Interim Report 2014

JOHNSON
SERVICE GROUP PLC

THE ESTABLISHED NAME IN THE TEXTILE RENTAL AND DRYCLEANING SECTORS

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Chairman's Statement

I am pleased to report another strong result for the first half, ahead of our expectations and significantly ahead of 2013.

As announced in March, we successfully entered the volume hotel linen market through the acquisition of Bourne Services Group Limited ("Bourne") which expanded our range of services within the Textile Rental market and which contributed significantly to the strength of performance in our Textile Rental business. The Bourne acquisition has been immediately earnings enhancing. The Drycleaning business continues to focus on service quality and convenience in a challenging market.

Net debt at June 14 was £31.7 million (December 2013: £24.5 million, £34.0 million on a pro-forma basis) after funding the Bourne acquisition for a net consideration of £22.3 million and including the receipt of £12.8 million of net proceeds from the Equity Placing in March 2014.

In line with our stated intention to adopt a progressive dividend policy and based on the encouraging performance of the ongoing business as well as the prospects for further successful investment in Textile Rental, the Board has recommended a 25% increase in the interim dividend to 0.5 pence (June 2013: 0.4 pence) which will be paid on 7 November 2014 to Shareholders on the register at the close of business on 10 October 2014.

Group Results

Total revenue in the six months to June 2014 was £101.6 million (June 2013: £96.1 million), benefitting from four months contribution from Bourne and reflecting the further reduction in the number of Drycleaning branches. Adjusted operating profit increased by 25.3% to £9.4 million (June 2013: £7.5 million).

Adjusted profit before tax amounted to £8.5 million (June 2013: £5.5 million). The underlying tax rate was 22.2% (June 2013: 24.1%).

Exceptional items in the first half of 2014 amounted to £1.4 million (June 2013: £0.8 million) in respect of acquisition costs totalling £0.6 million and the initial costs arising on the planned relocation of one of our Textile Rental plants in the North of England amounting to £0.8 million. The new location is expected to be substantially complete by the end of the year and approximately a further £1.5 million of exceptional costs are expected to be incurred over the course of the next twelve months.

Net finance costs were £0.9 million (June 2013: £2.0 million) reflecting the benefit of lower average borrowings and margin and including a notional interest charge on net pension liabilities of £0.1 million (June 2013: £0.4 million).

After amortisation of intangible assets (excluding software amortisation) of £0.7 million (June 2013: £0.3 million) the pre-tax profit was £6.4 million (June 2013: £4.4 million).

Adjusted fully diluted earnings per share were 2.3 pence (June 2013: 1.5 pence) while fully diluted earnings per share after amortisation and impairment of intangible assets (excluding software amortisation) and exceptional items were 1.7 pence (June 2013: 1.2 pence).

Pension Deficit

The recorded net deficit after tax for all post retirement benefit obligations has increased to £7.2 million at June 2014 from £3.4 million at December 2013. The increase is due, in part, to the reduction in Corporate Bond yields, which determines the discount rate applied to liabilities, together with changes in mortality assumptions.

In the light of current changes to pension legislation, and in line with market practice, we are currently reviewing the future of pension provision for our employees.

The current agreement with the Trustee of the defined benefit pension scheme requires additional contributions of £1.9 million in the year to December 2014.

Finances

Total net debt at the end of the first half was £31.7 million (December 2013: £24.5 million) reflecting the strong trading performance in the first half, the financing of the Bourne acquisition, and the Equity Placing.

The new bank facility entered into prior to the Bourne acquisition, which runs to May 2018, amounts to £60.0 million with an additional £10.0 million short term facility available to February 2015. The 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 10.4 times (June 2013: 3.8 times), with interest costs continuing to benefit from the current low levels of LIBOR on the unhedged portion of the debt. Forward hedges are in place for £20.0 million of the debt, 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 0.5 pence, representing an increase of 25% over the same period last year (June 2013: 0.4 pence) and reflecting the Board's confidence in the business going forward.

The interim dividend will be paid on 7 November 2014 to those Shareholders on the register of members at the close of business on 10 October 2014. The ex dividend date is 9 October 2014.

Chairman's Statement continued

Textile Rental

The Textile Rental business trades through three very well recognised brands servicing three market sectors within Textile Rental in the UK. These are Johnsons Apparelmaster ("Apparelmaster"), which predominantly provides workwear rental and laundry services to all sectors of industry, Stalbridge Linen Services ("Stalbridge"), which provides premium linen services to the hospitality and corporate events market and the recent addition of Bourne Services Group ("Bourne") which provides high volume hotel linen.

Textile Rental revenue increased by 10.1% to £74.4 million (June 2013: £67.6 million), whilst adjusted operating profit increased by 25.6% to £10.8 million (June 2013: £8.6 million) helped by the addition of the Bourne business in March 2014.

Apparelmaster performed well with increased sales to existing customers complementing new business wins and improved customer retention. A new plant currently being constructed will add further processing capacity in the North of England. The total capital investment will be some £8.5 million and will result in a highly efficient workwear plant, including a large dedicated cleanroom for the processing of food industry garments.

Stalbridge has succeeded in replacing much of the volume given up in April 2013 following the decision to terminate its largest customer and consequently recorded an improved margin. Capital investment has continued and the intention of increasing processing capacity is progressing well.

Bourne has had a successful first period, adding volume through additional sales to existing and new customers and we are very encouraged by its performance.

We are seeking further acquisitions within Textile Rental as we continue to increase our presence in the various sub-sectors.

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.

Revenue was down to £27.2 million (June 2013: £28.5 million) reflecting the reduced number of branches and adjusted operating profit was £0.4 million (June 2013: £0.7 million).

We are continuing to focus our efforts on developing new ways of reaching potential customers, and our partnership with Waitrose, offering drycleaning through their Customer Service desk, is one example. In addition to the 321 (June 2013: 336) branches trading at the end of June there were a further 29 newly opened Waitrose locations. Additional Waitrose location openings are planned for the remainder of the year, improving the key driver of convenience for all customers.

The traditional drycleaning market remains challenging although we are continuing to see an increasing demand for services such as laundry and ironing which is offered in all branches. The advantages of GreenEarth® cleaning continue to be promoted to existing and potential customers. We have achieved some success with high street fashion retailers in their recognising the benefit of recommending cleaning of their garments in GreenEarth® and we hope to see this appear on some garment care labels in the near future.

Employees

I would like to thank our employees at all levels for their continuing support and commitment and, in particular, welcome the employees of Bourne to the Group.

Board Changes

John Talbot retired from the Board on 1 May 2014 after almost seven years as Chairman. I would like to thank him for his excellent leadership particularly through, what was, a challenging time for the Group.

Outlook

I am very pleased with the strong performance of the Group in the first half of the year and expect the results for 2014 to be slightly ahead of current market expectations.

The Board is continuing to seek further acquisitions in Textile Rental and to invest in additional capacity at existing locations.

Paul Moody
Non-Executive Chairman
2 September 2014

Responsibility Statement

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

The Directors confirm that to the best of their knowledge:

- this financial information has been prepared in accordance with IAS 34 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 2013 Johnson Service Group PLC Annual Report. There have been no changes since 31 December 2013 other than:

- the appointment of Chris Sander, previously Managing Director of the Textile Services division, to Chief Executive Officer with effect from 3 January 2014;
- the resignation of John Talbot as Executive Chairman, with effect from 1 May 2014; and
- the appointment on the same date of Paul Moody, previously a Non Executive Director, to Non Executive Chairman.

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

By order of the Board

Yvonne Monaghan
Chief Financial Officer
2 September 2014

Consolidated Income Statement

	Note	Half year to 30 June 2014 £m	Half year to 30 June 2013 £m	Year ended 31 December 2013 £m
Revenue from continuing operations	2	101.6	96.1	193.6
Operating profit	2	7.3	6.4	15.8
Operating profit before amortisation and impairment of intangible assets (excluding software amortisation) and exceptional items		9.4	7.5	17.0
Amortisation and impairment of intangible assets (excluding software amortisation)		(0.7)	(0.3)	(0.6)
Exceptional items	3			
– Restructuring costs		(0.8)	(0.8)	(1.2)
– Costs in relation to business acquisition activity		(0.6)	–	–
– Pension credits		–	–	0.6
Operating profit	2	7.3	6.4	15.8
Finance cost		(0.8)	(1.6)	(2.8)
Notional interest		(0.1)	(0.4)	(0.8)
Total finance cost		(0.9)	(2.0)	(3.6)
Profit before taxation		6.4	4.4	12.2
Taxation*	4	(1.6)	(1.1)	(2.4)
Profit for the period from continuing operations		4.8	3.3	9.8
Result/(loss) for the period from discontinued operations	12	–	(8.4)	(9.1)
Profit/(loss) for the period attributable to equity holders		4.8	(5.1)	0.7
Earnings per share	7			
Basic earnings per share				
From continuing operations		1.7p	1.3p	3.8p
From discontinued operations		–	(3.4p)	(3.6p)
From continuing and discontinued operations		1.7p	(2.1p)	0.2p
Fully diluted earnings per share				
From continuing operations		1.7p	1.2p	3.6p
From discontinued operations		–	(3.1p)	(3.4p)
From continuing and discontinued operations		1.7p	(1.9p)	0.2p
Adjusted basic earnings per share				
From continuing operations		2.3p	1.6p	4.0p
From discontinued operations		–	0.6p	0.6p
From continuing and discontinued operations		2.3p	2.2p	4.6p
Adjusted fully diluted earnings per share				
From continuing operations		2.3p	1.5p	3.8p
From discontinued operations		–	0.6p	0.5p
From continuing and discontinued operations		2.3p	2.1p	4.3p

The notes on pages 9 to 22 form an integral part of these condensed consolidated interim financial statements.

*Including £0.1 million credit (June 2013: £0.1 million credit; December 2013: £0.1 million credit) relating to amortisation and impairment of intangible assets (excluding software amortisation), £0.2 million credit (June 2013: £0.2 million credit; December 2013: £0.1 million credit) in relation to exceptional items and £nil (June 2013: £nil; December 2013: £0.3 million credit) in relation to prior year taxation adjustments relating to exceptional items.

Consolidated Statement of Comprehensive Income

	Note	Half year to 30 June 2014 £m	Half year to 30 June 2013 £m	Year ended 31 December 2013 £m
Profit/(loss) for the period		4.8	(5.1)	0.7
Items that will not be subsequently reclassified to profit or loss				
Re-measurement (loss)/gain on post employment obligations	8	(5.7)	7.3	11.7
Taxation in respect of re-measurement loss/(gain)		1.1	(1.7)	(2.3)
Change in deferred tax due to change in tax rate		–	–	(0.6)
Items that may be subsequently reclassified to profit or loss				
Cash flow hedges (net of taxation) – fair value of (losses)/gains		(0.1)	0.1	0.1
– transfers to finance costs		0.2	0.2	0.7
Other comprehensive (expense)/income for the period		(4.5)	5.9	9.6
Total comprehensive income for the period		0.3	0.8	10.3

Consolidated Statement of Changes in Shareholders' Equity

	Share Capital £m	Share Premium £m	Capital Merger Reserve £m	Redemption Reserve £m	Hedge Reserve £m	Retained Earnings £m	Total Equity £m
Balance at 1 January 2013	25.6	13.9	1.6	0.6	(1.1)	20.4	61.0
Loss for the period	–	–	–	–	–	(5.1)	(5.1)
Other comprehensive income for the period	–	–	–	–	0.3	5.6	5.9
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)
Transactions with Shareholders recognised directly to Shareholders' funds	0.1	0.1	–	–	–	(1.5)	(1.3)
Balance at 30 June 2013	25.7	14.0	1.6	0.6	(0.8)	19.4	60.5
Profit for the period	–	–	–	–	–	5.8	5.8
Other comprehensive income for the period	–	–	–	–	0.5	3.2	3.7
Total comprehensive income for the period	–	–	–	–	0.5	9.0	9.5
Share options (value of employee services)	–	–	–	–	–	0.1	0.1
Purchase of shares by EBT*	–	–	–	–	–	(0.4)	(0.4)
Current tax on share options	–	–	–	–	–	0.2	0.2
Deferred tax on share options	–	–	–	–	–	1.0	1.0
Issue of Share capital	0.5	0.1	–	–	–	–	0.6
Dividends paid	–	–	–	–	–	(1.0)	(1.0)
Transactions with Shareholders recognised directly to Shareholders' funds	0.5	0.1	–	–	–	(0.1)	0.5
Balance at 31 December 2013	26.2	14.1	1.6	0.6	(0.3)	28.3	70.5
Profit for the period	–	–	–	–	–	4.8	4.8
Other comprehensive income/(expense) for the period	–	–	–	–	0.1	(4.6)	(4.5)
Total comprehensive income for the period	–	–	–	–	0.1	0.2	0.3
Share options (value of employee services)	–	–	–	–	–	0.3	0.3
Purchase of shares by EBT*	–	–	–	–	–	(0.9)	(0.9)
Current tax on share options	–	–	–	–	–	1.2	1.2
Deferred tax on share options	–	–	–	–	–	(1.0)	(1.0)
Issue of Share capital (net of costs)	3.7	0.2	–	–	–	10.2	14.1
Dividends paid	–	–	–	–	–	(2.4)	(2.4)
Transactions with Shareholders recognised directly to Shareholders' funds	3.7	0.2	–	–	–	7.4	11.3
Balance at 30 June 2014	29.9	14.3	1.6	0.6	(0.2)	35.9	82.1

*The Group has an Employee Benefit Trust (EBT) to administer share plans and to acquire shares, using funds contributed by the Group, to meet commitments to employee share schemes. At 30 June 2014, the EBT held 20,739 shares (June 2013: 1,286,531 shares; December 2013: 31,000 shares).

Consolidated Balance Sheet

	Note	As at 30 June 2014 £m	As at 30 June 2013 £m	As at 31 December 2013 £m
Assets				
Non-current assets				
Goodwill		56.2	52.4	52.4
Intangible assets		12.5	3.3	3.0
Property, plant and equipment		46.5	36.1	36.0
Textile rental items		29.8	26.0	26.0
Trade and other receivables		1.8	0.3	1.8
Deferred income tax assets		4.4	6.3	4.5
		151.2	124.4	123.7
Current assets				
Inventories		2.0	2.0	2.0
Trade and other receivables		34.9	32.9	30.4
Cash and cash equivalents		0.1	0.2	3.4
Assets held for sale	13	–	48.5	–
		37.0	83.6	35.8
Liabilities				
Current liabilities				
Trade and other payables		44.2	38.5	37.6
Current income tax liabilities		0.8	2.0	0.3
Borrowings	14	3.7	15.3	0.8
Provisions		4.9	7.0	4.2
Liabilities associated with assets held for sale	13	–	14.7	–
		53.6	77.5	42.9
Net current (liabilities)/assets		(16.6)	6.1	(7.1)
Non-current liabilities				
Retirement benefit obligations	8	9.0	10.3	4.3
Deferred income tax liabilities		2.7	–	–
Other non-current liabilities		1.4	1.0	0.9
Borrowings	14	28.1	44.0	27.1
Derivative financial liabilities		0.2	1.0	0.3
Provisions		11.1	13.7	13.5
		52.5	70.0	46.1
Net assets		82.1	60.5	70.5
Equity				
Capital and reserves attributable to the Company's Shareholders				
Share capital	10	29.9	25.7	26.2
Share premium		14.3	14.0	14.1
Merger reserve		1.6	1.6	1.6
Capital redemption reserve		0.6	0.6	0.6
Hedge reserve		(0.2)	(0.8)	(0.3)
Retained earnings		35.9	19.4	28.3
Total Shareholders' funds		82.1	60.5	70.5

The notes on pages 9 to 22 form an integral part of these condensed consolidated interim financial statements.

The condensed consolidated interim financial statements on pages 4 to 22 were approved by the Board of Directors on 2 September 2014 and signed on its behalf by:

Yvonne Monaghan
Chief Financial Officer

Consolidated Statement of Cash Flows

	Note	Half year to 30 June 2014 £m	Half year to 30 June 2013 £m	Year ended 31 December 2013 £m
Cash flows from operating activities				
Profit/(loss) for the period		4.8	(5.1)	0.7
Adjustments for:				
Income tax charge – continuing operations	4	1.6	1.1	2.4
– discontinued operations	12	–	0.2	0.3
Finance income and expense – continuing operations		0.9	2.0	3.6
– discontinued operations	12	–	–	0.7
Depreciation and impairment		13.5	12.6	24.9
Amortisation		0.7	1.6	2.0
Impairment of assets held for resale		–	9.0	9.0
Decrease in inventories		0.2	0.3	0.2
(Increase)/decrease in trade and other receivables		(1.9)	–	2.5
Increase in trade and other payables		2.9	2.1	0.5
Loss on sale of property, plant and equipment		–	0.1	0.2
Pre-tax profit on disposal of business		–	–	(1.1)
Costs in relation to business acquisition activity charged to Income Statement		0.6	–	–
Deficit recovery payments to defined benefit pension scheme		(1.0)	(0.9)	(1.9)
Share-based payments		0.3	0.4	0.5
Retirement benefit obligations		(0.1)	(0.1)	(1.1)
Decrease in provisions		(1.9)	(3.8)	(6.8)
Cash generated from operations		20.6	19.5	36.6
Interest paid		(1.4)	(1.6)	(3.0)
Taxation paid		(0.2)	–	(1.3)
Net cash generated from operating activities		19.0	17.9	32.3
Cash flows from investing activities				
Acquisition of business (net of cash acquired)	11	(22.3)	–	–
Proceeds from sale of business (net of cash disposed of)	12	–	–	26.7
Purchase of property, plant and equipment		(4.7)	(2.4)	(4.8)
Proceeds from sale of property, plant and equipment		–	0.3	0.4
Purchase of intangible assets		–	(0.2)	(0.2)
Purchase of textile rental items		(11.4)	(9.2)	(19.1)
Proceeds received in respect of special charges		0.9	1.1	2.2
Net cash (used in)/generated from investing activities		(37.5)	(10.4)	5.2
Cash flows from financing activities				
Proceeds from borrowings		54.0	7.0	12.0
Repayments of borrowings		(52.0)	(9.5)	(43.0)
Capital element of finance leases		(0.4)	(0.3)	(0.7)
Purchase of own shares by EBT		(0.9)	–	(0.4)
Net proceeds from issue of Ordinary shares		14.1	0.2	0.8
Dividends paid to Company Shareholders		(2.4)	(1.9)	(2.9)
Net cash generated from/(used in) financing activities		12.4	(4.5)	(34.2)
Net (decrease)/increase in cash and cash equivalents		(6.1)	3.0	3.3
Cash and cash equivalents at beginning of period		3.4	0.1	0.1
Cash and cash equivalents at end of period	15	(2.7)	3.1	3.4

The notes on pages 9 to 22 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 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 2 September 2014.

1 Basis of Preparation

These condensed consolidated interim financial statements of the Group are for the six months ended 30 June 2014. They have been prepared in accordance with the Disclosure and Transparency Rules of the Financial Conduct Authority and with IAS 34, 'Interim Financial Reporting', as adopted by the European Union.

The condensed consolidated interim financial statements have not been reviewed or audited, nor do they comprise statutory accounts for the purpose of Section 434 of the Companies Act 2006, and do not include all of the information or disclosures required in the annual financial statements and should therefore be read in conjunction with the Group's 2013 consolidated financial statements, which have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union.

Financial information for the year ended 31 December 2013 included herein is derived from the statutory accounts for that year, which have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under Section 498 of the Companies Act 2006.

Financial information for the half year ended 30 June 2013 included herein is derived from the condensed consolidated interim financial statements for that period.

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 reasonable 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 condensed consolidated interim financial statements.

2 Segment Analysis

Segment information is presented in respect of the Group's operating segments, which are based on the Group's management and internal reporting structure as at 30 June 2014. Details of the Group's segments were provided on page 58 of the 2013 Annual Report. Following its acquisition on 3 March 2014, Bourne Services Group Limited is included within the Textile Rental segment.

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 income tax assets, current income tax assets and cash, all of which are managed on a central basis. Segmental liabilities include non-bank borrowings, but exclude deferred income tax liabilities, current income tax liabilities, bank borrowings and derivative financial liabilities and retirement benefit obligations that cannot be attributed directly to a segment, all of which are managed on a central basis. These balances are part of the reconciliation to total balance sheet assets and liabilities.

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

Notes to the Condensed Consolidated Interim Financial Statements continued

2 Segment analysis continued

The operating segment results for the half year ended 30 June 2014, together with comparative figures, are as follows:

Half year to 30 June 2014	Textile Rental £m	Drycleaning £m	All Other Segments £m	Total £m
Continuing				
Revenue				
Total revenue	74.4	27.2	–	101.6
Result				
Operating profit before amortisation and impairment of intangible assets (excluding software amortisation) and exceptional items	10.8	0.4	(1.8)	9.4
Amortisation and impairment of intangible assets	(0.7)	–	–	(0.7)
Exceptional items:				
– Restructuring costs	(0.8)	–	–	(0.8)
– Costs in relation to business acquisition activity	(0.6)	–	–	(0.6)
Operating profit/(loss)	8.7	0.4	(1.8)	7.3
Finance cost (including notional interest)				(0.9)
Profit before taxation				6.4
Taxation				(1.6)
Profit for the period – from continuing operations				4.8

	Discontinued Operations £m	Textile Rental £m	Drycleaning £m	All Other Segments £m	Total £m
Other information					
Fixed asset additions					
– Property, plant and equipment	–	5.1	0.6	–	5.7
– Textile rental items	–	12.5	–	–	12.5
Depreciation and amortisation expense					
– Property, plant and equipment	–	3.0	1.0	0.1	4.1
– Textile rental items	–	9.4	–	–	9.4
– Customer contracts	–	0.7	–	–	0.7
Balance sheet information					
Segment assets	–	145.4	22.3	16.0	183.7
Unallocated assets: Deferred income tax assets					4.4
Cash and cash equivalents					0.1
Total assets					188.2
Segment liabilities	(2.4)	(37.7)	(18.4)	(5.7)	(64.2)
Unallocated liabilities: Bank borrowings					(29.2)
Current income tax liabilities					(0.8)
Deferred income tax liabilities					(2.7)
Derivative financial liabilities					(0.2)
Retirement benefit obligations					(9.0)
Total liabilities					(106.1)
Return on capital employed (rolling 12 months)		40.6%	18.2%		

2 Segment analysis continued

Half year to 30 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				
Operating profit before amortisation and impairment of intangible assets (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/(loss)	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
– Customer contracts	1.2	0.3	–	–	1.5
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%		

Notes to the Condensed Consolidated Interim Financial Statements continued

2 Segment analysis continued

Year ended 31 December 2013	Textile Rental £m	Drycleaning £m	All Other Segments £m	Total £m
Revenue				
Continuing	136.2	57.4	–	193.6
Discontinued (note 12)				29.0
Total revenue				222.6
Result				
Operating profit before amortisation and impairment of intangible assets (excluding software amortisation) and exceptional items	18.9	1.6	(3.5)	17.0
Amortisation and impairment of intangible assets	(0.6)	–	–	(0.6)
Exceptional items:				
– Restructuring costs	–	(1.2)	–	(1.2)
– Pension credit	–	–	0.6	0.6
Operating profit/(loss)	18.3	0.4	(2.9)	15.8
Finance cost (including notional interest)				(3.6)
Profit before taxation				12.2
Taxation				(2.4)
Profit for the period – from continuing operations				9.8
Loss for the period – from discontinued operations (note 12)				(9.1)
Profit for the period				0.7

		Discontinued Operations £m	Textile Rental £m	Drycleaning £m	All Other Segments £m	Total £m
Other information						
Fixed asset additions						
– Property, plant and equipment		0.1	4.7	1.4	–	6.2
– Textile rental items		–	19.5	–	–	19.5
– Intangible software		0.2	–	–	–	0.2
Depreciation and amortisation expense						
– Property, plant and equipment		0.2	4.2	2.1	0.2	6.7
– Textile rental items		–	18.2	–	–	18.2
– Intangible software		0.2	–	–	–	0.2
– Customer contracts		1.2	0.6	–	–	1.8
Balance sheet information						
Segment assets		2.2	116.4	22.4	10.6	151.6
Unallocated assets:	Deferred income tax assets					4.5
	Cash and cash equivalents					3.4
Total assets						159.5
Segment liabilities		(5.0)	(31.1)	(19.4)	(3.6)	(59.1)
Unallocated liabilities:	Bank borrowings					(25.0)
	Current income tax liabilities					(0.3)
	Derivative financial liabilities					(0.3)
	Retirement benefit obligations					(4.3)
Total liabilities						(89.0)
Return on capital employed (rolling 12 months)			42.9%	22.1%		

3 Exceptional Items

		Half year to 30 June 2014 £m	Half year to 30 June 2013 £m	Year ended 31 December 2013 £m
Restructuring costs	– Textile Rental	(0.8)	–	–
	– Drycleaning	–	(0.8)	(1.2)
		(0.8)	(0.8)	(1.2)
Costs in relation to business acquisition activity		(0.6)	–	–
Pension credit		–	–	0.6
Total exceptional items		(1.4)	(0.8)	(0.6)

Current year exceptional items

Restructuring costs – Textile Rental

A new processing facility is being constructed to replace an existing Textile Rental plant in the North of England. Costs incurred in connection with this relocation amounted to £0.8 million in the first half, of which £0.2 million was cash, with a further £1.5 million expected to be incurred in the next 12 months.

Costs in relation to business acquisition activity

Fees totaling £0.5 million were incurred in relation to the acquisition of Bourne Services Group Limited. A further £0.1 million was incurred relating to other acquisition activity. Further information relating to acquisitions is provided in note 11.

Prior year exceptional items

Restructuring costs – Drycleaning

On 4 July 2012 the Group announced a review of the Drycleaning business. The majority of exceptional costs resulting from this review were charged to the Income Statement in 2012. A further £1.2 million was charged as an exceptional item in 2013, of which £0.8 million was charged in the half year to June 2013.

Pension credit

During 2013 the Group merged its three previous defined benefit pension schemes into a single new scheme, the Johnson Group Defined Benefit Scheme (JGDBS). As part of the merger members with small benefits were offered the option of taking their benefits as a 'winding up lump sum'. The resulting settlement gain (net of fees) was recognised as an exceptional credit of £0.6 million.

4 Taxation

	Half year to 30 June 2014 £m	Half year to 30 June 2013 £m	Year ended 31 December 2013 £m
Current tax – continuing operations			
UK corporation tax charge for the period	1.5	1.3	1.4
Adjustment in relation to previous periods	–	–	(0.1)
Current tax charge for the period	1.5	1.3	1.3
Deferred tax – continuing operations			
Origination and reversal of temporary differences	0.1	(0.2)	1.5
Changes in statutory tax rate	–	–	0.3
Adjustment in relation to previous periods	–	–	(0.7)
Deferred tax charge/(credit) for the period	0.1	(0.2)	1.1
Total taxation charge for continuing operations	1.6	1.1	2.4

Tax relief on amortisation and impairment of intangible assets has reduced the taxation charge in the current period by £0.1 million (June 2013: £0.1 million reduction in the charge; December 2013: £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 (June 2013: £0.2 million reduction in the charge; December 2013: £0.1 million reduction in the charge). Tax relief in relation to prior year taxation adjustments relating to exceptional items was £nil (June 2013: £nil; December 2013: £0.3 million credit).

Notes to the Condensed Consolidated Interim Financial Statements continued

4 Taxation continued

Changes in the UK corporation tax rate

The UK corporation tax rate reduced from 23.0% to 21.0% on 1 April 2014 and will further reduce to 20.0% on 1 April 2015. The impact of these rate reductions was reflected in the deferred tax balances as at 31 December 2013 and therefore these changes in rates are not expected to have any further material effect on the deferred tax provision of the Group.

The changes will result in a weighted average standard rate of 21.50% for 2014 (2013: 23.25%) and 20.25% for 2015.

Reconciliation of effective tax rate

Taxation on non-exceptional items for the six months to 30 June 2014 is calculated based on the estimated average annual effective tax rate (excluding prior year items) of 22.2% (June 2013: 24.1%; December 2013: 22.6%).

This compares to the tax rate expected to be enacted or substantively enacted at the annual balance sheet date of 21.0% (June 2013: 23.0%; December 2013: 23.0%).

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 or over provisions in previous years is recognised when the amounts are agreed.

5 Adjusted profit before and after taxation

	Half year to 30 June 2014 £m	Half year to 30 June 2013 £m	Year ended 31 December 2013 £m
Profit before taxation from continuing operations	6.4	4.4	12.2
Amortisation and impairment of intangible assets (excluding software amortisation)	0.7	0.3	0.6
Restructuring costs	0.8	0.8	1.2
Costs in relation to business acquisition activity	0.6	–	–
Pension credits	–	–	(0.6)
Adjusted profit before taxation	8.5	5.5	13.4
Taxation on adjusted profit before taxation	(1.9)	(1.4)	(2.9)
Adjusted profit after taxation attributable to continuing operations	6.6	4.1	10.5

6 Dividends

	Half year to 30 June 2014	Half year to 30 June 2013	Year ended 31 December 2013
Dividend per share (pence)			
2014 Interim dividend proposed	0.50	–	–
2013 Interim dividend proposed and paid	–	0.40	0.40
2013 Final dividend proposed and paid	–	–	0.81
	0.50	0.40	1.21
Shareholders' funds utilised (£m)			
2014 Interim dividend proposed	1.5	–	–
2013 Interim dividend proposed and paid	–	1.0	1.0
2013 Final dividend proposed and paid	–	–	2.4

On 16 May 2014, a final dividend of 0.81 pence per Ordinary share in respect of 2013 was paid to Shareholders, utilising £2.4 million of Shareholders' funds.

The Directors are proposing an interim dividend in respect of the year ended 31 December 2014 of 0.50 pence which will reduce Shareholders' funds by £1.5 million. The dividend will be paid on 7 November 2014 to Shareholders on the register of members at the close of business on 10 October 2014. The Trustee of the EBT 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.

7 Earnings per share

	Half year to 30 June 2014 £m	Half year to 30 June 2013 £m	Year ended 31 December 2013 £m
Profit for the period from continuing operations attributable to Shareholders	4.8	3.3	9.8
Loss for the period from discontinued operations attributable to Shareholders	–	(8.4)	(9.1)
Intangibles amortisation from continuing operations (excluding software) (net of taxation)	0.6	0.2	0.5
Intangibles amortisation from discontinued operations (excluding software) (net of taxation)	–	0.9	0.9
Exceptional items from continuing operations (net of taxation)	1.2	0.6	0.2
Exceptional items from discontinued operations (net of taxation)	–	9.0	9.2
Exceptional finance costs from discontinued operations (net of taxation)	–	–	0.5
Adjusted profit attributable to Shareholders relating to continuing activities	6.6	4.1	10.5
Adjusted profit attributable to Shareholders relating to discontinued activities	–	1.5	1.5
Adjusted profit attributable to Shareholders	6.6	5.6	12.0

	Number of shares	Number of shares	Number of shares
Weighted average number of Ordinary shares	284,388,080	254,803,502	258,032,874
Potentially dilutive options*	7,278,082	18,967,791	16,455,525
Fully diluted number of Ordinary shares	291,666,162	273,771,293	274,488,399

Basic earnings per share	Pence per share	Pence per share	Pence per share
From continuing operations	1.7p	1.3p	3.8p
From discontinued operations	–	(3.4p)	(3.6p)
From continuing and discontinued operations	1.7p	(2.1p)	0.2p
Adjustment for intangibles amortisation (continuing operations)	0.2p	0.1p	0.2p
Adjustment for intangibles amortisation (discontinued operations)	–	0.4p	0.4p
Adjustment for exceptional items (continuing operations)	0.4p	0.2p	–
Adjustment for exceptional items (discontinued operations)	–	3.6p	3.6p
Adjustment for exceptional finance costs (discontinued operations)	–	–	0.2p
Adjusted basic earnings per share (continuing operations)	2.3p	1.6p	4.0p
Adjusted basic earnings per share (discontinued operations)	–	0.6p	0.6p
Adjusted basic earnings per share (continuing and discontinued operations)	2.3p	2.2p	4.6p
Diluted earnings per share			
From continuing operations	1.7p	1.2p	3.6p
From discontinued operations	–	(3.1p)	(3.4p)
From continuing and discontinued operations	1.7p	(1.9p)	0.2p
Adjustment for intangibles amortisation (continuing operations)	0.2p	0.1p	0.2p
Adjustment for intangibles amortisation (discontinued operations)	–	0.4p	0.3p
Adjustment for exceptional items (continuing operations)	0.4p	0.2p	–
Adjustment for exceptional items (discontinued operations)	–	3.3p	3.4p
Adjustment for exceptional finance costs (discontinued operations)	–	–	0.2p
Adjusted diluted earnings per share (continuing operations)	2.3p	1.5p	3.8p
Adjusted diluted earnings per share (discontinued operations)	–	0.6p	0.5p
Adjusted diluted earnings per share (continuing and discontinued operations)	2.3p	2.1p	4.3p

* Includes outstanding share options granted to employees and, in respect of 2013 only, 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 EBT, based on the profit for the period attributable to Equity holders.

Notes to the Condensed Consolidated Interim Financial Statements continued

7 Earnings per share continued

Adjusted earnings per share figures exclude the effects of amortisation and impairment of intangible assets (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, in respect of 2013 only, warrants issued to the Company's banks.

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 Retirement benefit obligations

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

During 2013, the Group transferred the assets and liabilities of its three existing defined benefit pension schemes to one newly established defined benefit scheme, namely the Johnson Group Defined Benefit Scheme (JGDBS).

In the six months to 30 June 2014 deficit recovery payments of £1.0 million in aggregate were paid by the Group to the relevant defined benefit scheme (June 2013: £0.9 million; December 2013: £1.9 million).

Following discussions with the Group's appointed actuary a re-measurement loss of £5.7 million has been recognised in the period to 30 June 2014. This is principally as a result of a return on assets of £1.5 million offset by a £3.9 million experience loss on the scheme liabilities, a £1.9 million loss relating to a change in demographic assumptions and a £1.4 million loss relating to a change in financial assumptions.

The Group is in the process of finalising the triennial actuarial valuation of the JGDBS as at 5 October 2013. It is anticipated that deficit contributions of £1.9 million per annum will continue to be made.

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

	As at 30 June 2014 £m	As at 30 June 2013 £m	As at 31 December 2013 £m
Gross retirement benefit liability	(9.0)	(10.3)	(4.3)
Deferred tax asset thereon	1.8	2.4	0.9
Net retirement benefit liability	(7.2)	(7.9)	(3.4)

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

	As at 30 June 2014 £m	As at 30 June 2013 £m	As at 31 December 2013 £m
Opening gross retirement benefit liability	4.3	18.2	18.2
Current service cost	0.2	0.3	0.5
Assets distributed on settlements	–	–	3.9
Liabilities extinguished on settlements	–	–	(5.1)
Notional interest	0.1	0.4	0.8
Employer contributions	(1.2)	(1.1)	(2.2)
Re-measurement loss/(gain)	5.7	(7.3)	(11.7)
Utilisation of healthcare provision	(0.1)	(0.2)	(0.1)
Closing gross retirement benefit liability	9.0	10.3	4.3

9 Capital expenditure and commitments

Capital expenditure

In the six months ended 30 June 2014 the Group acquired property, plant and equipment and intangible assets for a cost of £5.7 million (June 2013: £2.9 million; December 2013: £6.4 million), not including property, plant and equipment and intangible assets acquired through business combinations. In addition, textile rental items with a cost of £12.5 million were acquired during the period (June 2013: £9.3 million; December 2013: £19.5 million), not including textile rental items acquired through business combinations.

Offsetting this, property, plant and equipment and intangible assets with a net book value of £nil were disposed of during the period (June 2013: £0.4 million; December 2013: £0.6 million). In addition, amounts received in respect of textile rental special charges were £0.9 million (June 2013: £1.1 million; December 2013: £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 30 June 2014 £m	As at 30 June 2013 £m	As at 31 December 2013 £m
Property, plant and equipment	5.5	0.7	1.0

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 30 June 2014 £m	Half year to 30 June 2013 £m	Year ended 31 December 2013 £m
Share capital at the start of the period	26.2	25.6	25.6
New shares issued	3.7	0.1	0.6
Share capital at the end of the period	29.9	25.7	26.2

As at 30 June 2014 the Company has issued share capital of 298,980,378 Ordinary Shares of 10p each.

During the period the Company placed 26.3 million Ordinary shares (the 'Placing') with existing and new institutional investors raising net proceeds of £12.8 million of which £2.6 million was credited to share capital.

The Placing shares represented approximately 10.0 per cent of the Company's existing share capital. The Placing price of 51 pence per share represented an approximate discount of 1.9 per cent to the closing mid-market price of 52 pence per Ordinary share on 28 February 2014.

The Placing shares were issued as fully paid and rank pari passu in all respects with the existing Ordinary shares, including the right to receive all dividends and other distributions declared, made or paid in respect of shares after the date of issue of the Placing shares.

The remaining shares issued were in relation to the exercise of employee share options and, in 2013, the exercise of a warrant instrument.

Notes to the Condensed Consolidated Interim Financial Statements continued

11 Business combinations

On 3 March 2014 the Group acquired 100% of the share capital of Bourne Services Group Limited along with its subsidiary company Bourne Textile Services Limited (together "Bourne") for a consideration of £26.7 million plus fees.

Since acquisition the acquired business has generated a profit of £0.9 million on revenue of £6.3 million. Had the business been acquired at the start of the period it is estimated that profit of £1.2 million would have been generated on revenue of £8.8 million.

The provisional fair value of assets and liabilities acquired are as follows:

	Net assets acquired £m	Fair value adjustments £m	Accounting policy realignment £m	Initial fair value of assets acquired £m
Intangible assets – Goodwill	–	3.8	–	3.8
Intangible assets – Customer lists and contracts	–	10.2	–	10.2
Property, plant and equipment	9.1	–	(0.2)	8.9
Rental stock items in circulation	1.8	–	(0.2)	1.6
Stock	0.3	–	–	0.3
Trade and other receivables	2.5	–	–	2.5
Cash	4.9	–	–	4.9
Trade and other payables	(2.3)	–	–	(2.3)
Current income tax liability	(0.4)	–	–	(0.4)
Deferred income tax liability	(0.2)	(2.6)	–	(2.8)
	15.7	11.4	(0.4)	26.7

As the acquisition has had a relatively short period of ownership the amounts above, with the exception of the net assets acquired, may be subject to adjustment.

Goodwill represents the deferred income tax arising from the recognition of the customer lists and contracts plus the expected benefits to the wider Group arising from the acquisition.

The acquired property, plant and equipment includes a freehold building that was impaired by £1.4 million immediately prior to the acquisition. The carrying value of the freehold building included within the net assets acquired column above reflects the impairment.

There were no business combinations in the period ended 30 June 2013 or during the year ended 31 December 2013.

The cash flows in relation to business acquisition activity are summarised below:

	Half year to 30 June 2014 £m	Half year to 30 June 2013 £m	Year ended 31 December 2013 £m
Consideration paid	26.7	–	–
Cash acquired	(4.9)	–	–
Costs in relation to business acquisition activity	0.5	–	–
	22.3	–	–

12 Disposals and discontinued operations

Disposals

There have been no business disposals in the six months to 30 June 2014. During the year ended 31 December 2013 the Facilities Management division of the Group was sold. Full details are provided in the 2013 Annual Report. There have been no changes in the fair value of the deferred consideration receivable of £1.5 million, of which £0.1 million has been received with the remainder still being outstanding. Of the costs relating to the disposal of £0.3 million that were outstanding as at 31 December 2013, £0.1 million has been paid.

Discontinued Operations

Discontinued operations consist of the following:

- The results of the Facilities Management division in 2013 until its disposal on 7 August 2013.
- The overall loss on disposal of the Facilities Management division, including the revaluation of assets held for resale.
- The recognition and utilisation of provisions relating to future lease commitments on properties previously used in operations that are now discontinued.
- Taxation relating to the above items.

12 Disposals and discontinued operations continued

The total loss relating to discontinued operations is as follows:

	Half year to 30 June 2014 £m	Half year to 30 June 2013 £m	Year ended 31 December 2013 £m
Revenue from discontinued operations	–	26.3	29.0
Operating profit before amortisation and impairment of intangible assets (excluding software amortisation) and exceptional items	–	1.9	2.3
Amortisation of intangible assets (excluding software amortisation)	–	(1.1)	(1.2)
Exceptional items	–	–	(1.3)
Profit/(loss) before interest and taxation from discontinued operations	–	0.8	(0.2)
Exceptional finance costs	–	–	(0.7)
Taxation	–	(0.2)	(0.3)
Profit/(loss) for the period		0.6	(1.2)
Revaluation of assets held for resale	–	(9.0)	(9.0)
Pre tax gain on disposal	–	–	1.1
Loss on disposal	–	(9.0)	(7.9)
Loss from discontinued operations	–	(8.4)	(9.1)

Cash flows relating to discontinued operations are as follows:

	Half year to 30 June 2014 £m	Half year to 30 June 2013 £m	Year ended 31 December 2013 £m
Proceeds from disposal	0.1	–	36.2
Payment of costs relating to the disposal	(0.1)	–	(1.9)
Cash disposed of	–	–	(7.6)
Proceeds from sale of business	–	–	26.7
Net cash generated from operating activities	0.2	2.2	2.1
Interest paid	–	–	(0.6)
Net cash flow relating to discontinued operations	0.2	2.2	28.2

13 Assets and liabilities held for resale

As at 30 June 2014 and 31 December 2013 there are no assets and related liabilities held for resale.

As at 30 June 2013 assets and related liabilities held for resale related to the Facilities Management division which was disposed of on 7 August 2013. Further details of these assets and liabilities are provided in note 13 of the 2013 Interim Report.

14 Borrowings

As at 30 June 2014 the Group had a banking facility under which bank loans were secured and drawn down under a committed facility dated 21 February 2014 comprising a £60.0 million rolling credit facility (including an overdraft) which runs to May 2018 and a £10.0 million short term facility expiring on 20 February 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 1.50% to 2.25%. As at 30 June 2014, £20.0 million of the bank facility was subject to hedging arrangements which had the effect of replacing LIBOR with a fixed rate of 1.79%.

Bank loans are stated net of unamortised issue costs of £0.6 million (June 2013: £0.4 million; December 2013: £nil.)

Notes to the Condensed Consolidated Interim Financial Statements continued

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 31 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 30 June 2013	3.1	(1.6)	1.5	(8.6)	(44.5)	(2.0)	(53.6)
Cash flow	0.3	1.6	1.9	6.0	22.5	0.4	30.8
Other non-cash changes	–	–	–	2.6	(3.0)	(1.3)	(1.7)
Balance at 31 December 2013	3.4	–	3.4	–	(25.0)	(2.9)	(24.5)
Cash flow	(6.1)	–	(6.1)	–	(2.0)	0.4	(7.7)
Other non-cash changes	–	–	–	–	0.6	(0.1)	0.5
Balance at 30 June 2014	(2.7)	–	(2.7)	–	(26.4)	(2.6)	(31.7)

As at 30 June 2014 debt under the Revolving Credit Facility has been classified as being due in more than one year as it is expected that the debt will continue to be drawn at this level for not less than a year.

Lifecycle funds were in respect of contracts held by the Facilities Management division and were disposed of with that division.

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

	Half year to 30 June 2014 £m	Half year to 30 June 2013 £m	Year ended 31 December 2013 £m
Cash and cash equivalents (Current assets)	0.1	0.1	3.4
Overdraft (Borrowings, Current liabilities)	(2.8)	(4.1)	–
Cash within assets held for resale (see note 13)	–	7.1	–
	(2.7)	3.1	3.4

16 Reconciliation of net cash flow to movement in net debt

	Half year to 30 June 2014 £m	Half year to 30 June 2013 £m	Year ended 31 December 2013 £m
(Outflow)/inflow in cash in the period	(6.1)	3.0	3.3
(Outflow)/inflow in lifecycle funds	–	(0.3)	1.3
(Outflow)/inflow in cash excluding lifecycle funds	(6.1)	2.7	4.6
Cash (outflow)/inflow on change in debt and lease financing	(1.6)	2.8	31.7
(Outflow)/inflow in net debt resulting from cash flows	(7.7)	5.5	36.3
Inflow/(outflow) in unamortised issue costs of bank loans	0.6	(0.2)	(0.6)
New finance leases	(0.1)	(0.4)	(1.7)
(Outflow)/inflow in net debt during the period	(7.2)	4.9	34.0
Opening net debt	(24.5)	(58.5)	(58.5)
Closing net debt	(31.7)	(53.6)	(24.5)

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 eliminate on consolidation. Full details of the Group's other related party relationships, transactions and balances are given in the Group's financial statements for the year ended 31 December 2013. There have been no material changes in these relationships in the half year to 30 June 2014 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 Trustee of the Pension Schemes security over the assets of the Group. The priority of security, subject to the amount of bank debt drawn, is as follows: for the first £56.0 million the Bankers and Trustee rank pari passu; for the next £62.0 million in excess of the £56.0 million the Bankers have priority, up to the amount outstanding on the facility, and for anything over £118.0 million the Bankers and Trustee rank pari passu.

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

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

19 Events after the reporting period

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

20 Accounting policies

Except as described below, the condensed consolidated interim financial statements have been prepared applying the accounting policies, presentation and methods of computation applied by the Group in the preparation of the published consolidated financial statements for the year ended 31 December 2013.

(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 condensed consolidated interim financial statements.

(c) Standards and amendments to standards effective in 2014

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 1 January 2014. These have been adopted by the Group but they have no impact on these condensed consolidated interim financial statements.

- IFRS 10 'Consolidated financial statements'
- IFRS 11, 'Joint arrangements'
- IFRS 12, 'Disclosures of interests in other entities
- IAS 27 (revised 2011), 'Separate financial statements'
- IAS 28 (revised 2011), 'Associates and joint ventures'
- Amendments to IFRS 10, 11 and 12 on transition guidance
- Amendments to IAS 32 on financial instruments asset and liability offsetting
- Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures
- Amendment to IAS 39, 'Financial instruments: recognition and measurement' on novation of derivatives and hedge accounting.

(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.

Notes to the Condensed Consolidated Interim Financial Statements continued

20 Accounting policies continued

(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.

21 Principal risks and uncertainties

The Group set out in its 2013 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 16 & 17 of the 2013 Annual Report.

22 Published financial statements

As previously announced, there is no longer a requirement to send out half-yearly reports to all Shareholders or to advertise the content in a national newspaper.

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

Directors and Advisors

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

Christopher Sander
Chief Executive Officer
Director responsible for Health, Safety and the Environment

Yvonne May Monaghan BSc (Hons), FCA
Chief Financial Officer

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

William Mervyn Frew Carey Shannon CA
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Sterling 164052

Electronic Communications

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

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

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

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

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If you have any queries regarding electronic communications, please contact the Company's registrar, Capita Asset Services, 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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