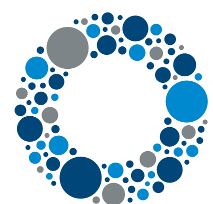
2020
INTERIM REPORT & ACCOUNTS



Contents

2 Operational and Financial Review

3 Business Review

6 Consolidated Income Statement

6 Consolidated Statement of Comprehensive Income

7 Consolidated Statement of Changes in Shareholders' Equity

8 Consolidated Balance Sheet

9 Consolidated Statement of Cash Flows

10 Notes to the Condensed Consolidated Interim Financial Statements

Operational and Financial Review

Following very strong performances over recent years the Group had an encouraging start to 2020 with well laid plans to increase processing capacity in both Workwear and HORECA.

The impact of COVID-19, particularly on our HORECA business, has delayed many of those growth investment plans with our focus being on protecting the business, safeguarding our employees and customers and strengthening our finances in readiness for a return to more normal trading conditions.

Actions Taken During Lockdown

Positive momentum into the first months of the year was brought to a halt from mid-March as the impact of COVID-19 began to affect our customers. On 20 March we announced that we were starting to see a significant reduction in HORECA processing volumes with more limited impact on Workwear. In May we updated the market that HORECA revenue had fallen by some 97% in April whilst Workwear was down 12%.

We confirmed that we had mothballed the vast majority of our 18 HORECA sites, furloughed a significant proportion of our employees from the end of March, most notably within the HORECA division, and implemented temporary salary reductions for the Board, Senior Management and a number of administrative roles.

Our initial focus, once sites were mothballed, was the preservation of cash resources and a plan to reduce non-essential capital and revenue spend was implemented.

An increased bank facility of £175 million and revised bank covenants were agreed in May 2020 and eligibility to access the CCFF was also confirmed to provide an alternative source of funding. An equity placing for £82.7 million (net) was completed in June 2020.

Financial Performance

Our results for the first half of 2020 reflect the mothballing of a significant number of our HORECA sites for 3 months of the reporting period. Revenue was £114.8 million, down from £167.1 million in 2019. Adjusted EBITDA was £24.9 million (June 2019: £55.2 million) giving a margin of 21.7% (June 2019: 33.0%).

Total finance costs increased to £3.1 million (June 2019: £2.5 million) largely due to the accelerated recognition of non-qualifying hedging costs of £0.6 million.

Exceptional costs were £0.5 million and relate to the write off of plant, machinery and textile items following the fire at our Exeter workwear plant in January 2020. The increased cost of working for Exeter under the temporary arrangements is covered by Business Interruption insurance. There may be further exceptional items relating to the Exeter fire and the flood at the Treforest Workwear plant in February 2020 in the second half of the year as we reach a financial settlement with the insurer.

Adjusted loss before tax was £12.6 million (June 2019: £20.1 million profit).

Statutory loss before tax, after amortisation of intangibles (excluding software amortisation) of £5.5 million (June 2019: £4.9 million) was £18.6 million (June 2019: £15.2 million profit before tax).

Adjusted loss per share was 2.8 pence (June 2019: adjusted earnings per share 4.4 pence).

A number of factors have affected the reported results for the period to June 2020:

- The Group continues to draw on support from the CJRS and this amounted to £16.6 million in the first half, of which £1.8 million was in respect of the Workwear division and £14.8 million was in respect of the HORECA division. £9.7 million was received in cash during the period. Our current plans indicate that we will continue to draw on this support, but to a lesser extent, as we gradually return furloughed workers.
- The Board and Senior Management team accepted a temporary salary reduction of 20% from 1 April 2020 and certain other employees in support and administration roles, who have not been furloughed, accepted a temporary salary reduction of 10%. This total cost saving amounted to £0.3 million in the first half.
- Some 300 commercial vehicles not being utilised during lockdown were temporarily taken off the road to save costs.
- Recognition of a partial discontinuation of hedge accounting in respect of diesel hedging to reflect the lower diesel usage for 2020 of £0.6 million.
- Cash flow has benefited from the deferral of VAT (£10.2 million deferral to March 2021).
- Recognition of £0.6 million in respect of interest rate hedges no longer qualifying as effective hedges.

Dividend

The final 2019 dividend was withdrawn saving approximately £8.7 million. Due to the current situation it is not proposed to declare a dividend in respect of the first half of 2020. The Board is aware of the importance of dividends to Shareholders and will reinstate dividend payments as soon as practicable although, as stated at the time of the Placing, the Board anticipates that there will be no dividend in respect of 2020.

Finances

As announced on 29 May 2020 the Group increased its RCF from its incumbent banks to £175 million and amended its bank covenants up to and including the test date on 31 December 2021. The Group also has access to Government funding under the CCFF of up to £150 million, although none is currently drawn.

Bank covenants, tested quarterly, include a maximum level of net debt of £155 million from September 2020 to September 2021, decreasing to £145 million at December 2021. A minimum EBITDA test also applies from the quarter ended December 2020 to December 2021 which is significantly below our current scenario planning and where EBITDA is defined as Adjusted EBITDA less right of use asset depreciation.

On 29 May 2020 JSG announced it had raised gross proceeds of £85.0 million through the issue of 73.9 million new Ordinary shares at a placing price of 115 pence per share.

Consequently, total net debt (excluding IFRS 16) at 30 June 2020 was £0.2 million (December 2019: £87.7 million) reflecting the net placing proceeds received of £82.7 million. After including the impact of IFRS 16, net debt at June 2020 was £39.5 million (December 2019: £127.7 million).

Free cash flow in the first half was £38.6 million after capital lease payments compared to £50.8 million in the first half of 2019.

Post-Employment Benefits

The recorded net surplus after tax for all post-employment benefit obligations, calculated in accordance with IAS 19, was £1.1 million at June 2020, from a deficit of £6.1 million at December 2019. The improvement in the position is due, in part, to a higher return on scheme assets partially offset by a reduction in the discount rate assumed on liabilities. We continue to have a significant portion of scheme assets invested so as to hedge against movements in liabilities, thereby reducing overall scheme volatility.

The triennial valuation of the defined benefit pension scheme as at 30 September 2019 was completed during the period. We are tracking ahead of the recovery plan put in place at the previous valuation and we have therefore agreed with the Trustee to continue with the existing deficit recovery payments of £1.9 million per annum until the next review in three years' time.

Business Review

Our Businesses

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

Changes have been made to ensure continuity of operations and to manage the health, safety and welfare of our employees, the majority of which were instigated prior to Government guidance being announced. Our proactive actions have included supplies of sanitiser, anti-bacterial wipes, floor stickers and posters for social distancing, increased cleaning regimes, supply of face shields and reusable, washable face masks, temperature checks, screening in both factory and office environments, vehicle and cage disinfection, split breaks and removing items of furniture in offices and canteens to maintain social distancing. We continue to review our operations, update risk assessments and implement new processes and procedures where necessary and are reviewing further actions for winter operations. We would like to acknowledge the efforts of our employees and thank them for their support.

All employees returning from furlough undertake a reintroduction to the business to ensure that they are familiarised with the COVID-19 preventative measures and changes since they were last at work. Various initiatives are in place for sales and service personnel and new virtual tools have been provided to ensure we can effectively communicate with customers, new and existing, either digitally or in person.

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

Workwear Division

Operating as Johnsons Workwear, we provide workwear rental, protective wear and laundry services to some 36,000 customers in the UK from small local businesses to the largest corporates covering food related and other industrial sectors.

Workwear revenue in the first half was £64.6 million (June 2019: £67.5 million) reflecting the impact of COVID-19 from mid-March. Adjusted EBITDA was £24.4 million (June 2019: £24.3 million) and adjusted operating profit was £11.6 million (June 2019: £12.1 million).

All of our Workwear sites remained open and continued to operate throughout the period although some 550 largely non-production employees were furloughed at the peak. Volumes have continued to improve steadily increasing from a 12% reduction in April to a 6% reduction in August. Some 91% of customers who advised they were closed during lockdown have now returned at varying levels of activity.

Whilst much of the focus of the last few months has been on ensuring the safety of our employees and customers we have continued to plan for the future and focus on customer retention and service.

Customer retention levels remain high and were 93.8% at the end of July. Despite the impact of COVID-19 our service teams have performed well and continued to organically grow business within existing customers. Our 'Existing Customer Satisfaction Survey' undertaken in the first quarter of the year maintained the high score of 86% and a second survey has been completed during August.

Whilst capital investment has largely been delayed, some investment was already underway in January and February. Orders for new vehicles were placed in early 2020, which included the first double decker unit for our Perth to Aberdeen trunking route, required due to growing volumes. Two large washing machines were added in the Perth plant and our additional industrial unit in Basingstoke is now operational.

As we reported in March, our Exeter Workwear plant was significantly damaged by fire and taken out of action. We have continued to service all customers from alternative processing locations using a temporary depot in Exeter. We continue to work closely with our insurers in relation to the insurance claim and have identified an existing new build site for fit-out. It is expected the new site will be operational in the third quarter of 2021. Our factory in Treforest was flooded by the highest level recorded of the River Taff on 16 February 2020. Once again both senior and local management swiftly assessed the damage, made the necessary arrangements to ensure that there was no adverse impact to customer service levels, as well as managing the health, safety and welfare of everyone on site. Plans are in place to refurbish and install new machinery which will be completed in the final quarter of 2020. In both instances the support and flexibility of our employees, not only at Exeter and Treforest but other plants who have assisted, has been excellent. The camaraderie, teamwork and support displayed by all in such unexpected circumstances are a true reflection of the culture we nurture within our business.

Following our Employee Engagement Survey in 2019, various initiatives were launched during the beginning of 2020. Feedback has been extremely positive and further initiatives will be rolled out during the remainder of 2020.

HORECA Division

Total revenue for the HORECA division was £50.2 million (June 2019: £99.6 million), the reduction reflecting the closure of a significant number of HORECA plants for three months of the period. Adjusted EBITDA was £2.7 million (June 2019: £33.2 million). Adjusted operating loss was £18.8 million (June 2019: £12.9 million profit) of which an operating loss of £20.2 million was incurred in the second quarter.

Our hotel, restaurant and catering business, which includes Johnsons Stalbridge, London Linen and South West Laundry, has had a very challenging first half of 2020. During January to mid-March, new sales activity was strong, customer retention good, and some major capital projects to support growth and capacity were completed or underway. A new continuous batch washer, dryers and ironing line were installed in our Milborne Port factory to replace obsolete and high maintenance machinery, and a new ironer line and towel folding equipment were installed in Shaftesbury to support capacity growth across the three Dorset factory locations. At Grantham, we expanded the footprint of the factory in order to handle the increasing growth of the business.

The impact of COVID-19 was rapid and substantial as volumes dropped to a low of 3% of normal demand in the space of 2 weeks at the end of March. Operations ceased completely in most plants, although some operations continued mainly to support the Ministry of Defence, the Ministry of Justice and similar government agency locations. We also supported some local healthcare locations with a free scrub suit processing service to support their effort in dealing with the pandemic. Approximately 1,350 employees were placed on the Government's furlough scheme at the peak, and all incidental spend was ceased immediately. Customer communication during the shutdown was maintained in order to foster our strong, long-term relationships, and we have shown great flexibility in supporting the hospitality industry in general through stock management and reduced charging for items on rental.

With restrictions in the hospitality market being lifted in early July in most geographies, volumes are beginning to recover, especially in rural and

Business Review

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coastal holiday destination locations across the UK. Metropolitan areas are seeing a slower return to business, especially in London, where there is a current dearth of office workers and tourist numbers.

Within Johnsons Hotel Linen the continued integration of the various acquired businesses has largely now been completed with a successful migration to a single management structure and financial reporting system with the finance department consolidating into our Preston Brook offices.

The start of the year progressed favourably with new sales and revenue being slightly ahead of our expectations due to a combination of factors including positive trading and continued new business wins from current and new customers across the country. This continued up to the point of the COVID-19 outbreak and thereafter business volumes dropped dramatically to almost nothing as the United Kingdom entered lockdown. The management team took decisive action to reduce costs and take the benefit of the UK Government's furlough scheme for the majority of employees, totaling approximately 2,000, whilst a remaining team of approximately 60 individuals continued to maintain plant and equipment, undertake finance, national accounts and other on-going management activities.

Significant work was undertaken to reduce non-essential spend as well as to keep focus on cash collection.

After the half year end, hotels and restaurants in the UK exited the lockdown period in England with Wales and Scotland following a few weeks later. The opening of gyms followed at the end of July. Whilst it is too early to draw any long term conclusions, it is true to say that with increased interest in the Staycation holiday in the UK, seaside and other core regional tourist locations in the South Coast, the South West, East Anglia, the Lake District and tourism areas of Wales are recovering. The Scottish market has remained more subdued reflecting a longer period of lockdown and a greater dependency upon international tourism events. Across the UK, major city locations such as London, Birmingham, Manchester and Edinburgh remain softer, reflecting the lack of inbound international tourism and major events such as sporting fixtures and music festivals being cancelled this year.

However, trading in July and August is slightly more encouraging than initially anticipated, despite a general lack of confidence in international travel. Hotels in the core tourist areas are anecdotally reporting continued healthy bookings into September and October. We remain more cautious on the general outlook for city centres and the general lack of international travel. The widespread cancellation of events, conferences and weddings will mean that we do not expect business activity within high volume hotel linen to fully return until potentially the first half of 2022.

Construction of the new Leeds production facility remained on schedule and on budget albeit we agreed to suspend a final installation and commissioning of the equipment from June to September in light of the global pandemic. The long-term investment plan has effectively been fully completed and ready for commissioning which will commence in September before becoming fully operational in October. The site volumes will gradually ramp up as we migrate customers into the new site and reduce trunking and extended logistical costs.

We have continued to invest, despite the lockdown, in the ongoing modernisation of equipment to ensure the business is well placed to exploit market conditions going forward. In June we completed the first phase of modernisation of our most recently acquired business, Fresh Linen, with the installation of a new washer and drying capacity. Further investment is planned for September 2020 in order to complete the project and ensure long term operational resilience of the site.

Technical Innovation

The project for updating and improving our IT systems in parts of the HORECA division and in Workwear is ongoing. The new laundry operating system has been successfully installed in Reading and is currently being installed in our new Leeds site together with Pwllheli and Chester sites, with the other Hotel Linen sites to follow over the next six months. The design of the new Workwear system is progressing well with a test site expected to be live later this year.

Employees

The past months have been extremely challenging for all of our employees and we would like to thank them for their flexibility and professionalism.

Brexit

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

Outlook

Since the end of June we have continued to see a further gradual reopening of some of our Workwear customers who had temporarily closed operations and we expect that to continue, albeit we remain vigilant as to the potential impact of ongoing employment levels of Workwear customers.

HORECA revenue has benefitted from summer staycations, which have been slightly ahead of our initial expectations, but it is too early to forecast the anticipated volumes for the remainder of this year. Performance in the final quarter of the year will remain closely correlated with the wider level of economic activity.

Given this uncertainty we are constantly assessing the anticipated volumes as we move into the autumn with a view to matching our resources to processing requirements. We have entered into consultation with employees at some of our HORECA sites with a view to changing working practices to minimise potential headcount reduction.

We anticipate that there will continue to be further opportunities for consolidation of the market.

In view of the ongoing impact of COVID-19 and the resultant uncertainty around HORECA we remain unable to give guidance on the outcome for 2020 although we currently anticipate that the Adjusted EBITDA margin for the full year will be similar to that in the first half.

It remains very difficult to predict with any accuracy the timing of a recovery to pre COVID-19 levels. However, with our strong balance sheet, established market position and reputation for quality service, we remain confident in the Group's medium-term growth prospects as the economy and markets that we serve recover.

Responsibility Statement

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

The Directors confirm that to the best of their knowledge:

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

The Directors of Johnson Service Group PLC are listed in the Johnson Service Group PLC Annual Report for 2019. Details of the Directors are available on the Johnson Service Group PLC website: www.jsg.com

By order of the Board

Peter Egan	**Yvonne Monaghan**
Chief Executive Officer	Chief Financial Officer
2 September 2020	2 September 2020

Forward Looking Statements

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

Consolidated Income Statement

	Note	Half year to 30 June 2020 £m	Half year to 30 June 2019 £m	Year ended 31 December 2019 £m
Revenue	2	**114.8**	**167.1**	**350.6**
Operating (loss)/profit	2	**(15.5)**	**17.7**	**42.7**
Operating (loss)/profit before amortisation of intangible assets (excluding software amortisation) and exceptional items		**(9.5)**	**22.6**	**52.8**
Amortisation of intangible assets (excluding software amortisation)		(5.5)	(4.9)	(10.1)
Exceptional items	3	(0.5)	–	–
Operating (loss)/profit	2	**(15.5)**	**17.7**	**42.7**
Finance cost	4	(3.1)	(2.5)	(4.6)
(Loss)/profit before taxation		**(18.6)**	**15.2**	**38.1**
Taxation credit/(charge)	7	2.5	(2.9)	(7.2)
(Loss)/profit for the period attributable to equity holders		**(16.1)**	**12.3**	**30.9**
Earnings per share	8			
Basic earnings per share		**(4.2p)**	**3.3p**	**8.4p**
Diluted earnings per share		**(4.2p)**	**3.3p**	**8.3p**
Adjusted basic earnings per share		**(2.8p)**	**4.4p**	**10.6p**
Adjusted diluted earnings per share		**(2.8p)**	**4.4p**	**10.5p**

Consolidated Statement of Comprehensive Income

	Note	Half year to 30 June 2020 £m	Half year to 30 June 2019 £m	Year ended 31 December 2019 £m
(Loss)/profit for the period		**(16.1)**	**12.3**	**30.9**
Items that will not be subsequently reclassified to profit or loss				
Re-measurement and experience gains/(losses) on post-employment benefit obligations	14	7.7	(9.1)	(4.5)
Taxation in respect of re-measurement and experience (gains)/losses		(1.5)	1.6	0.7
Change in deferred tax due to change in tax rate		0.2	–	–
Items that may be subsequently reclassified to profit or loss				
Cash flow hedges (net of taxation)				
– fair value (loss)/gain		(2.8)	0.2	(0.2)
– transfers to administrative expenses		0.9	–	0.1
– transfers to finance cost		0.7	0.1	0.2
Other comprehensive income/(loss) for the period		**5.2**	**(7.2)**	**(3.7)**
Total comprehensive (loss)/income for the period		**(10.9)**	**5.1**	**27.2**

The notes on pages 10 to 27 form an integral part of these condensed consolidated interim financial statements.

Consolidated Statement of Changes in Shareholders' Equity

	Share Capital £m	Share Premium £m	Merger Reserve £m	Capital Redemption Reserve £m	Hedge Reserve £m	Retained Earnings £m	Total Equity £m
Balance at 31 December 2018	**36.8**	**15.7**	**1.6**	**0.6**	**(0.6)**	**136.3**	**190.4**
Change in accounting standard	–	–	–	–	–	0.2	0.2
Restated balance at 1 January 2019	36.8	15.7	1.6	0.6	(0.6)	136.5	190.6
Profit for the period	–	–	–	–	–	12.3	12.3
Other comprehensive income/ (loss) for the period	–	–	–	–	0.3	(7.5)	(7.2)
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**0.3**	**4.8**	**5.1**
Share options (value of employee services)	–	–	–	–	–	0.4	0.4
Purchase of shares by EBT*	–	–	–	–	–	(0.2)	(0.2)
Current tax on share options	–	–	–	–	–	0.3	0.3
Deferred tax on share options	–	–	–	–	–	(0.1)	(0.1)
Issue of Share Capital	0.2	0.4	–	–	–	–	0.6
Dividend paid	–	–	–	–	–	(7.7)	(7.7)
Transactions with Shareholders recognised directly in Shareholders' equity	**0.2**	**0.4**	**–**	**–**	**–**	**(7.3)**	**(6.7)**
Balance at 30 June 2019	**37.0**	**16.1**	**1.6**	**0.6**	**(0.3)**	**134.0**	**189.0**
Profit for the period	–	–	–	–	–	18.6	18.6
Other comprehensive income/ (loss) for the period	–	–	–	–	(0.2)	3.7	3.5
Total comprehensive (loss)/ income for the period	**–**	**–**	**–**	**–**	**(0.2)**	**22.3**	**22.1**
Share options (value of employee services)	–	–	–	–	–	0.4	0.4
Deferred tax on share options	–	–	–	–	–	0.3	0.3
Dividend paid	–	–	–	–	–	(4.3)	(4.3)
Transactions with Shareholders recognised directly in Shareholders' equity	**–**	**–**	**–**	**–**	**–**	**(3.6)**	**(3.6)**
Balance at 31 December 2019	**37.0**	**16.1**	**1.6**	**0.6**	**(0.5)**	**152.7**	**207.5**
Loss for the period	–	–	–	–	–	(16.1)	(16.1)
Other comprehensive (loss)/income for the period	–	–	–	–	(1.2)	6.4	5.2
Total comprehensive loss for the period	**–**	**–**	**–**	**–**	**(1.2)**	**(9.7)**	**(10.9)**
Share options (value of employee services)	–	–	–	–	–	0.5	0.5
Deferred tax on share options	–	–	–	–	–	(0.3)	(0.3)
Issue of Share Capital	7.4	–	–	–	–	75.3	82.7
Transactions with Shareholders recognised directly in Shareholders' equity	7.4	–	–	–	–	75.5	82.9
Balance at 30 June 2020	**44.4**	**16.1**	**1.6**	**0.6**	**(1.7)**	**218.5**	**279.5**

* The Group has an Employee Benefit Trust (EBT), to administer share plans and to acquire shares, using funds contributed by the Group, to meet commitments to employee share schemes. As at 30 June 2020, the EBT held 8,388 shares (June 2019: 12,468; December 2019: 12,468).

Consolidated Balance Sheet

	Note	As at 30 June 2020 £m	As at 30 June 2019 £m	As at 31 December 2019 £m
Non-current assets				
Goodwill	9	130.5	128.1	130.5
Intangible assets	10	32.8	36.1	36.7
Property, plant and equipment	11	108.8	87.8	104.0
Right-of-use assets	12	37.9	47.5	39.0
Textile rental items	13	44.6	53.5	56.8
Trade and other receivables		0.8	0.7	0.7
Post-employment benefit assets	14	2.3	–	–
Deferred income tax assets		0.6	3.0	2.6
		358.3	**356.7**	**370.3**
Current assets				
Inventories		1.9	2.4	2.3
Trade and other receivables		35.3	57.0	54.5
Current income tax assets		2.3	–	–
Cash and cash equivalents		7.3	9.8	8.3
		46.8	**69.2**	**65.1**
Current liabilities				
Trade and other payables		64.2	67.0	69.2
Current income tax liabilities		–	3.8	4.5
Borrowings		7.4	10.7	10.9
Lease liabilities		5.7	10.1	5.6
Derivative financial liabilities		0.8	0.1	–
Provisions		1.0	1.3	1.4
		79.1	**93.0**	**91.6**
Non-current liabilities				
Post-employment benefit obligations	14	1.0	12.8	7.3
Deferred income tax liabilities		6.1	6.8	6.8
Trade and other payables		1.2	2.5	0.5
Borrowings		–	85.8	84.7
Lease liabilities		34.0	33.7	34.8
Derivative financial liabilities		2.1	0.2	0.5
Provisions		2.1	2.1	1.7
		46.5	**143.9**	**136.3**
Net assets		**279.5**	**189.0**	**207.5**
Capital and reserves attributable to the Company's Shareholders				
Share capital	15	44.4	37.0	37.0
Share premium		16.1	16.1	16.1
Merger reserve		1.6	1.6	1.6
Capital redemption reserve		0.6	0.6	0.6
Hedge reserve		(1.7)	(0.3)	(0.5)
Retained earnings		218.5	134.0	152.7
Total equity		**279.5**	**189.0**	**207.5**

The notes on pages 10 to 27 form an integral part of these condensed consolidated interim financial statements. The condensed consolidated interim financial statements on pages 6 to 27 were approved by the Board of Directors on 2 September 2020 and signed on its behalf by:

Yvonne Monaghan
Chief Financial Officer

Consolidated Statement of Cash Flows

	Note	Half year to 30 June 2020 £m	Half year to 30 June 2019 £m	Year ended 31 December 2019 £m
Cash flows from operating activities				
(Loss)/profit for the period		(16.1)	12.3	30.9
Adjustments for:				
Taxation (credit)/charge	6	(2.5)	2.9	7.2
Total finance cost		3.1	2.5	4.6
Depreciation		34.3	32.6	66.1
Amortisation		5.6	4.9	10.2
Loss on disposal of tangible fixed assets		0.5	–	–
Decrease in inventories		0.4	0.4	0.6
Decrease/(increase) in trade and other receivables		19.4	(5.9)	(0.5)
(Decrease)/increase in trade and other payables		(3.0)	5.6	2.2
Deficit recovery payments in respect of post-employment benefit obligations		(0.9)	(0.9)	(1.9)
Share-based payments		0.5	0.4	0.8
Post-employment benefit obligations		–	(0.1)	–
Increase/(decrease) in provisions		0.3	0.1	(0.2)
Cash generated from operations		41.6	54.8	120.0
Interest paid		(2.4)	(2.3)	(4.6)
Taxation paid		(4.3)	(4.6)	(9.3)
Net cash generated from operating activities		**34.9**	**47.9**	**106.1**
Cash flows from investing activities				
Acquisition of business (net of cash and cash equivalents acquired)	16	(0.7)	(0.2)	(8.5)
Purchase of other intangible assets	10	(1.3)	(1.1)	(2.3)
Purchase of property, plant and equipment		(8.0)	(8.8)	(18.8)
Purchase of software		(0.5)	(0.5)	(1.2)
Proceeds from sale of property, plant and equipment		–	0.1	0.3
Purchase of textile rental items		(17.6)	(22.8)	(48.2)
Proceeds received in respect of special charges		1.0	1.2	2.3
Net cash used in investing activities		**(27.1)**	**(32.1)**	**(76.4)**
Cash flows from financing activities				
Proceeds from borrowings		58.0	52.0	88.0
Repayments of borrowings		(143.0)	(53.0)	(91.1)
Capital element of leases		(3.0)	(4.0)	(13.2)
Purchase of own shares by EBT		–	(0.2)	(0.2)
Net proceeds from issue of Ordinary shares		82.7	0.6	0.6
Dividend paid		–	(7.7)	(12.0)
Net cash used in financing activities		**(5.3)**	**(12.3)**	**(27.9)**
Net increase in cash and cash equivalents		**2.5**	**3.5**	**1.8**
Cash and cash equivalents at beginning of the period		(2.9)	(4.7)	(4.7)
Cash and cash equivalents at end of the period	18	**(0.4)**	**(1.2)**	**(2.9)**
Cash and cash equivalents comprise:				
Cash		7.3	9.8	8.3
Overdraft		(7.7)	(11.0)	(11.2)
Cash and cash equivalents at end of the period		**(0.4)**	**(1.2)**	**(2.9)**

The notes on pages 10 to 27 form an integral part of these condensed consolidated interim financial statements.

Notes to the Condensed Consolidated Interim Financial Statements

Johnson Service Group PLC (the 'Company') and its subsidiaries (together 'the Group') provide textile rental and related services across the UK.

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

The condensed consolidated interim financial statements were authorised for issue by the Board on 2 September 2020.

1 BASIS OF PREPARATION

These condensed consolidated interim financial statements of the Group are for the half year ended 30 June 2020. 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 2019 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 2019 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 2019 included herein is derived from the condensed consolidated interim financial statements for that period.

Going Concern

The Group has reacted quickly and decisively to the COVID-19 pandemic, implementing a range of prudent cost management and cash preservation actions, securing additional funding facilities, revising bank covenants and raising equity in order to protect the business from any potential adverse impact. Notwithstanding all of these actions, there continues to be uncertainty surrounding the resolution of the pandemic and the impact on the wider economy.

The current and plausible future impact of COVID-19 and the related macroeconomic environment on the Group's activities and performance has been considered by the Board in preparing its going concern assessment. The Group has prepared a number of scenarios reflecting trading performance in the first half of the year and various, more pessimistic, expectations for market developments over the remainder of 2020 and 2021 to reflect subdued trading conditions.

After considering the current financial projections, available facilities and the sensitivities, the Directors of the Company are satisfied that the Group has sufficient resources for its operational needs and will remain in compliance with the financial covenants in its bank facilities for at least the next 12 months from the date of approving these condensed consolidated interim financial statements. As a consequence, and having reassessed the principal risks and uncertainties, the Directors considered it appropriate to adopt the going concern basis in preparing the condensed consolidated interim financial statements.

The process and key judgments in coming to this conclusion are set out below. The Board is required to assess going concern at each reporting period. These assessments are significantly more difficult currently given the uncertainties about the impact of COVID-19, the extent and duration of social distancing measures and the impact on the markets in which we operate. The level of judgment to be applied has therefore increased considerably. The Directors have considered three main factors in reaching their conclusions on going concern, as set out below.

1) Cash Flows and Sensitivity Analysis

In assessing going concern, the Directors considered a variety of scenarios in the context of the COVID-19 pandemic. These scenarios are not the forecasts of the Company but are designed to stress test liquidity and covenant compliance. EBITDA used within the scenarios is that used for bank covenant purposes, which is defined as adjusted operating profit before property, plant and equipment depreciation, rental stock depreciation and software amortisation. The three most relevant scenarios, in ascending order of severity, reviewed to test going concern are as follows:

Base Case Scenario

The base case scenario assumed that the HORECA market slowly began to reopen from July 2020, initially with modest levels of revenue which gradually increased during 2020 and 2021. Revenue at the start of the recovery was assumed at 25% of typical activity levels, gradually improving each month to reach 75% of typical activity by the end of 2020 with further incremental increases throughout 2021. In Workwear, it was assumed that organic revenue of (12%) in April 2020 gradually improves to (9%) in Q4 2020, with further incremental increases throughout 2021.

Severe but Plausible Scenario

In this scenario, the gradual recovery in the HORECA market referred to above is slower and only reaches 60% of typical activity by the end of 2020, with further incremental increases throughout 2021.

Extreme Scenario

In this scenario, the gradual recovery in the HORECA market is subdued, as for the 'severe but plausible scenario' above, together with a further 30% reduction in the Group EBITDA.

1 BASIS OF PREPARATION (continued)

2) Covenants

At the same time as extending its bank facilities, the Group renegotiated its banking covenants such that the pre-existing covenants were replaced, up to and including until the December 2021 covenant test date, with a maximum net debt and a minimum EBITDA threshold. The original covenants will return from March 2022. In all three scenarios, the Group should be able to meet its financial covenants throughout the period to December 2021.

A decline in underlying EBITDA well in excess of that contemplated in the scenarios would need to persist throughout the period to 31 December 2021 for a covenant breach in relation to minimum EBITDA to occur. The Directors do not consider such a scenario plausible. The Group also has a number of mitigating actions under its control (which were not included in the scenarios) including minimising capital expenditure to critical requirements, further reducing levels of discretionary spend and rationalising its overhead base in order to be able to meet the covenant tests.

3) Liquidity

The Group extended its committed debt facilities in May 2020. The revised facilities comprise a £135 million revolving credit facility, which matures in August 2023, together with a £40 million accordion facility, which is due to mature in May 2022 but which may be extended for a further one year, subject to lender approval. Quarterly covenant tests allow for maximum bank borrowings of £155 million at each quarter end from September 2020 through to September 2021, reducing to £145 million for the quarter ending December 2021.

Following the successful equity placement that raised net proceeds of £82.7 million (see note 15), the Group repaid its bank borrowings. As a consequence, the available bank facilities provide ample liquidity when judged against drawn borrowings of £0.4 million at 30 June 2020. In all scenarios modelled, the Group should be able to operate within the level of its current bank facilities.

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 2020. These segments are the same as those included within the 2019 Annual Report and Accounts.

The chief operating decision-maker has been identified as the Board of Directors (the Board). The Board reviews the Group's internal reporting in order to assess performance and allocate resources. The Board determines the operating segments based on these reports and on the internal reporting structure. For reporting purposes, in accordance with IFRS 8, the Board aggregates operating segments with similar economic characteristics and conditions into reporting segments, which form the basis of the reporting in the Annual Report. The Board has identified two main reporting segments, being Workwear and Hotel, Restaurants and Catering ('HORECA'). Discontinued Operations are reported separately. Results, assets, liabilities and other information not included within Workwear, HORECA or Discontinued Operations are reported separately within All Other Segments.

The Board assesses the performance of the reporting segments based on a measure of operating profit, both including and excluding the effects of non-recurring items from the reporting segments, such as restructuring costs and impairments when the impairment is the result of an isolated, non-recurring or non-operating event. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Any right-of-use assets, lease liabilities and depreciation relating to internal property leases with Johnson Group Properties PLC are eliminated on consolidation. Interest income and expenditure are not included in the result for each reporting segment that is reviewed by the Board.

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

Notes to the Condensed Consolidated Interim Financial Statements Continued >

2 SEGMENT ANALYSIS (continued)

The reporting segment results for the half year ended 30 June 2020, together with comparative figures, are as follows:

Half year to 30 June 2020	Workwear £m	HORECA £m	All Other Segments £m	Total £m
Revenue				
Rendering of services	63.4	50.2	–	113.6
Sale of goods	1.2	–	–	1.2
	64.6	**50.2**	**–**	**114.8**
Operating profit/(loss) before amortisation of intangible assets (excluding software amortisation)	**11.6**	**(18.8)**	**(2.3)**	**(9.5)**
Amortisation of intangible assets (excluding software amortisation)	(0.1)	(5.4)	–	(5.5)
Exceptional items	(0.5)	–	–	(0.5)
Operating profit/(loss)	**11.0**	**(24.2)**	**(2.3)**	**(15.5)**
Finance costs				(3.1)
Loss before taxation				**(18.6)**
Taxation				2.5
Loss for the period attributable to equity holders				**(16.1)**

		Discontinued Operations £m	Workwear £m	HORECA £m	All Other Segments £m	Total £m
Balance sheet information						
Segment assets		–	138.9	250.9	2.8	392.6
Unallocated assets:	Deferred income tax assets					0.6
	Post-employment benefit asset					2.3
	Current income tax assets					2.3
	Cash and cash equivalents					7.3
Total assets						**405.1**
Segment liabilities		(3.4)	(44.6)	(54.2)	(6.0)	(108.2)
Unallocated liabilities:	Bank borrowings					(7.4)
	Deferred income tax liabilities					(6.1)
	Derivative financial liabilities					(2.9)
	Post-employment benefit obligations					(1.0)
Total liabilities						**(125.6)**

	Discontinued Operations £m	Workwear £m	HORECA £m	All Other Segments £m	Total £m
Other information					
Non-current asset additions					
– Property, plant and equipment	–	3.1	10.2	–	13.3
– Right of use assets	–	0.4	0.8	–	1.2
– Textile rental items	–	7.6	4.2	–	11.8
– Intangible software	–	0.4	–	–	0.4
– Customer contracts	–	–	1.3	–	1.3
Depreciation and amortisation expense					
– Property, plant and equipment	–	2.5	5.5	–	8.0
– Right of use assets	–	1.0	2.2	0.1	3.3
– Textile rental items	–	9.2	13.8	–	23.0
– Intangible software	–	0.1	–	–	0.1
– Customer contracts	–	0.1	5.4	–	5.5

2 SEGMENT ANALYSIS (continued)

Half year to 30 June 2019	Workwear £m	HORECA £m	All Other Segments £m	Total £m
Revenue				
Rendering of services	65.2	99.5	–	164.7
Sale of goods	2.3	0.1	–	2.4
	67.5	**99.6**	**–**	**167.1**
Operating profit/(loss) before amortisation of intangible assets (excluding software amortisation)	**12.1**	**12.9**	**(2.4)**	**22.6**
Amortisation of intangible assets (excluding software amortisation)	(0.2)	(4.7)	–	(4.9)
Operating profit/(loss)	**11.9**	**8.2**	**(2.4)**	**17.7**
Finance cost				(2.5)
Profit before taxation				**15.2**
Taxation				(2.9)
Profit for the period attributable to equity holders				**12.3**

		Discontinued Operations £m	Workwear £m	HORECA £m	All Other Segments £m	Total £m
Balance sheet information						
Segment assets		–	138.7	272.2	2.2	413.1
Unallocated assets:	Deferred income tax assets					3.0
	Cash and cash equivalents					9.8
Total assets						**425.9**
Segment liabilities		(3.6)	(42.7)	(65.0)	(5.4)	(116.7)
Unallocated liabilities:	Bank borrowings					(96.5)
	Current income tax liabilities					(3.8)
	Deferred income tax liabilities					(6.8)
	Derivative financial liabilities					(0.3)
	Post-employment benefit obligations					(12.8)
Total liabilities						**(236.9)**

	Discontinued Operations £m	Workwear £m	HORECA £m	All Other Segments £m	Total £m
Other information					
Non-current asset additions					
– Property, plant and equipment	–	2.4	7.6	–	10.0
– Right of use assets	–	1.1	1.2	–	2.3
– Textile rental items	–	10.0	10.9	–	20.9
– Intangible software	–	0.6	–	–	0.6
– Customer Contracts	–	–	1.1	–	1.1
Depreciation and amortisation expense					
– Property, plant and equipment	–	2.1	4.3	–	6.4
– Right of use assets	–	1.2	2.3	0.1	3.6
– Textile rental items	–	8.9	13.7	–	22.6
– Customer contracts	–	0.2	4.7	–	4.9

Notes to the Condensed Consolidated Interim Financial Statements Continued >

2 SEGMENT ANALYSIS (continued)

Year ended 31 December 2019	Workwear £m	HORECA £m	All Other Segments £m	Total £m
Revenue				
Rendering of services	131.3	215.0	–	346.3
Sale of goods	4.0	0.3	–	4.3
	135.3	**215.3**	**–**	**350.6**
Operating profit/(loss) before amortisation of intangible assets (excluding software amortisation) and exceptional items	**24.4**	**33.1**	**(4.7)**	**52.8**
Amortisation of intangible assets (excluding software amortisation)	(0.5)	(9.6)	–	(10.1)
Exceptional items	–	–	–	–
Operating profit/(loss)	**23.9**	**23.5**	**(4.7)**	**42.7**
Finance cost				(4.6)
Profit before taxation				**38.1**
Taxation				(7.2)
Profit for the period attributable to equity holders				**30.9**

		Discontinued Operations £m	Workwear £m	HORECA £m	All Other Segments £m	Total £m
Balance sheet information						
Segment assets		–	139.3	284.0	1.2	424.5
Unallocated assets:	Deferred income tax assets					2.6
	Cash and cash equivalents					8.3
Total assets						**435.4**
Segment liabilities		(3.5)	(39.3)	(65.6)	(4.8)	(113.2)
Unallocated liabilities:	Current income tax liabilities					(4.5)
	Bank borrowings					(95.6)
	Derivative financial liabilities					(0.5)
	Post-employment benefit obligations					(7.3)
	Deferred income tax liabilities					(6.8)
Total liabilities						**(227.9)**

	Discontinued Operations £m	Workwear £m	HORECA £m	All Other Segments £m	Total £m
Other information					
Non-current asset additions					
– Property, plant and equipment	–	5.6	13.9	–	19.5
– Right of use assets	–	1.7	4.8	–	6.5
– Textile rental items	–	20.5	25.6	–	46.1
– Intangible software	–	1.3	–	–	1.3
– Customer Contracts	–	–	2.3	–	2.3
Depreciation and amortisation expense					
– Property, plant and equipment	–	4.6	9.3	–	13.9
– Right of use assets	–	2.2	4.9	–	7.1
– Textile rental items	–	17.9	27.2	–	45.1
– Intangible software	–	0.1	–	–	0.1
– Customer contracts	–	0.5	9.6	–	10.1

3 EXCEPTIONAL ITEMS

	Half year to 30 June 2020 £m	Half year to 30 June 2019 £m	Year ended 31 December 2019 £m
Exeter asset write-off	0.5	–	–
Total exceptional items	**0.5**	–	–

Current year exceptional items

During the half year to 30 June 2020, the net book value of plant, machinery and textile items destroyed in a Workwear processing plant fire has been charged to exceptional items.

Prior year exceptional items

During the prior year, professional fees of £0.1 million were paid relating to the acquisition of Fresh Linen Holdings Limited, together with its trading subsidiary Fresh Linen Limited and a further dormant company Pure Laundry Limited ('Fresh Linen'). Further information relating to the acquisitions is provided in note 33 of the 2019 Annual Report and Accounts. This has been offset by £0.1 million of prior year credits relating to previous acquisitions. There were no exceptional items in the half year to 30 June 2019.

4 FINANCE COST

	Half year to 30 June 2020 £m	Half year to 30 June 2019 £m	Year ended 31 December 2019 £m
Interest payable on bank loans and overdrafts	1.3	1.3	2.4
Discontinuance of hedge accounting on interest rate swaps previously designated as cashflow hedges	0.6	–	–
Amortisation of bank facility fees	0.2	0.2	0.3
Finance costs on lease liabilities	0.9	0.9	1.8
Notional interest on post-employment benefit obligations	0.1	0.1	0.1
Total finance cost	**3.1**	**2.5**	**4.6**

The charge for the half year to 30 June 2020 includes £0.6 million in respect of interest rate derivatives which no longer qualify for hedge accounting following the reduction of bank debt.

5 DIVIDENDS

An interim dividend in respect of the year ended 31 December 2019 of 1.15 pence was proposed and paid in November 2019 at a cash cost of £4.3 million.

A final dividend payment in respect of the year ended 31 December 2019 of 2.35 pence per Ordinary share was proposed but later cancelled. The cash benefit to the Group of this action was some £8.7 million.

Furthermore, the Board anticipates that no dividend will be payable in respect of the current financial year.

Notes to the Condensed Consolidated Interim Financial Statements Continued >

6 ADJUSTED (LOSS)/PROFIT BEFORE AND AFTER TAXATION

	Half year to 30 June 2020 £m	Half year to 30 June 2019 £m	Year ended 31 December 2019 £m
(Loss)/profit before taxation	(18.6)	15.2	38.1
Amortisation of intangible assets (excluding software amortisation)	5.5	4.9	10.1
Exceptional items	0.5	–	–
Adjusted (loss)/profit before taxation	(12.6)	20.1	48.2
Taxation on adjusted loss/(profit)	2.2	(3.8)	(9.1)
Adjusted (loss)/profit after taxation	**(10.4)**	**16.3**	**39.1**

7 TAXATION

	Half year to 30 June 2020 £m	Half year to 30 June 2019 £m	Year ended 31 December 2019 £m
Current tax			
UK corporation tax (credit)/charge for the period	(2.4)	3.8	9.4
Adjustment in relation to previous periods	(0.1)	(0.3)	(0.5)
Current tax (credit)/charge for the period	**(2.5)**	**3.5**	**8.9**
Deferred tax			
Origination and reversal of temporary differences	(0.8)	(0.9)	(1.7)
Changes in statutory tax rate	0.7	–	(0.2)
Adjustment in relation to previous years	0.1	0.3	0.2
Deferred tax credit for the period	**–**	**(0.6)**	**(1.7)**
Total (credit)/charge for taxation included in the income statement	**(2.5)**	**2.9**	**7.2**

Taxation in relation to amortisation of intangible assets (excluding software amortisation) has increased the credit for taxation on continuing operations in the half year to 30 June 2020 by £0.3 million (June 2019: £0.9 million reduction in the charge; December 2019: £1.9 million reduction in the charge). Taxation in relation to exceptional items in the half year to 30 June 2020 was £nil (June 2019: £nil; December 2019: £nil).

During the half year to 30 June 2020, a £1.0 million credit relating to deferred taxation (June 2019: £1.5 million credit; December 2019: £0.7 million credit) has been recognised in other comprehensive income.

During the half year to 30 June 2020, £nil relating to current taxation (June 2019: £0.3 million credit; December 2019: £0.3 million credit) and a £0.3 million charge relating to deferred taxation (June 2019: £0.1 million charge; December 2019: £0.2 million credit) has been recognised directly in Shareholders' equity.

Reconciliation of effective tax rate

Taxation on non-exceptional items for the half year to 30 June 2020 is calculated based on the estimated average annual effective tax rate (excluding prior year items) of 16.7% (June 2019: 18.9%; December 2019: 20.0%). This compares to the weighted average tax rate expected to be enacted or substantively enacted at the balance sheet date of 19.0% (June 2019: 19.0%; December 2019: 19.0%). Taxation on exceptional items is calculated based on the actual tax charge or credit for each specific item.

Differences between the estimated average annual effective tax rate and statutory rate include, but are not limited to, the effect of non-deductible expenses. The adjustment for under or over provisions in previous years is recognised when the amounts are agreed.

Deferred income taxes at the balance sheet date have been measured at the tax rate expected to be applicable at the date the deferred income tax assets and liabilities are realised. Management has performed an assessment, for all material deferred income tax assets and liabilities, to determine the period over which the deferred income tax assets and liabilities are forecast to be realised, which has resulted in an average deferred income tax rate of 19.0% being used to measure all deferred tax balances as at 30 June 2020 (June 2019: 17.5%; December 2019: 17.0%).

8 EARNINGS PER SHARE

	Half year to 30 June 2020 £m	Half year to 30 June 2019 £m	Year ended 31 December 2019 £m
(Loss)/profit for the period attributable to Shareholders	(16.1)	12.3	30.9
Amortisation of intangible assets (net of taxation)	5.2	4.0	8.2
Exceptional items (net of taxation)	0.5	–	–
Adjusted (loss)/profit attributable to Shareholders	**(10.4)**	**16.3**	**39.1**

	Number of shares	Number of shares	Number of shares
Weighted average number of Ordinary shares	381,549,911	368,536,954	369,145,562
Potentially dilutive options*	969,267	833,439	2,710,583
Fully diluted number of Ordinary shares	**382,519,178**	**369,370,393**	**371,856,145**

	Pence per share	Pence per share	Pence per share
Basic earnings per share			
Basic earnings per share	(4.2p)	3.3p	8.4p
Adjustment for amortisation of intangibles assets	1.4p	1.1p	2.2p
Adjustment for exceptional items	–	–	–
Adjusted basic earnings per share	(2.8p)	4.4p	10.6p
Diluted earnings per share			
Diluted earnings per share	(4.2p)	3.3p	8.3p
Adjustment for amortisation of intangibles assets	1.4p	1.1p	2.2p
Adjustment for exceptional items	–	–	–
Adjusted diluted earnings per share	(2.8p)	4.4p	10.5p

*** Includes outstanding share options granted to employees.**

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

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

For diluted earnings per share, the weighted average number of Ordinary shares in issue is adjusted to assume conversion of all potentially dilutive Ordinary shares. The Company has potentially dilutive Ordinary shares arising from share options granted to employees. Options are dilutive under the SAYE scheme, where the exercise price together with the future IFRS 2 charge of the option is less than the average market price of the Company's Ordinary shares during the year. Options under the LTIP schemes, as defined by IFRS 2, are contingently issuable shares and are therefore only included within the calculation of diluted earnings per share if the performance conditions, as set out in the Board Report on Remuneration in the 2019 Annual Report and Accounts, are satisfied.

Potentially dilutive Ordinary shares are dilutive at the point, from a continuing operations level, when their conversion to Ordinary shares would decrease earnings per share or increase loss per share. For the periods to 30 June 2019 and 31 December 2019, potentially dilutive Ordinary shares have been treated as dilutive, as their inclusion in the diluted earnings per share calculation decreases earnings per share from continuing operations. For the period to 30 June 2020, potentially dilutive Ordinary shares have not been treated as dilutive as their inclusion in the diluted earnings per share calculation reduces the loss per share from continuing operations.

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

Notes to the Condensed Consolidated Interim Financial Statements Continued >

9 GOODWILL

	As at 30 June 2020 £m	As at 30 June 2019 £m	As at 31 December 2019 £m
Cost			
Brought forward	130.5	128.1	128.1
Business combinations	–	–	2.4
Closing	**130.5**	**128.1**	**130.5**

In accordance with International Financial Reporting Standards, goodwill is not amortised, but instead is tested at least annually for impairment and carried at cost less accumulated impairment losses.

Impairment tests for goodwill

The allocation of goodwill to Cash Generating Units (CGUs) is as follows:

	As at 30 June 2020 £m	As at 30 June 2019 £m	As at 31 December 2019 £m
Workwear	41.7	41.7	41.7
Stalbridge	19.1	19.0	19.1
London Linen	29.2	29.2	29.2
Hotel Linen	40.5	38.2	40.5
HORECA	88.8	86.4	88.8
Total	**130.5**	**128.1**	**130.5**

The recoverable amount for each of the Cash Generating Units (CGUs) is as follows:

	As at 30 June 2020 £m	As at 30 June 2019 £m	As at 31 December 2019 £m
Workwear	266.7	576.7	596.8
Stalbridge	123.7	250.8	289.2
London Linen	71.4	168.2	170.1
Hotel Linen	167.2	337.3	464.7
HORECA	362.3	756.3	924.0
Total	**629.0**	**1,333.0**	**1,520.8**

The recoverable amount of a CGU is primarily determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets and forecasts, ordinarily covering three years, which are approved by the Board. Income and costs within the budget are derived on a detailed, 'bottom up' basis – all income streams and cost lines are considered and appropriate growth, or decline, rates are assumed for each, all of which are then reviewed, challenged and stress tested, firstly by senior management and ultimately by the Board. Income and cost growth forecasts are risk adjusted to reflect specific risks facing each CGU and take into account the markets in which they operate. Cash flows beyond the above period are, ordinarily, extrapolated using the estimated growth rate stated below, which does not exceed the long-term average growth rate for the markets in which the CGU's operate, into perpetuity. When assessing the recoverable amount for CGUs as at 30 June 2020, the forecasts covered the period to the end of 2022. The Group has previously stated that, as a result of COVID-19, it does not currently expect trading to normalise to 2019 levels until the first half of 2022. As a result, cash flows for 2023 were assumed, for the purpose of determining the recoverable amount of a CGU only, to be the same as for 2019. Cash flows beyond that period were then extrapolated using the estimated growth rate stated below. Other than as included in the financial forecasts, it is assumed that there are no material adverse changes in legislation that would affect the forecast cash flows.

The pre-tax discount rate used within the recoverable amount calculations was 10.21% (June 2019: 5.47%; December 2019: 5.47%) and is based upon the weighted average cost of capital reflecting specific principal risks and uncertainties. The discount rate takes into account, amongst other things, the risk-free rate of return (derived from a 20-year government bond price), the market risk premium and beta factor reflecting the average Beta for the Group and comparator companies which are used in deriving the cost of equity.

9 GOODWILL (continued)

The same discount rate has been used for each CGU as the principal risks and uncertainties associated with the Group, as highlighted on pages 25 to 27, would also impact each CGU in a similar manner. The Board acknowledge that there are additional factors that could impact the risk profile of each CGU. These additional factors were considered by way of sensitivity analysis performed as part of the impairment tests. For example, a further three-month lockdown was assumed at the end of 2020, such that the cash flows for each CGU were akin to those experienced during the lockdown earlier in 2020; this sensitivity did not result in any impairment of goodwill relating to the CGUs.

The level of any impairment recognised is predominantly dependent upon judgments used in arriving at future growth rates and the discount rate applied to cash flow projections. Key drivers to future growth rates are dependent on the Group's ability to maintain and grow income streams whilst effectively managing operating costs. The level of headroom may change if different growth rate assumptions or a different pre-tax discount rate were used in the cash flow projections. The Directors consider that there are no reasonably possible changes to the discount rate that would materially change the outcome of the impairment review. Sensitivities were performed, however, on the annual growth rate whereby the 2.0% used in the initial impairment review was reduced down to nil. Such a change did not result in any impairment of goodwill relating to the CGUs. Where the value-in-use calculations suggest an impairment, the Board would consider alternative use values prior to realising any impairment, being the fair value less costs to dispose.

The key assumptions used for value-in-use calculations are as follows:

	30 June 2020	30 June 2019	31 December 2019
Annual growth rate (after forecast period)	2.00%	1.87%	1.23%
Risk free rate of return	0.64%	1.87%	1.23%
Market risk premium	8.25%	6.25%	6.25%
Beta Factor	1.22	0.64	0.72
Cost of debt	4.45%	3.62%	3.27%

Having completed the 2020 impairment review, no impairment has been recognised in relation to the CGUs (2019: no impairment).

10 INTANGIBLE ASSETS

Capitalised software

	As at 30 June 2020 £m	As at 30 June 2019 £m	As at 31 December 2019 £m
Opening net book value	1.9	0.7	0.7
Additions	0.4	0.6	1.3
Amortisation	(0.1)	–	(0.1)
Closing net book value	**2.2**	**1.3**	**1.9**

Other intangible assets

	As at 30 June 2020 £m	As at 30 June 2019 £m	As at 31 December 2019 £m
Opening net book value	34.8	38.6	38.6
Additions	1.3	1.1	2.3
Business Combinations	–	–	4.0
Amortisation	(5.5)	(4.9)	(10.1)
Closing net book value	**30.6**	**34.8**	**34.8**

Other intangibles assets comprise of customer contracts and relationships.

Notes to the Condensed Consolidated Interim Financial Statements Continued >

11 PROPERTY, PLANT AND EQUIPMENT

	As at 30 June 2020 £m	As at 30 June 2019 £m	As at 31 December 2019 £m
Opening net book value	104.0	96.0	96.0
Additions	13.3	10.0	19.5
Business combinations	–	–	4.3
Depreciation	(8.0)	(6.4)	(13.9)
Disposals	(0.5)	–	(0.3)
Transfer between right-of-use assets	–	(11.8)	(1.6)
Closing net book value	**108.8**	**87.8**	**104.0**

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

CAPITAL COMMITMENTS

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

	As at 30 June 2020 £m	As at 30 June 2019 £m	As at 31 December 2019 £m
Software	0.9	1.3	–
Property, plant and equipment	5.6	10.3	5.2

Property, plant and equipment capital commitments as at 30 June 2020 includes £2.1 million in relation to new machinery at our Clacton site, acquired with Fresh Linen in November 2019, to increase capacity and efficiency.

12 RIGHT OF USE ASSETS

	As at 30 June 2020 £m	As at 30 June 2019 £m	As at 31 December 2019 £m
Opening net book value	39.0	36.1	36.1
Transfer between property, plant and equipment	–	11.8	1.6
Additions	1.2	2.3	6.5
Business combinations	–	–	0.7
Reassessment/modifications	1.0	0.9	1.2
Depreciation	(3.3)	(3.6)	(7.1)
Closing net book value	**37.9**	**47.5**	**39.0**

Following the adoption of IFRS 16, the transfer in of assets from property, plant and equipment represents the reclassification of the cost and associated depreciation of finance lease assets at 1 January 2019 to right-of-use assets. The transfer of assets back to property, plant and equipment represents the reclassification of the cost and associated depreciation of such assets back to property, plant and equipment where the lease expired in the period and the assets are now owned.

13 TEXTILE RENTAL ITEMS

	As at 30 June 2020 £m	As at 30 June 2019 £m	As at 31 December 2019 £m
Opening net book value	56.8	56.4	56.4
Additions	11.8	20.9	46.1
Business combinations	–	–	1.7
Depreciation	(23.0)	(22.6)	(45.1)
Special charges	(1.0)	(1.2)	(2.3)
Closing net book value	**44.6**	**53.5**	**56.8**

14 POST-EMPLOYMENT BENEFIT ASSETS/(OBLIGATIONS)

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

In the half year to 30 June 2020 deficit recovery payments of £0.9 million were paid by the Group to the defined benefit scheme (June 2019: £0.9 million; December 2019: £1.9 million).

Following discussions with the Group's appointed actuary a re-measurement gain of £7.7 million has been recognised in the half year to 30 June 2020. This is principally as a result of asset returns over the period for the Scheme being materially higher than interest income, leading to a gain of £22.0 million, partially offset by an actuarial loss of £14.3 million as a result of a decrease in the assumed discount rate and a decrease in the assumed inflation assumptions.

The post-employment benefit asset/(obligation) and associated deferred income tax (liability)/asset thereon are shown below:

	As at 30 June 2020 £m	As at 30 June 2019 £m	As at 31 December 2019 £m
Post-employment benefit asset/(obligation)	1.3	(12.8)	(7.3)
Deferred income tax (liability)/asset thereon	(0.2)	2.2	1.2
	1.1	**(10.6)**	**(6.1)**

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

	As at 30 June 2020 £m	As at 30 June 2019 £m	As at 31 December 2019 £m
Opening post-employment benefit obligation	(7.3)	(4.6)	(4.6)
Notional interest	(0.1)	(0.1)	(0.1)
Employer contributions	0.9	0.9	1.9
Re-measurement gains/(losses)	7.7	(9.1)	(4.5)
Utilisation of healthcare provision	0.1	0.1	–
Closing post-employment benefit asset/(obligation)	**1.3**	**(12.8)**	**(7.3)**

Post-employment benefit assets/(obligations) are comprised of the following balance sheet amounts:

	As at 30 June 2020 £m	As at 30 June 2019 £m	As at 31 December 2019 £m
Post-employment benefit assets (Non-current assets)	2.3	–	–
Post-employment benefit obligations (Non-current liabilities)	(1.0)	(12.8)	(7.3)
	1.3	**(12.8)**	**(7.3)**

Notes to the Condensed Consolidated Interim Financial Statements Continued >

15 SHARE CAPITAL

Issued share capital is as follows:

	Half year to 30 June 2020 £m	Half year to 30 June 2019 £m	Year ended 31 December 2019 £m
Share capital at the start of the period	37.0	36.8	36.8
New shares issued	7.4	0.2	0.2
Share capital at the end of the period	**44.4**	**37.0**	**37.0**

In the half year to 30 June 2020, nil SAYE scheme options were exercised with a total nominal value of £nil (June 2019: £36,361; December 2019: £38,161). In the half year to 30 June 2020, LTIP options were exercised with a total nominal value of £30,000. Proceeds in excess of the nominal value were credited to Share Premium. In the half year to 30 June 2019, LTIP options were exercised with a total nominal value of £180,500.

During the period, the Company placed 73.9 million Ordinary shares (the '2020 Placing') with existing and new institutional investors raising net proceeds of £82.7 million (gross proceeds of £85.0 million less costs of £2.3 million) of which £7.4 million was credited to share capital. The 2020 Placing shares represented approximately 19.99 per cent. of the Company's existing share capital. The 2020 Placing price of 115 pence per share was equal to a discount of 7 per cent. to the 10-day average closing mid-market price of 123.6 pence per share, and 2 per cent. to the 10-day volume weighted average price of 117.5 pence per ordinary share both ending on 28 May 2020, being the last practicable day prior to the publication of the announcement.

The 2020 Placing was undertaken using a cash box structure. As a result, the Company was able to take relief under section 612 of the Companies Act 2006 from crediting share premium and instead transfer the net proceeds in excess of the nominal value to retained earnings.

16 BUSINESS COMBINATIONS

There have been no business combinations in the half year to 30 June 2020.

During 2019, the Group acquired 100% of the share capital of Fresh Linen Holdings Limited, together with its trading subsidiary Fresh Linen Limited ('Fresh Linen') and a further dormant company Pure Laundry Limited. Full details of the acquisition are provided in the 2019 Annual Report and Accounts. Deferred consideration of £0.7 million was paid in the half year to 30 June 2020 in relation to this acquisition.

Also during 2019, £0.3 million of deferred consideration was paid relating to the acquisition of Ashbon in 2015.

17 BORROWINGS

As at 30 June 2020, borrowings were secured and drawn down under a committed facility dated 21 February 2014, as amended and restated on 24 April 2015 and as further amended and restated on 22 April 2016, 9 August 2018 and 22 May 2020, comprising a £135.0 million rolling credit facility (including an overdraft) which runs to August 2023 and a £40.0 million rolling credit facility which runs to 22 May 2022 with the option for a one year extension.

Under the rolling credit facilities, individual tranches are drawn down, in sterling, for periods of up to six months at LIBOR rates of interest prevailing at the time of drawdown, plus the applicable margin. The margin varies between 1.25% and 2.25%.

Throughout the half year to 30 June 2020, the Group had in place the following hedging arrangements which had the effect of replacing LIBOR with fixed rates as follows:

- for £15.0 million of borrowings, LIBOR is replaced with 1.070% from 30 January 2019 to 29 January 2021; and
- for £15.0 million of borrowings, LIBOR is replaced with 1.144% from 30 January 2019 to 29 January 2022: and
- for £15.0 million of borrowings, LIBOR is replaced with 0.805% from 8 January 2020 to 8 January 2023;

Following the receipt of the placing proceeds, the Group's borrowing level has resulted in hedge accounting being discontinued in June 2020. Accordingly, the Mark to Market value of £0.6 million, as at 30 June 2020, has been recognised as an expense within finance cost.

Borrowings are stated net of unamortised issue costs of £0.6 million (30 June 2019: £0.5 million; 31 December 2019: £0.6 million).

18 ANALYSIS OF NET DEBT

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

June 2020	At 1 January 2020 £m	Cash Flow £m	Non-cash Changes £m	At 30 June 2020 £m
Debt due within one year	0.3	0.1	(0.1)	**0.3**
Debt due after more than one year	(84.7)	85.1	(0.1)	**0.3**
Lease liabilities	(40.4)	3.0	(2.3)	**(39.7)**
Total debt and lease financing	(124.8)	88.2	(2.5)	**(39.1)**
Cash and cash equivalents	(2.9)	2.5	–	**(0.4)**
Net debt	(127.7)	90.7	(2.5)	**(39.5)**

June 2019	At 1 January 2019 £m	Cash Flow £m	Non-cash Changes £m	At 30 June 2019 £m
Debt due within one year	0.3	–	(0.1)	**0.2**
Debt due after more than one year	(86.6)	1.0	(0.1)	**(85.7)**
Lease liabilities	(44.6)	4.0	(3.2)	**(43.8)**
Total debt and lease financing	(130.9)	5.0	(3.4)	**(129.3)**
Cash and cash equivalents	(4.7)	3.5	–	**(1.2)**
Net debt	(135.6)	8.5	(3.4)	**(130.5)**

December 2019	At 1 January 2019 £m	Cash Flow £m	Non-cash Changes £m	At 31 December 2019 £m
Debt due within one year	(0.3)	1.1	(1.1)	**0.3**
Debt due after more than one year	(86.6)	2.2	(0.3)	**(84.7)**
Lease liabilities	(44.6)	13.2	(9.0)	**(40.4)**
Total debt and lease financing	(130.9)	16.5	(10.4)	**(124.8)**
Cash and cash equivalents	(4.7)	1.8	–	**(2.9)**
Net debt	(135.6)	18.3	(10.4)	**(127.7)**

The unamortised fees due after more than one year at 30 June 2020 have been shown within non-current trade and other receivables as there is no borrowings at the end of the period for the fees to be offset against. In all other periods, the relevant fees are deducted from debt due after more than one year.

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

	As at 30 June 2020 £m	As at 30 June 2019 £m	As at 31 December 2019 £m
Cash (Current assets)	7.3	9.8	8.3
Overdraft (Borrowings, Current liabilities)	(7.7)	(11.0)	(11.2)
	(0.4)	**(1.2)**	**(2.9)**

Notes to the Condensed Consolidated Interim Financial Statements Continued >

18 ANALYSIS OF NET DEBT (continued)

Lease liabilities are comprised of the following balance sheet amounts:

	As at 30 June 2020 £m	As at 30 June 2019 £m	As at 31 December 2019 £m
Amounts due within one year (Lease liabilities, Current liabilities)	(5.4)	(10.1)	(5.6)
Amounts due within one year (Lease liabilities, Non-current liabilities)	(34.3)	(33.7)	(34.8)
	(39.7)	**(43.8)**	**(40.4)**

19 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Half year to 30 June 2020 £m	Half year to 30 June 2019 £m	Year ended 31 December 2019 £m
Increase in cash in the period	2.5	3.5	1.8
Decrease in debt and lease financing	88.2	5.0	16.5
Change in net debt resulting from cash flows	90.7	8.5	18.3
Debt acquired through business acquisitions	–	–	(2.4)
Leases previously recognised as operating leases under IAS 17	–	(37.2)	(37.2)
Lease liabilities recognised during the period	(2.3)	(3.2)	(7.7)
Movement in unamortised issue costs of bank loans	(0.2)	(0.2)	(0.3)
Movement in net debt during the period	(88.2)	(32.1)	(29.3)
Opening net debt	(127.7)	(98.4)	(98.4)
Closing net debt	**(39.5)**	**(130.5)**	**(127.7)**

20 RELATED PARTY TRANSACTIONS

Transactions during the year between the Company and its subsidiaries, which are related parties, have been conducted on an arm's length basis and eliminated on consolidation. Full details of the Group's other related party relationships, transactions and balances are given in the Group's financial statements for the year ended 31 December 2019. There have been no material changes in these relationships in the half year to 30 June 2020 or up to the date of this Report.

21 CONTINGENT LIABILITIES

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

The Group has granted its Bankers and Trustee of the Pension Scheme (the 'Trustee') security over the assets of the Group. The priority of security is as follows:

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

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

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

22 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 2019.

(a) Taxation

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

(b) Seasonality of operations

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

(c) Critical accounting estimates and assumptions

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

(d) Government Grants

In preparing the condensed consolidated interim financial statements, IAS 20, 'Accounting for Government Grants and Disclosure of Government Assistance' has been applied such that grants have been recognised in profit or loss on a systematic basis over the periods in which we have recognised the expense for the related costs for which the grants are intended to compensate. The benefit of £16.6 million relating to claims made as part of the Coronavirus Job Retention Scheme has been credited to the Income Statement in the period to 30 June 2020. There are no unfulfilled conditions or other contingencies attached to this grant.

23 EVENTS AFTER THE REPORTING PERIOD

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

24 PRINCIPAL RISKS AND UNCERTAINTIES

The Group operates a structured risk management process, which identifies and evaluates risks and uncertainties and reviews mitigation activity. The Group set out in its 2019 Annual Report and Accounts the principal risks and uncertainties that could impact its performance:

Financial Risks	Operational Risks	Regulatory Risk
– Cost Inflation	– Loss of a Processing Facility	– Health and Safety
– Economy	– Failure of Strategy	– Compliance and Fraud
– Interest Rate Fluctuations	– Customers	– Climate Change and Energy Costs
– Liquidity Risk	– Competition	
– Taxation	– Retention and Motivation of Employees	
	– Information Systems and Technology	

At that time, we also commented that whilst we had not seen any impact on trading from the COVID-19 pandemic, we would continue to monitor the situation and seek to mitigate any resultant impact. The pandemic developed quickly thereafter and, in response, the Group promptly introduced a number of monitoring and mitigating activities, including:

- a multi-function senior management team which closely monitors the latest developments, assessing risks, providing guidance, and implementing preventative policies in line with government regulations and recommendations;
- the implementation of personal protection measures at all of our sites, intensified hygiene and social distancing protocols and, where possible, remote working for employees;
- raising employee awareness of the cyber security risks and implementing additional security measures related to remote working;
- controlling costs and slowing down capital expenditure to protect cash flow and securing robust liquidity;
- bolstering the Group's liquidity position; and
- monitoring the impact on business operations, such as the Group's supply chain, credit risk events and business interruptions and implementing prompt interventions when necessary.

Notes to the Condensed Consolidated Interim Financial Statements Continued >

24 PRINCIPAL RISKS AND UNCERTAINTIES (continued)

The Directors have reviewed the above principal risks and uncertainties during the period and concurred that they remain valid. Whilst we have not established a new principal risk for the COVID-19 pandemic, the review specifically considered how the above principal risks and uncertainties have been impacted by it, as set out below.

	Risk	COVID-19 Impact
Health and Safety	Health and safety in the workplace is an extremely important consideration for any employer. Legislation is often complex and fast-changing and failure to ensure our employees remain safe at work may lead to serious business interruption and potential damage to reputation.	Failure to comply with the increased amount of health and safety legislation and guidelines introduced in response to COVID-19. The Group has followed all relevant guidelines to ensure that its facilities are COVID secure. While the potential risk has increased during the period due to COVID-19, the Directors' assessment is that this increase has been mitigated by the measures implemented.
Economy	Our business could be susceptible to adverse changes in, inter alia, economic conditions and customer spending habits, which could impact our profitability and cash flow.	HORECA customers may delay opening until they are confident of demand for their own services having returned to more normalised levels. Given the diversity of our customer base, it is generally possible to contain the impact of these adverse conditions, and any adverse impact on cash flow could be mitigated in the short term by controls over capital expenditure and other discretionary spend.
Loss of a Processing Facility	The loss of a key processing facility could result in significant disruption to our business, due to the high utilisation of plant capacity.	Historically, the loss of a processing facility would most likely be as a result of flooding or fire, however, a site may now temporarily become unavailable as a result of Government guidance changes on either a localised or national level. A wide geographic spread of processing facilities mitigates the effect of a temporary loss of any single facility as our estate provides us the ability to relocate the processing of work. Detailed plans are in place for the processing to be relocated quickly and efficiently.
Customers	For our businesses to grow organically, we are reliant on securing and retaining a diverse range of customers. A reliance on any one particular customer or group of customers may present a risk to the future cash flows of the Group should they not be retained. Adverse economic conditions may lead to an increased number of our customers and clients being unable to pay for existing or additional products and services.	COVID-19 may lead to a higher number of customer closures than we would ordinarily experience and, as set out above, customers may delay opening until they are confident of demand for their own services having returned to more normalised levels. Our business model is structured so that we are not reliant on one particular customer or group of customers and we have limited concentration of credit risk with regard to trade receivables given the diverse and unrelated nature of the Group's customer base. Given the diversity of our customer base and the various industries which we serve, it is generally possible to contain the impact of these adverse conditions. Any adverse impact on cash flow could be mitigated in the short term by controls over capital expenditure and other discretionary spend.
Competition	We operate in a highly competitive marketplace. Aggressive pricing from our competitors could cause a reduction in our revenues and margins.	Competitors may seek to aggressively price contracts in order to backfill volume lost during the pandemic, particularly as they may not have access to the same level of liquidity as the Group. The Group will continue to differentiate its proposition and focus on our points of strength, such as transparency of our pricing, flexibility in our cost base, quality and value of service and innovation.

24 PRINCIPAL RISKS AND UNCERTAINTIES (continued)

	Risk	COVID-19 Impact
Retention and Motivation of Employees	As a service orientated Group, retaining and motivating the best people with the right skills, at all levels of the organisation, is key to the long-term success of the Group. Short term disruption could occur if a key member of our team was unavailable at short notice, either on a temporary or permanent basis.	The Group has established training, development, performance management and reward programmes to retain, develop and motivate our people. The Group regularly reviews the adequacy and strength of its management teams to ensure that appropriate experience and training is given such that there is not over reliance on any one individual. As a consequence of COVID-19 and/or the measures implemented by authorities to combat COVID-19, the Group may experience material labour shortages, particularly in the short-term. By virtue of the size of the Group, we are able to reallocate work across our estate in the event of employee unavailability.
Information Systems and Technology	The digital world creates many risks for a business including technology failures, loss of confidential data and damage to brand reputation.	The adoption of alternative working practices during the pandemic may have increased our exposure to external threats. We seek to assess and manage the effectiveness of our security infrastructure and our ability to effectively defend against current and future cyber risks by using analysis tools and experienced professionals to evaluate and mitigate potential impacts. Throughout the pandemic, the Group has increased its focus in this area as well as regularly educating users of the increased risk of cyber-attacks.

The Board will continue to closely monitor the situation over the coming period and will take any required action to maintain control over the impact.

Further details of the Principal Risks and Uncertainties facing the Group were detailed on pages 28 to 31 of the 2019 Annual Report and Accounts.

25 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.

Electronic Communications

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

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

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

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

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

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

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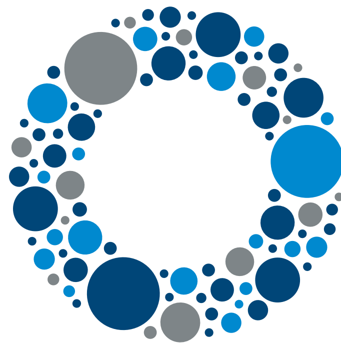

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