2	20.2	20.2
Current service cost	0.3	0.3	0.5
Settlement loss	–	0.2	0.2
Notional interest	0.4	0.5	1.1
Employer contributions	(1.1)	(1.3)	(2.4)
Actuarial gain	(7.3)	(1.4)	(1.3)
Utilisation of healthcare provision	(0.2)	(0.2)	(0.1)
Closing gross retirement benefit liability	10.3	18.3	18.2

Changes to IAS 19, 'Employee benefits' (as further described in note 20) have become effective for financial reporting periods beginning on or after 1st January 2013. As a result comparative information on the above table has been restated. The change has led to an increase in the notional interest charge in the period to 30th June 2012 and 31 December 2012 of £0.5 million and £1.1 million respectively. The actuarial gain has increased by the same amount. The gross retirement benefit liability remains unchanged.

9 Capital expenditure and commitments

Capital Expenditure

In the six months ended 30th June 2013 the Group acquired property, plant and equipment and intangible assets with a net book value of £2.9 million (half year ended 30th June 2012: £3.8 million; year ended 31st December 2012: £6.4 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 £9.3 million were acquired during the period (half year ended 30th June 2012: £10.9 million; year ended 31st December 2012: £21.4 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 £0.4 million were disposed of during the period (half year ended 30th June 2012: £nil; year ended 31st December 2012: £0.2 million). In addition, textile rental items with a net book value of £1.1 million were disposed of during the period (half year ended 30th June 2012: £1.1 million; year ended 31st December 2012: £2.4 million).

Notes to the Condensed Consolidated Interim Financial Statements continued

9 Capital expenditure and commitments (continued)

Capital Commitments

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

	As at 30th June 2013 £m	As at 30th June 2012 £m	As at 31st December 2012 £m
Property, plant and equipment	0.7	1.0	1.7

10 Share capital

The company's authorised share capital is 383,025,739 Ordinary shares of 10p each. This has been unchanged throughout the current and prior periods.

Issued share capital has increased as follows:

	Half year to 30th June 2013 £m	Half year to 30th June 2012 £m	Year ended 31st December 2012 £m
Share capital at the start of the period	25.6	25.4	25.4
New shares issued	0.1	0.2	0.2
Share capital at the end of the period	25.7	25.6	25.6

As at 30th June 2013 the company has issued share capital of 256,998,339 Ordinary Shares of 10p each.

11 Business combinations

There have been no business combinations during the six months to 30th June 2013. There have been no payments in the period relating to acquisitions in 2012.

During the year ended 31st December 2012 the Group made acquisitions within its Textile Rental and Facilities Management businesses. Full details of these acquisitions are shown in the 2012 Annual Report. There have been no changes to the values shown in the 2012 Annual Report, although the Facilities Management acquisition fees have been restated from continuing to discontinued activities.

12 Disposals and discontinued operations

There have been no business disposals in the six months to 30th June 2013. During 2012 the Group disposed of Alex Reid Limited.

As a result of the disposal of the Facilities Management Division on 7th August 2013 the related results have been classed as discontinued operations. Further information regarding this disposal is provided in the Chairman's Statement and note 19.

Discontinued operations consist of the following:

- The trading result of the Facilities Management Division in 2013 and 2012, including the revaluation of the assets and related liabilities held for resale as at 30 June 2013.
- The trading results and disposal of Alex Reid in 2012.
- The recognition of provisions in 2012 relating to properties previously used in discontinued operations.
- Taxation relating to the above items.
- Tax credit recognised in the first half of 2012 relating to the refund of the de-grouping tax charge paid in respect of the disposal of the Corporatewear division in 2008.

12 Disposals and discontinued operations (continued)

The overall result from discontinued operations is shown below:

	Half year to 30th June 2013 £m	Half year to 30th June 2012 £m	Year ended 31st December 2012 £m
Revenue from discontinued operations	26.3	29.2	60.0
Profit/(loss) before taxation from discontinued operations	0.8	(1.1)	(1.7)
Taxation	(0.2)	3.2	5.7
Profit for the period	0.6	2.1	4.0
Revaluation of assets held for resale (note 13)	(9.0)	–	–
Pre tax loss on disposal	–	–	(4.0)
Taxation	–	–	–
Loss on disposal	–	–	(4.0)
(Loss)/profit from discontinued operations	(8.4)	2.1	–

Cash flow from discontinued operations

The cash flows from discontinued operations included within the Consolidated Cash Flow Statement are as follows:

	Half year to 30th June 2013 £m	Half year to 30th June 2012 £m	Year ended 31st December 2012 £m
Proceeds from disposal of Alex Reid Limited	–	–	2.1
Payment of costs relating to the disposal of Alex Reid Limited	–	–	(0.1)
Cash disposed of with Alex Reid Limited	–	–	(0.5)
Net proceeds from sale of business	–	–	1.5
Net cash generated from operating activities (excluding income tax)	2.2	0.4	3.2
Tax payment	–	–	(0.4)
Net cash used in business acquisition activity	–	(1.1)	(1.3)
Net cash flow	2.2	(0.7)	3.0

13 Assets and liabilities held for sale

Assets and related liabilities held for sale are impaired upon classification as being held for sale, based on their likely recoverable amount. As at 30th June 2013 the assets and related liabilities held for sale that relate to the Facilities Management business are analysed as follows:

	Carrying value at 30th June 2013 £m	Impairment £m	Carrying value under IFRS5 as at 30th June 2013 £m
Goodwill	31.8	(9.0)	22.8
Intangible assets – excluding software	4.7	–	4.7
Intangible assets – software	0.6	–	0.6
Tangible fixed assets	1.2	–	1.2
Trade and other debtors	10.5	–	10.5
Deferred tax assets	1.6	–	1.6
Cash and cash equivalents – relating to lifecycle funds	1.6	–	1.6
Cash and cash equivalents – not relating to lifecycle funds	5.5	–	5.5
Assets held for sale	57.5	(9.0)	48.5
Trade and other creditors	(14.4)	–	(14.4)
Current tax liability	(0.3)	–	(0.3)
Liabilities relating to assets held for sale	(14.7)	–	(14.7)
Assets and liabilities held for sale	42.8	(9.0)	33.8

Notes to the Condensed Consolidated Interim Financial Statements continued

14 Borrowings

As at 30th June 2013 the Group had a banking facility under which bank loans were secured and drawn down under a committed facility initially comprising of an amortising Term Loan of £53.5 million and a Revolving Credit Facility, including an overdraft facility, of £25.0 million of which £2.5 million was to mature in December 2013 with the remainder maturing in May 2015. Of the initial £53.5 million Term Loan facility, £3.0 million had been repaid by 30th June 2013 leaving total available facilities at that date of £75.5 million. Future repayments were due of £3.0 million in December 2013 and six monthly thereafter.

On 7th August 2013, following the sale of the Facilities Management Division and subsequent repayment of £25.5 million of Term Loan, the terms of the bank facility were revised such that the remaining Term Loan of £25.0 million is non amortising and the Revolving Credit Facility remains at £25.0 million. The entire facility is due to mature in May 2015.

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 which ranges from 2.5% to 3.0%. As at 30th June 2013 £40.0 million of the bank facility was subject to hedging arrangements which had the effect of replacing LIBOR with a fixed rate of 1.79%. On 9th August 2013 £20.0 million of the hedging arrangements were cancelled (note 19).

Bank loans are stated net of unamortised issue costs of £0.4 million (30th June 2012: £0.9 million; 31st December 2012: £0.6 million).

15 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 2011	4.8	(1.3)	3.5	(1.5)	(50.5)	(1.2)	(49.7)
Cash flow	(3.1)	(0.3)	(3.4)	(2.0)	(3.5)	0.2	(8.7)
Other non-cash changes	–	–	–	(1.0)	1.9	–	0.9
Balance at 30th June 2012	1.7	(1.6)	0.1	(4.5)	(52.1)	(1.0)	(57.5)
Cash flow	(1.6)	0.3	(1.3)	(2.0)	3.5	0.2	0.4
Other non-cash changes	–	–	–	(1.6)	1.3	(1.1)	(1.4)
Balance at 31st December 2012	0.1	(1.3)	(1.2)	(8.1)	(47.3)	(1.9)	(58.5)
Cash flow	3.0	(0.3)	2.7	2.5	–	0.3	5.5
Other non-cash changes	–	–	–	(3.0)	2.8	(0.4)	(0.6)
Balance at 30th June 2013	3.1	(1.6)	1.5	(8.6)	(44.5)	(2.0)	(53.6)

Debt under the Revolving Credit Facility has been classified as being due in less than one year. As at 30th June 2013 £6.0 million of the Term Loan has been classed as due in less than one year based on facility terms as at 30th June 2013 as described in note 14.

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

	30th June 2013 £m	30th June 2012 £m	31st December 2012 £m
Cash and cash equivalents (Current assets)	0.1	1.9	1.5
Overdraft (Borrowings, Current liabilities)	(4.1)	(0.2)	(1.4)
Cash within assets held for sale (see note 13)	7.1	–	–
	3.1	1.7	0.1

16 Reconciliation of net cash flow to movement in net debt

	Half year to 30th June 2013 £m	Half year to 30th June 2012 £m	Year ended 31st December 2012 £m
Increase/(decrease) in cash in the period	3.0	(3.1)	(4.7)
Movement in Lifecycle funds	(0.3)	(0.3)	–
Increase/(decrease) in cash excluding Lifecycle funds	2.7	(3.4)	(4.7)
Cash inflow/(outflow) on change in debt and lease financing	2.8	(5.3)	(3.6)
Change in net debt resulting from cash flows	5.5	(8.7)	(8.3)
Movement in unamortised issue costs of bank loans	(0.2)	0.9	0.6
New finance leases	(0.4)	–	(1.1)
Movement in net debt during the period	4.9	(7.8)	(8.8)
Opening net debt	(58.5)	(49.7)	(49.7)
Closing net debt	(53.6)	(57.5)	(58.5)

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 31st December 2012. There have been no material changes in these relationships in the half year to 30th June 2013 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 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.

Following the disposal of the Facilities Management division (see note 12) the Group has retained certain contingent liabilities relating to those PPP contracts where Parent Company Guarantees remain in place. These have, in line with market practice, been provided by Johnson Service Group PLC ("JSG") in order to guarantee the performance of the obligations of companies within the Facilities Management division. The purchaser of the Facilities Management division has committed to work with JSG to complete the transfer of the obligations away from JSG. Appropriate indemnities and warranties are included in the Sale and Purchase Agreement to limit the potential exposure to JSG.

At 30th June 2013 there were no other contingent liabilities except for those arising from the ordinary course of the Group's business.

19 Events after the balance sheet date

As discussed in the Chairman's Statement, on 7th August 2013 the Group sold its Facilities Management division for £32.2 million on a debt free, cash free basis. After adjustments for normalised working capital and costs the initial net proceeds were approximately £28.0 million with a further £2.2 million of deferred consideration potentially receivable. Of this deferred consideration £0.3 million is expected to be received within 12 months of completion and a further £0.8 million in August 2015. The receipt of the balance of £1.1 million is dependant on the future utilisation of deferred tax balances by the purchaser.

On 7th August 2013 £25.5 million of the Group's Term Loan was repaid and cancelled, with the bank facility reducing to £50.0 million, with no further repayments due prior to the expiration of the bank facilities in May 2015.

On 9th August 2013 the Group cancelled £20.0 million of its £40.0 million hedging arrangement relating to its bank borrowings for a cash payment of £0.6 million. This cost will be included within Discontinued Operations in the second half of 2013.

There were no other events after the balance sheet date that would require disclosure in accordance with IAS10, 'Events after the balance sheet date'.

Notes to the Condensed Consolidated Interim Financial Statements continued

20 Prior period restatement

The Income Statement and Statement of Comprehensive Income for the six months to June 2012 have been restated as a result of the following:

- The results of Alex Reid Limited are now being treated as a discontinued operation.
- The results of the Facilities Management division being treated as a discontinued operation.
- Changes in accounting for pension costs as a result of changes in IAS 19.

In addition the Income Statement and Statement of Comprehensive Income for the year to December 2012 have been restated as a result of the following:

- The results of the Facilities Management division being treated as a discontinued operation.
- Changes in accounting for pension costs as a result of changes in IAS 19.

None of these changes impact the overall comprehensive income, net assets or cash flows of the Group. The impact of these changes on the Income Statement and Statement of Comprehensive Income are shown below:

	As originally reported £m	Alex Reid adjustment £m	Facilities Management adjustment £m	Pension adjustment (IAS19) £m	Restated £m
Period to June 2012 – Income Statement					
Revenue	126.3	(3.9)	(25.3)	–	97.1
Costs recharged to customers	(5.6)	–	5.6	–	–
Revenue excluding costs recharged to customers	120.7	(3.9)	(19.7)	–	97.1
Operating costs	(113.0)	4.0	17.7	–	(91.3)
Operating profit before intangible amortisation (excluding software amortisation) and Exceptional items	7.7	0.1	(2.0)	–	5.8
Amortisation of intangible assets (excluding software amortisation)	(1.4)	–	1.1	–	(0.3)
Exceptional items – total	(3.7)	–	1.8	–	(1.9)
Operating profit	2.6	0.1	0.9	–	3.6
Net Finance cost	(1.7)	–	–	(0.5)	(2.2)
Profit before tax Continuing operations	0.9	0.1	0.9	(0.5)	1.4
Tax	0.4	–	(0.2)	0.1	0.3
Profit from Continuing operations	1.3	0.1	0.7	(0.4)	1.7
Profit from Discontinued operations	2.9	(0.1)	(0.7)	–	2.1
Profit for the period attributable to equity holders	4.2	–	–	(0.4)	3.8
Period to June 2012 – Statement of Comprehensive Income					
Profit for the period	4.2	–	–	(0.4)	3.8
Actuarial Gain	0.9	–	–	0.5	1.4
Taxation in respect of Actuarial gain	(0.2)	–	–	(0.1)	(0.3)
Other items within comprehensive income (net)	(0.3)	–	–	–	(0.3)
Other comprehensive income for the period	0.4	–	–	0.4	0.8
Total comprehensive income for the period	4.6	–	–	–	4.6

20 Prior period restatement (continued)

	As originally reported £m	Facilities Management adjustment £m	Pension adjustment (IAS19) £m	Restated £m
Year to December 2012 – Income Statement				
Revenue	251.0	(52.3)	–	198.7
Costs recharged to customers	(6.8)	6.8	–	–
Revenue excluding costs recharged to customers	244.2	(45.5)	–	198.7
Operating costs	(224.4)	41.0	–	(183.4)
Operating profit before intangible amortisation (excluding software amortisation) and Exceptional items	19.8	(4.5)	–	15.3
Amortisation of intangible assets (excluding software amortisation)	(2.8)	2.3	–	(0.5)
Exceptional items – total	(27.7)	2.2	–	(25.5)
Operating loss	(10.7)	–	–	(10.7)
Net Finance cost	(3.5)	–	(1.1)	(4.6)
Loss before tax continuing operations	(14.2)	–	(1.1)	(15.3)
Tax	5.6	(2.3)	0.3	3.6
Loss from continuing operations	(8.6)	(2.3)	(0.8)	(11.7)
Loss from discontinued operations	(2.3)	2.3	–	–
Loss for the year attributable to equity holders	(10.9)	–	(0.8)	(11.7)
Year to December 2012 – Statement of Comprehensive Income				
Profit for the year	(10.9)	–	(0.8)	(11.7)
Actuarial Gain	0.2	–	1.1	1.3
Taxation in respect of Actuarial gain	(0.1)	–	(0.3)	(0.4)
Other items within comprehensive income (net)	(0.4)	–	–	(0.4)
Other comprehensive income for the year	(0.3)	–	0.8	0.5
Total comprehensive income for the year	(11.2)	–	–	(11.2)

21 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 2012.

(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 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 2013

New and amended standards and interpretations need to be adopted in the first interim financial statements issued after their effective date (or date of early adoption).

The following new standards, amendments to standards and interpretations are mandatory for the first time for the financial year beginning 1st January 2013. The impact of these changes are also stated.

- Amendment to IAS 1, 'Financial statement presentation'. The amendment requires the grouping of items within other comprehensive income to be grouped by items that will never be reclassified to profit or loss and items that may be reclassified to profit or loss. This grouping has been applied. There have been no changes to the values presented.
- Amendment to IAS 19, 'Employee benefits'. The amendment requires changes to the accounting for the group defined benefit schemes, by replacing the interest cost and expected return on plan assets with a net interest charge on the net defined benefit liability The impact of these changes on the 2012 Income Statements and Statements of Comprehensive Income are shown in note 20. There have been no changes in the liability at the balance sheet date as a result of this standard change

Notes to the Condensed Consolidated Interim Financial Statements continued

21 Accounting policies (continued)

- IFRS 13 'Fair Value Measurement'. Whilst this standard has introduced changes in the methods used in fair valuing certain assets and liabilities, these changes are have not had a material impact on the valuation of those assets and liabilities.

(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', 'anticipate', '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.

22 Principal risks and uncertainties

The Group set out in its 2012 Annual Report 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 little change in financial market conditions and therefore no 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 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 18 & 19 of the 2012 Annual Report.

23 Published financial statements and electronic communications

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.

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.

Directors and Advisors

Directors

John Andrew Talbot FCA
Executive Chairman
Chairman of Nomination Committee

Yvonne May Monaghan BSc (Hons), FCA
Finance Director

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

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

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

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

Group Financial Controller

Timothy James Morris BA (Hons), FCA

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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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