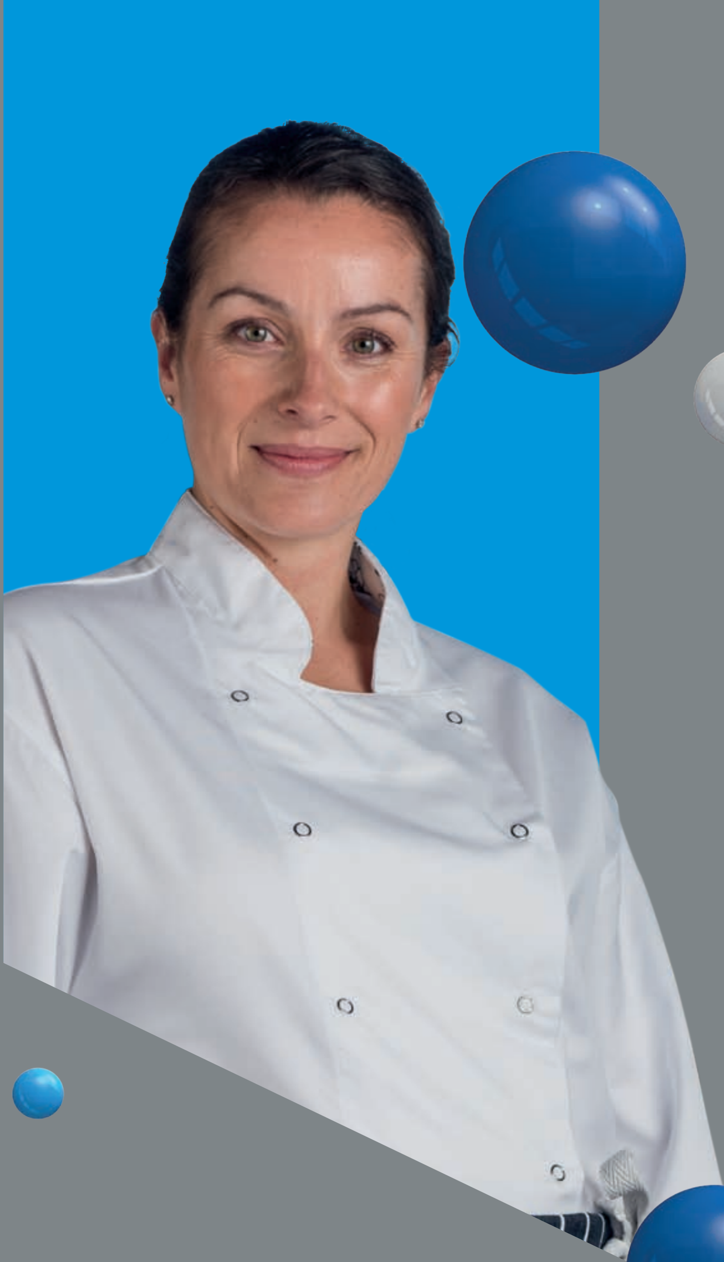
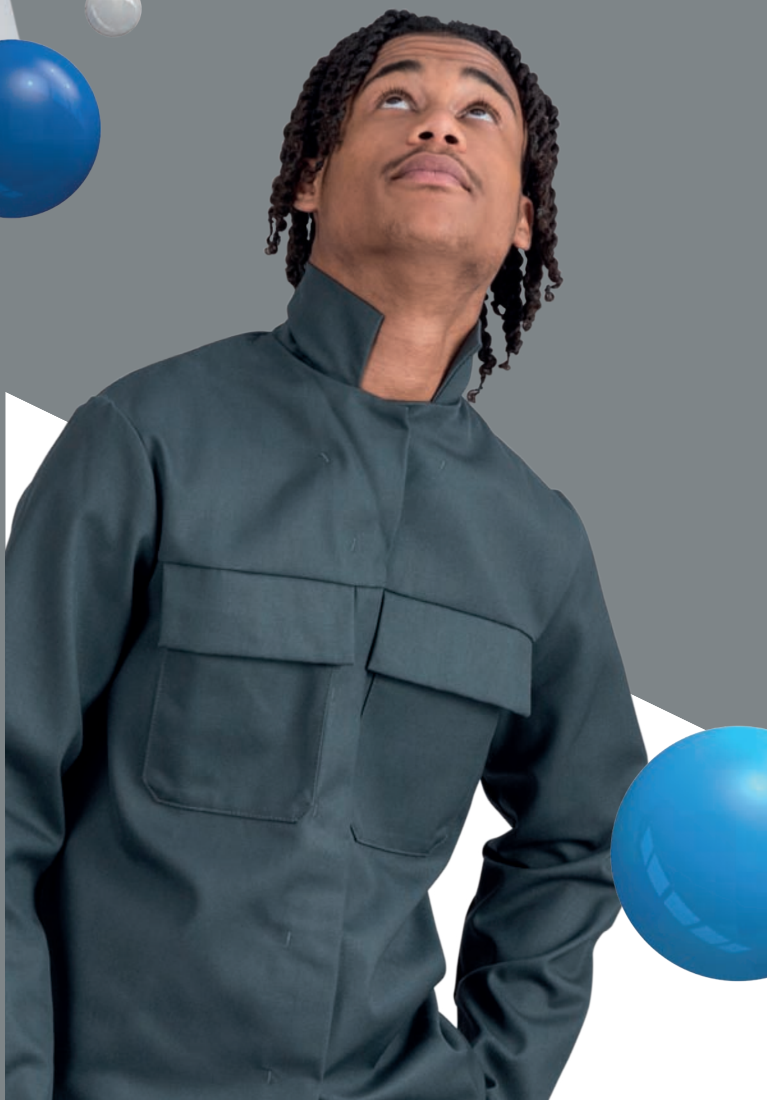


JOHNSON
Service Group PLC

Interim Report & Accounts 2022



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Operational and Financial Review

We are pleased with the overall performance of the Group in what has been another challenging period. Workwear, which remained resilient throughout the pandemic, recorded revenue growth of 2.3% in the first half alongside strong customer retention, which remained at 95%. As the first half progressed, Workwear saw a small contraction within a number of accounts in terms of products on rental and the market remains competitive. Positively though, we are continuing to see a recovery in HORECA as hospitality returns to more normal and predictable levels. Organic growth was strong in the first half of the year, as the Group benefited from like for like volume recovery, net new business and improved pricing, and our underlying EBITDA margin increased significantly year on year.

Inflationary pressures have impacted the Group in the first half but we have continued to secure and implement price increases across our customer base to mitigate the impact. Importantly, we have also continued to focus on improved energy and production efficiencies and the delivery of our quality customer service.

Our existing scale, expertise and operational excellence means that we are well placed to capitalise on opportunities as our commercial markets continue to recover.

FINANCIAL REVIEW

Financial Results

Our results for the first half of 2022 reflect the slow start to the year in HORECA and the subsequent recovery in volume. Half year revenue was £176.2 million, up from £99.6 million in 2021. Adjusted EBITDA was £42.8 million (June 2021: £16.9 million) giving a margin of 24.3% (June 2021: 17.0%). In the prior period, for the six months to 30 June 2021, the Group benefited from Coronavirus Job Retention Scheme (CJRS) claims of £9.9 million.

Total finance costs remained at £1.6 million (June 2021: £1.6 million).

The exceptional charge of £0.5 million (June 2021: credit of £2.6 million) relates to site clearance costs at the Exeter site which was destroyed by fire in January 2020. We anticipate further costs in the second half of the year as well as an exceptional credit of £1.5 million having now reached a financial settlement with the insurer in relation to the fire.

The adjusted profit before taxation was £11.2 million (June 2021: loss of £11.1 million).

Statutory profit before taxation, after amortisation of intangible assets (excluding software amortisation) of £4.2 million (June 2021: £5.4 million), goodwill impairment of £1.4 million (June 2021: £nil) and an exceptional charge of £0.5 million (June 2021: exceptional credit of £2.6 million) was £5.1 million (June 2021: loss of £13.9 million).

The tax rate on the adjusted profit before taxation, excluding exceptional items, the amortisation of software (excluding software amortisation) and goodwill impairment, was 9.7% (June 2021: 23.1%). The rate is significantly below the headline corporation tax rate for the full year of 19% due to the impact of the capital allowances super-deduction which offers 130% first-year relief on qualifying main rate plant and machinery investments until 31 March 2023. The impact of this super-deduction in the first half of 2022 is estimated to be a £2.6 million credit to corporation tax.

Adjusted diluted earnings per share was 2.3 pence (June 2021: adjusted diluted loss per share 1.9 pence). Excluding the impact of the capital allowances super-deduction, the adjusted diluted earnings per share was 1.7 pence.

Dividend

Reflecting the recovery during recent months and the confidence that trading levels have returned to, and will remain at, more normal levels, the Board has reinstated its dividend payments. An interim dividend of 0.8 pence per share will be paid on 4 November 2022 to those Shareholders on the register of members on 7 October 2022. The ex-dividend date is 6 October 2022. The dividend represents a return to our progressive dividend policy and it is the Board's current intention to reduce dividend cover from our historical level of cover of 3 times to 2.5 times by financial year 2024.

Finances

Free cash flow in the first half of the year, after capital lease payments, was £30.0 million compared to £5.7 million in the first half of 2021, reflecting the improved trading performance.

Total net debt (excluding IFRS 16) at 30 June 2022 was £21.9 million, a similar level to the December 2021 position of £22.3 million and reflecting significant investment in new rental stock, which is now at more normal levels. After including the impact of IFRS 16, net debt at June 2022 was £57.7 million (December 2021: £60.1 million).

A new £85.0 million bank facility was entered into on 8 August 2022 for an initial three-year term. The initial margin is 1.45% over SONIA. The terms of the facility provide an option to extend the term for up to a further two years and an option to increase the facility by up to a further £50.0 million, both with bank consent. It is our intention to add ambitious sustainability performance targets to this facility in the near future in order to make it a Sustainability Linked Loan facility.

Covenants remain unchanged and comprise a leverage covenant (total debt to EBITDA) of less than three times and interest cover of not less than four times. At 30 June 2022 the leverage ratio was 0.6 times.

Capital Structure and Share Buyback Programme

Our Capital Allocation policy remains unchanged. The Group's objective is to employ a disciplined approach to investment, returns and capital efficiency to deliver sustainable compounding growth whilst also maintaining a strong balance sheet. We continue to see exciting opportunities to deploy capital organically and have a good M&A pipeline. Even after taking into consideration ongoing capital expenditure at current levels to fund organic growth, payment of dividends and acquisitions within the M&A pipeline, the Group has significant headroom under its committed facilities and target leverage of 1-1.5x.

As a result, the Board announces that, later this month, it intends to launch a share buyback programme of the Company's ordinary shares for up to a maximum aggregate consideration of £27.5 million during the period up until the Company's 2023 Annual General Meeting in early May 2023. A further announcement will be made in due course.

Defined Benefit Pension Scheme ('the Scheme')

The recorded net surplus after tax for the Scheme, calculated in accordance with IAS 19, was £5.9 million at June 2022 compared to a net deficit of £0.9 million at December 2021. The improvement in the position is due, in part, to a higher discount rate assumed on liabilities and lower assumed inflation. 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 next triennial valuation of the defined benefit pension scheme will be undertaken as at 30 September 2022 and we will continue with the existing deficit recovery payments of £1.9 million per annum until the result of the review is finalised.

Business Review

Our Businesses

The Group comprises of 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. Within HORECA, 'Stalbridge' and 'London Linen' provide premium linen services to the restaurant, hospitality and corporate events market and Johnsons Hotel Linen, our high volume linen business primarily serves the corporate four star and budget hotel market. Also within HORECA, our recently acquired Northern Ireland business, Lilliput, predominantly services hotels and restaurants as well as a number of healthcare customers.

The year began with the continuing impact of COVID-19 which particularly impacted HORECA volumes. As business activity began to recover to more normal levels we, like many other UK businesses, have experienced cost inflation and volatility. We have agreed price increases across the customer base which will help to offset cost inflation and we will continue to keep pricing under review.

Energy

Energy costs (comprising gas, electricity and diesel) have been highly volatile over the period and remain so. Costs for the first half of 2022 were significantly higher than the equivalent period in 2019 and represented 9.3% of revenue in the six months to 30 June 2022 (June 2019: 6.5%).

In respect of the third quarter this year, over 80% of our anticipated electricity usage and some 90% of our anticipated gas usage is fixed at prices significantly below current day ahead rates. In quarter four, those proportions increase to 100% and 95%, respectively. Looking ahead, 100% of our electricity requirement is fixed for the first quarter next year with up to 40% thereafter up to and including September 2024. Similarly, we have fixed pricing in place for some 67% of our anticipated gas requirement through to September 2023. In addition, we have hedged 67% of our anticipated diesel requirement for 2022 at rates significantly below current pricing. We will continue to closely monitor markets and consider fixing further prices as opportunities allow.

Workwear Division

Total revenue for the Workwear division was £66.0 million (June 2021: £64.5 million), an increase of 2.3%, and includes the benefit of a small number of customer contracts acquired in February 2022. Organic growth was 1.7%. Adjusted EBITDA was £22.2 million (June 2021: £23.0 million) giving a margin of 33.6% (June 2021: 35.7%). Adjusted operating profit was £10.0 million (June 2021: £11.3 million) with the June 2021 results including the benefit of a CJRS grant of £0.6 million.

The margin has been impacted by the lag in implementing price increases with customers compared to increases in the cost base. Further pricing discussions are ongoing.

The division has continued to focus on maintaining the quality of service that we provide to our customers. This was reflected in the first quarter's customer satisfaction results of 85%, maintaining our position of providing a first-class service. Once again our logistic teams, in particular, received excellent feedback. The service teams have proactively engaged with our customers and continue to successfully renew significant volumes of contracts. Additional service sales to existing customers remain positive and has helped offset the impact of the increasing pressure from our customer base to reduce their workwear costs. Whilst customer retention has remained at 95%, we have seen a small contraction within accounts in terms of products on rental.

The sales teams are continuing to gain momentum with increased activity and pipelines. The recent launch of our new, more sustainable and recyclable garment, the 'Flex-Collection', is another exciting prospect. This is being supported by a specific marketing campaign highlighting the innovative qualities of the garment.

In response to rising costs, and in particular energy, the operational teams remain focused upon the continuous improvement of our processes and delivering further enhancements to our operational efficiencies. Following the successful implementation of the fully automated sortation systems in three of our sites, we are reviewing its installation into additional locations.

We continue to make progress with the implementation of our new laundry management system. The installation phase will be completed by the third quarter. The new system will allow us to implement new operating functionalities and procedures that will further enhance the quality of service to our customers, some of which are already in the trial phase.

HORECA Division

Notwithstanding the negative impact of the Omicron variant at the start of the year, total revenue for the HORECA division increased significantly to £110.2 million (June 2021: £35.1 million). Adjusted EBITDA was £23.3 million (June 2021: £3.5 million loss). Adjusted operating profit was £5.5 million (June 2021: £18.2 million loss) and, in June 2021, was after claiming a CJRS grant of £9.3 million.

HORECA volumes were 83% of normal in the first quarter, improving to 91% in the second quarter. We are continuing to see a pipeline of new business and some additional sites have been installed during July and August 2022, adding over 6,700 new bedroom and 75 restaurant locations. At least a further 5,000 bedrooms are anticipated to be installed before the end of the year.

Competition for new employees continues to be a challenge. Previously, during periods of lower demand, our workforce would flex in both employee headcount and shifts operated in order to control costs. Recruiting and retaining staff has been a key focus, with many engagement initiatives introduced, as well as guaranteed hours during low demand months and various learning and development opportunities made available. Hourly rates, differentials and bonus incentives, to underpin consistency of headcounts and performance, have been reviewed and changed where necessary. A significant amount of work has been undertaken to ensure the correct personnel resource is in place to meet customer peak demand and this will remain a continual process.

The Hotel, Restaurant and Catering business, which includes Johnsons Stalbridge and London Linen, has experienced a strong recovery in the first half of 2022 and a healthy conversion and pipeline of new business enquiries. We have sought and achieved commercially improved terms with many customers and increased initial pricing to new accounts to keep pace with the significant cost inflation being experienced across the industry.

Within Hotel Linen, the beginning of 2022 resulted in lower than expected volumes due to the impact of restrictions relating to the Omicron Covid variant. Service levels during the first six months have been consistently high but customer volumes remained lower than those of 2019. These lower volumes are, in the main, due to the operational changes within our customer base on frequency of changing linen and the amount of linen provided in each room, impacting our stock turn ratio. The link between a hotel's occupancy rates and the volumes to be processed in our laundries is now less of a reliable measure, impacting our forward planning, production efficiency and ultimately costs.

Constructive commercial discussions have taken place with customers relating to significant increases in our business costs. We have implemented price increases across the customer base to offset the cost impact and also, in many instances, introduced minimum charges. Our National Accounts team have achieved success in retaining key customers and continue to build strong business relationships. We continue to benefit from ongoing sales and referrals for new business, especially from new build hotels where the strength of our longstanding reputation for service and quality continue to help us win additional new business from current and new customers.

The previously announced appointments of a Project Manager, National Transport Manager and a Learning and Development Manager have already made a good impact in supporting our people, service and operations.

Our field service teams have been busy rolling out our new 'Linen Room' customer portal. The Linen Room has been well received by our customers, automating the linen order process and providing useful business intelligence. Our new Customer Service Visit app provides us with real time customer feedback as well as providing us with information on opportunities to further develop and improve our service offering.

The £4.2m investment in our Bourne site was successfully completed on time and has improved working processes and underpins capacity. The team at Bourne have maximised the opportunities provided by the investment and plans for further investment in 2022 are underway. Our newly acquired Northern Ireland site has also received investment in increased washing, drying and towel folding capacity, providing a new unit and improved working practices.

The Carbon Trust backed water recycling system, which was successfully installed and trialled in our Shaftesbury site, has been shown to deliver a significant amount of recycled water and reduced energy and chemical usage. Further equipment will be installed in our Cornwall site by the end of 2022 with plans to continue the roll out to other sites early next year.

We have started to replace plastic packaging wrap on many of our products with paper banding and we will be seeking to reduce plastic packaging further by the end of the year. In July, we received delivery of our first electric commercial vehicles for our engineering teams and are at present trialing larger vehicles for potential use in our distribution network.

EMPLOYEES

Our employees remain the foundation of our business and are the key to us being able to provide excellent customer service. The Board would like to thank them for their support, hard work and significant contribution to the business over the last six months.

SUSTAINABILITY

We believe that embedding a best in class sustainability programme throughout our operations will help position us as a leader in responding to the challenges faced by the textile services industry and prove to be a differentiator for our customers. We aspire to create a culture where sustainability is embedded into our daily working life, continually developing and evolving to reflect the responsibility we have as a Group.

Following the launch of The Johnsons Way, our revised approach to sustainability, in February, we continue to make excellent progress with our sustainability programme. We have developed the strategy around the four pillars of Our Family, Our World, Our Integrity and Our Communities and have implemented a robust governance and reporting framework to support the delivery of the programme.

A selection of some of the ongoing projects and initiatives we have undertaken include:

- We have recently published our inaugural Sustainability Report – an overview of the progress we have made on the Johnsons Way. The report is available on our website at www.jsg.com.
- We have submitted our first CDP disclosure during the 2022 cycle (for our 2021 reporting year). The results will be published in our 2022 Annual Report and Accounts.
- Successful conclusion of the wastewater recycling pilot at our Shaftesbury site with significant water recovery being demonstrated. Following the results achieved with the pilot we are installing additional equipment at our Cornwall site later this year with plans to continue the roll out to other sites thereafter.
- Working in partnership with our suppliers and customers, we have made improvements on how we collate and manage our waste streams which has identified opportunities to reduce our waste to landfill. We are also actively engaged with a group of customers to reduce their requirements for single use plastic packaging, with the introduction of recyclable alternatives.
- Further to the electric vehicle trials completed last year, our employees have taken delivery of a number of electric and hybrid vehicles. Depending on continued availability and delivery schedules, we anticipate achieving 25% of our company car fleet being electric or hybrid by the end of the year.

BOARD CHANGES

As previously announced, Nicola Keach was appointed to the Board on 1 June 2022 as an independent Non-Executive Director.

OUTLOOK

The Board remains confident that margins will continue to recover towards pre-pandemic levels and is excited about the growth opportunities available to the Group. This is reflected, in part, by the reinstatement of the dividend.

Customer behaviour remains difficult to predict and, whilst there are inflationary pressures, which are expected to increase and continue at a heightened level, we have a resilient business model to help mitigate these challenges. We also have some protection through the fixing of a proportion of our energy costs, although the Board is cognisant that the energy market remains highly volatile. We continue to secure and implement price increases across our customer base which, along with expected additional volume which will better utilise our labour resource and improve processing efficiency, will help offset cost inflation.

Our existing scale, expertise and operational excellence means that we are well placed to capitalise on opportunities as markets continue to recover. We will continue to identify opportunities for us to invest to strengthen our position in the market and enhance our competitive advantage as well as continuing to focus on delivering outstanding customer service and investing in both our employees and our laundry facilities.

Trading momentum since June 2022 has remained encouraging with volumes in HORECA for the six weeks to the middle of August increasing to 92% of normal. Nevertheless, and despite implementing material price increases across our customer base, we do expect some margin pressure in the short term, particularly in respect of energy costs. However, based on our assumption that volumes follow the normal seasonal pattern over the coming months and are not impacted by a reduction in discretionary spending, or a further material deterioration in the energy markets, as a result of ongoing economic factors, we expect the full year outturn to be in line with current market expectations.

Business Review

Continued >

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 condensed consolidated interim financial statements are the responsibility of, and have been approved by, the Directors.

The Directors confirm that to the best of their knowledge:

- the condensed consolidated interim financial statements have been prepared in accordance with IAS 34, 'Interim Financial Reporting' as adopted by the United Kingdom;
- 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 of the financial year and a description of the 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 2021 and, other than for the appointment of Nicola Keach on 1 June 2022, remain unchanged. 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
1 September 2022	1 September 2022

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 2022 £m	Restated* Half year to 30 June 2021 £m	Year ended 31 December 2021 £m
Revenue	2	**176.2**	**99.6**	**271.4**
Impairment loss on trade receivables		(0.2)	(0.2)	(0.4)
All other costs		(169.3)	(111.7)	(262.6)
Operating profit/(loss)	2	**6.7**	**(12.3)**	**8.4**
Operating profit/(loss) before amortisation of intangible assets (excluding software amortisation), goodwill impairment and exceptional items		**12.8**	**(9.5)**	**12.7**
Amortisation of intangible assets (excluding software amortisation)		(4.2)	(5.4)	(11.0)
Goodwill impairment	9	(1.4)	–	–
Exceptional items	3	(0.5)	2.6	6.7
Operating profit/(loss)	2	**6.7**	**(12.3)**	**8.4**
Finance cost	4	(1.6)	(1.6)	(3.3)
Profit/(loss) before taxation		**5.1**	**(13.9)**	**5.1**
Taxation (charge)/credit	7	(0.4)	3.1	1.8
Profit/(loss) for the period from continuing operations		**4.7**	**(10.8)**	**6.9**
Profit/(loss) for the period from discontinued operations		**0.1**	**–**	**(0.3)**
Profit/(loss) for the period attributable to equity holders		**4.8**	**(10.8)**	**6.6**
Earnings/(loss) per share	8			
Basic earnings/(loss) per share		**1.1p**	**(2.5p)**	**1.5p**
Diluted earnings/(loss) per share		**1.1p**	**(2.5p)**	**1.5p**

* See note 23 for further details of the prior year restatement.

See note 8 for Adjusted basic earnings/(loss) per share and Adjusted diluted earnings/(loss) per share.

Consolidated Statement of Comprehensive Income

	Note	Half year to 30 June 2022 £m	Restated Half year to 30 June 2021 £m	Year ended 31 December 2021 £m
Profit/(loss) for the period		**4.8**	**(10.8)**	**6.6**
Items that will not be subsequently reclassified to profit or loss				
Re-measurement and experience gains on post-employment benefit obligations	14	8.1	5.7	11.0
Taxation in respect of re-measurement and experience gains		(2.0)	(1.5)	(2.1)
Change in deferred tax due to change in tax rate		–	0.7	–
Items that may be subsequently reclassified to profit or loss				
Cash flow hedges (net of taxation)				
– fair value gains		1.7	0.8	1.3
– transfers to administrative expenses		(1.0)	0.2	–
Other comprehensive income for the period		**6.8**	**5.9**	**10.2**
Total comprehensive profit/(loss) for the period		**11.6**	**(4.9)**	**16.8**

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	Restated Retained Earnings £m	Total Equity £m
Balance at 1 January 2021	**44.4**	**16.3**	**1.6**	**0.6**	**(1.0)**	**193.6**	**255.5**
Prior year adjustment	**–**	**–**	**–**	**–**	**–**	**(0.9)**	**(0.9)**
Restated balance at 1 January 2021	**44.4**	**16.3**	**1.6**	**0.6**	**(1.0)**	**192.7**	**254.6**
Loss for the period	–	–	–	–	–	(10.9)	(10.9)
Prior year adjustment	–	–	–	–	–	0.1	0.1
Other comprehensive income for the period	–	–	–	–	1.0	4.9	5.9
Total comprehensive income/ (loss) for the period	**–**	**–**	**–**	**–**	**1.0**	**(5.9)**	**(4.9)**
Share options (value of employee services)	–	–	–	–	–	0.4	0.4
Purchase of own shares by EBT	–	–	–	–	–	(0.1)	(0.1)
Issue of share capital	0.1	0.5	–	–	–	–	0.6
Transactions with Shareholders recognised directly in Shareholders' equity	**0.1**	**0.5**	**–**	**–**	**–**	**0.3**	**0.9**
Restated balance at 30 June 2021	**44.5**	**16.8**	**1.6**	**0.6**	**–**	**187.1**	**250.6**
Profit for the period	–	–	–	–	–	17.4	17.4
Other comprehensive income for the period	–	–	–	–	0.3	4.0	4.3
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**0.3**	**21.4**	**21.7**
Share options (value of employee services)	–	–	–	–	–	0.1	0.1
Transactions with Shareholders recognised directly in Shareholders' equity	**–**	**–**	**–**	**–**	**–**	**0.1**	**0.1**
Balance at 31 December 2021	**44.5**	**16.8**	**1.6**	**0.6**	**0.3**	**208.6**	**272.4**
Profit for the period	–	–	–	–	–	4.8	4.8
Other comprehensive income for the period	–	–	–	–	0.7	6.1	6.8
Total comprehensive income for the period	**–**	**–**	**–**	**–**	**0.7**	**10.9**	**11.6**
Share options (value of employee services)	–	–	–	–	–	0.4	0.4
Transactions with Shareholders recognised directly in Shareholders' equity	**–**	**–**	**–**	**–**	**–**	**0.4**	**0.4**
Balance at 30 June 2022	**44.5**	**16.8**	**1.6**	**0.6**	**1.0**	**219.9**	**284.4**

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 2022, the EBT held 9,024 shares (June 2021: 9,024 shares; December 2021: 9,024 shares).

Consolidated Balance Sheet

	Note	As at 30 June 2022 £m	Restated As at 30 June 2021 £m	As at 31 December 2021 £m
Non-current assets				
Goodwill	9	133.8	130.9	135.2
Intangible assets	10	13.8	21.2	16.7
Property, plant and equipment	11	113.3	112.4	113.3
Right-of-use assets	12	33.2	36.1	35.5
Textile rental items	13	55.3	39.4	48.4
Trade and other receivables		0.3	0.2	0.3
Deferred income tax assets		–	0.8	0.3
Post-employment benefit assets		8.0	–	–
		357.7	**341.0**	**349.7**
Current assets				
Inventories		2.6	1.2	2.2
Trade and other receivables		60.5	43.0	47.9
Derivative financial assets		1.4	–	–
Current income tax assets		–	2.8	3.6
Cash and cash equivalents		7.6	6.8	5.2
		72.1	**53.8**	**58.9**
Current liabilities				
Trade and other payables		70.8	77.8	63.7
Borrowings		8.5	8.6	9.5
Lease liabilities		5.1	5.2	5.2
Derivative financial liabilities		–	0.1	0.1
Provisions		0.7	1.7	0.5
		85.1	**93.4**	**79.0**
Non-current liabilities				
Post-employment benefit obligations	14	1.0	8.3	2.1
Deferred income tax liabilities		5.9	–	3.3
Trade and other payables		0.9	0.9	0.3
Borrowings		21.0	7.0	18.0
Lease liabilities		30.7	32.9	32.6
Derivative financial liabilities		–	0.2	–
Provisions		0.8	1.5	0.9
		60.3	**50.8**	**57.2**
Net assets		**284.4**	**250.6**	**272.4**
Capital and reserves attributable to the Company's Shareholders				
Share capital	15	44.5	44.5	44.5
Share premium		16.8	16.8	16.8
Merger reserve		1.6	1.6	1.6
Capital redemption reserve		0.6	0.6	0.6
Hedge reserve		1.0	–	0.3
Retained earnings		219.9	187.1	208.6
Total equity		**284.4**	**250.6**	**272.4**

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 5 to 27 were approved by the Board of Directors on 1 September 2022 and signed on its behalf by:

Yvonne Monaghan
Chief Financial Officer

Consolidated Statement of Cash Flows

	Note	Half year to 30 June 2022 £m	Restated Half year to 30 June 2021 £m	Year ended 31 December 2021 £m
Cash flows from operating activities				
Profit/(loss) for the period		4.8	(10.8)	6.6
Adjustments for:				
Taxation charge/(credit) – continuing	7	0.4	(3.1)	(1.8)
– discontinued		–	–	0.3
Total finance cost		1.6	1.6	3.3
Depreciation		29.9	26.4	55.1
Amortisation		4.3	5.4	11.1
Goodwill impairment loss		1.4	–	–
Loss on disposal of tangible fixed assets		–	0.1	0.1
Gain on termination of lease liabilities		–	–	(0.2)
(Increase)/decrease in inventories		(0.4)	0.2	(0.8)
Increase in trade and other receivables		(12.4)	(11.7)	(15.4)
Increase/(decrease) in trade and other payables		3.7	4.1	(2.1)
Deficit recovery payments in respect of post-employment benefit obligations		(0.9)	(0.9)	(1.9)
Share-based payments		0.4	0.4	0.5
Commodity swaps not qualifying as hedges		–	(0.3)	(0.3)
Insurance claims		–	(2.6)	(5.3)
Decrease in provisions		–	(0.2)	(2.0)
Business acquisition costs charged to the income statement		–	–	0.1
Cash generated from operations		32.8	8.6	47.3
Interest paid		(1.7)	(1.7)	(3.2)
Taxation received		3.5	0.5	0.5
Net cash generated from operating activities		**34.6**	**7.4**	**44.6**
Cash flows from investing activities				
Acquisition of business (net of cash and cash equivalents acquired)	16	–	(0.8)	(4.8)
Disposal of business costs		–	–	(3.6)
Purchase of other intangible assets	10	(1.3)	–	–
Purchase of property, plant and equipment		(6.6)	(8.4)	(24.2)
Proceeds from insurance claims		–	2.6	5.3
Purchase of software		(0.1)	(0.3)	(0.2)
Purchase of textile rental items		(24.8)	(14.6)	(41.8)
Proceeds received in respect of special charges		1.5	0.8	2.4
Net cash used in investing activities		**(31.3)**	**(20.7)**	**(66.9)**
Cash flows from financing activities				
Proceeds from borrowings		23.0	10.0	29.0
Repayments of borrowings		(20.0)	(3.0)	(12.5)
Capital element of leases		(2.8)	(2.9)	(5.7)
Purchase of own shares by EBT		–	(0.1)	(0.1)
Net proceeds from issue of Ordinary shares		–	0.6	0.6
Net cash generated from financing activities		**0.2**	**4.6**	**11.3**
Net increase/(decrease) in cash and cash equivalents		**3.5**	**(8.7)**	**(11.0)**
Cash and cash equivalents at beginning of the period		(4.4)	6.6	6.6
Cash and cash equivalents at end of the period	18	**(0.9)**	**(2.1)**	**(4.4)**
Cash and cash equivalents comprise:				
Cash		7.6	6.8	5.2
Overdraft		(8.5)	(8.9)	(9.6)
Cash and cash equivalents at end of the period		**(0.9)**	**(2.1)**	**(4.4)**

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 1 September 2022.

1 BASIS OF PREPARATION

These condensed consolidated interim financial statements of the Group are for the half year ended 30 June 2022. 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 United Kingdom.

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 2021 Annual Report and Accounts, which have been prepared in accordance with International Financial Reporting Standards.

Financial information for the year ended 31 December 2021 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.

Other than as described in note 23, financial information for the half year ended 30 June 2021 included herein is derived from the condensed consolidated interim financial statements for that period.

Going Concern

Background and Summary

After careful assessment, the Directors have adopted the going concern basis in preparing these condensed consolidated interim financial statements. The process and key judgments in coming to this conclusion are set out below.

The Group's business activities, together with details of the financial position of the Group, its cash flows, liquidity position and borrowing facilities, are described in the Operating and Financial Review.

Going Concern Assessment

Cash Flows, Covenants and Stress Testing

For the purposes of the going concern assessment, the Directors have prepared monthly cash flow projections for the period to 31 December 2023 (the assessment period). Whilst the extent of the impact of COVID-19 has lessened as volumes of linen processed have continued to increase during the period, it continues to impact our business to a certain extent. The Directors consider 18 months to be a reasonable period for the going concern assessment and it enables them to consider the potential impact of the pandemic, and the Group's recovery thereafter, over an extended period.

The cash flow projections show that the Group has significant headroom against its committed facilities and can meet its financial covenant obligations.

The Directors also considered the potential impact on the monthly cash flow projections should there be a resurgence of a further COVID-19 variant, similar to the effect that the Omicron variant had on trading during the first quarter of 2022, and were satisfied that, under such a scenario, the Group still has significant headroom against its committed facilities and can meet its financial covenant obligations.

The Group has also performed a reverse stress test against the base monthly cash flow projections to determine the performance level that would result in a reduction in headroom against its committed facilities to nil or a breach of its covenants. The interest cover covenant would be breached in the event that adjusted operating profit reduced to approximately 25% of 2019 levels. The Directors do not consider this scenario to be likely. The stress test assumes no mitigating actions are taken. Mitigating actions available to the Group, should they be required, include reductions in discretionary capital expenditure and ceasing dividend payments.

Liquidity

Following the Group entering into a new facility agreement dated 8 August 2022, the Group has access to a committed Revolving Credit Facility of £85.0 million (the 'Facility') which matures in August 2025. The terms of the Facility provide an option to extend the term for up to a further two years and an option to increase the facility by up to a further £50.0 million, both with bank consent. The Facility is considerably in excess of our anticipated borrowings and provides ample liquidity for current commitments.

Going Concern Statement

After considering the monthly cash flow projections, the stress test and the facilities available to the Group, the Directors have a reasonable expectation that the Group has adequate resources for its operational needs, will remain in compliance with the financial covenants set out in the bank facility agreement and will continue in operation for at least the period to 31 December 2023. 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.

2 SEGMENT ANALYSIS

The chief operating decision-maker (CODM) has been identified as the Executive Directors. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM determines the operating segments based on these reports and on the internal reporting structure.

For reporting purposes, the CODM considered the aggregation criteria set out within IFRS 8, 'Operating Segments', which allows for two or more operating segments to be combined as a single reporting segment if:

1) aggregation provides financial statement users with information that allows them to evaluate the business and the environment in which it operates; and

2) they have similar economic characteristics (for example, where similar long-term average gross margins would be expected) and are similar in each of the following respects:

   - the nature of the products and services;
   - the nature of the production processes;
   - the type or class of customer for their products and services;
   - the methods used to distribute their products or provide their services; and
   - the nature of the regulatory environment (i.e. banking, insurance or public utilities), if applicable.

The CODM deems it appropriate to present two reporting segments (in addition to 'Discontinued Operations' and 'All Other Segments'), being:

1) Workwear: comprising of our Workwear business only; and

2) Hotel, Restaurant and Catering ('HORECA'): comprising of our Stalbridge (now including London Linen), Hotel Linen and Lilliput businesses, each of which are a separate operating segment.

The CODM's rationale for aggregating the Stalbridge, Hotel Linen and Lilliput operating segments into a single reporting segment is set out below:

- the gross margins of each operating segment are within a similar range, with the long-term average margin expected to further align;
- the nature of the customers, products and production processes of each operating segment are very similar;
- the nature of the regulatory environment is the same due to the similar nature of products, processes and customers involved; and
- distribution is via exactly the same method across each operating segment.

The CODM 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. Interest income and expenditure are not included in the result for each reporting segment that is reviewed by the CODM. 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 Johnson Group Properties PLC (the property holding company of the Group) is credited back, where appropriate, to the paying company for the purpose of segmental reporting. There have been no changes in measurement methods used compared to the prior period.

Other information provided to the CODM is measured in a manner consistent with that in the financial statements. Segment assets exclude post-employment benefit assets, derivative financial assets and cash and cash equivalents, all of which are managed on a central basis. Segment liabilities include non-bank borrowings but exclude bank borrowings. 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 2022, together with comparative figures, are as follows:

Half year to 30 June 2022	Workwear £m	HORECA £m	All Other Segments £m	Total £m
Revenue				
Rendering of services	64.4	110.1	–	174.5
Sale of goods	1.6	0.1	–	1.7
	66.0	**110.2**	**–**	**176.2**
Operating profit/(loss) before amortisation of intangible assets (excluding software amortisation), goodwill impairment and exceptional items	**10.0**	**5.5**	**(2.7)**	**12.8**
Amortisation of intangible assets (excluding software amortisation)	(0.2)	(4.0)	–	(4.2)
Goodwill impairment	–	(1.4)	–	(1.4)
Exceptional items	–	–	(0.5)	(0.5)
Operating profit/(loss)	**9.8**	**0.1**	**(3.2)**	**6.7**
Finance costs				(1.6)
Profit before taxation				**5.1**
Taxation				(0.4)
Profit for the period from continuing operations				**4.7**
Profit for the period from discontinued operations				**0.1**
Profit for the period attributable to equity holders				**4.8**

		Workwear £m	HORECA £m	All Other Segments £m	Total £m
Balance sheet information					
Segment assets		142.4	269.0	1.4	412.8
Unallocated assets:	Post-employment benefit assets				8.0
	Derivative financial assets				1.4
	Cash and cash equivalents				7.6
Total assets					**429.8**
Segment liabilities		(37.9)	(68.0)	(3.1)	(109.0)
Unallocated liabilities:	Bank borrowings				(29.5)
	Post-employment benefit obligations				(1.0)
	Deferred income tax liabilities				(5.9)
Total liabilities					**(145.4)**

	Workwear £m	HORECA £m	All Other Segments £m	Total £m
Other information				
Non-current asset additions				
– Property, plant and equipment	2.6	6.4	–	9.0
– Right of use assets	–	0.8	–	0.8
– Textile rental items	11.3	14.9	–	26.2
– Intangible software	0.1	–	–	0.1
– Customer contracts	1.3	–	–	1.3
Depreciation and amortisation expense				
– Property, plant and equipment	2.9	6.1	–	9.0
– Right of use assets	1.0	2.1	–	3.1
– Textile rental items	8.2	9.6	–	17.8
– Intangible software	0.1	–	–	0.1
– Customer contracts	0.2	4.0	–	4.2

2 SEGMENT ANALYSIS (continued)

Restated Half year to 30 June 2021	Workwear £m	HORECA £m	All Other Segments £m	Total £m
Revenue				
Rendering of services	63.0	35.1	–	98.1
Sale of goods	1.5	–	–	1.5
	64.5	**35.1**	**–**	**99.6**
Operating profit/(loss) before amortisation of intangible assets (excluding software amortisation) and exceptional items	**11.3**	**(18.2)**	**(2.6)**	**(9.5)**
Amortisation of intangible assets (excluding software amortisation)	–	(5.4)	–	(5.4)
Exceptional items	2.6	–	–	2.6
Operating profit/(loss)	**13.9**	**(23.6)**	**(2.6)**	**(12.3)**
Finance cost				(1.6)
Loss before taxation				**(13.9)**
Taxation				3.1
Loss for the period attributable to equity holders				**(10.8)**

		Discontinued Operations £m	Workwear £m	HORECA £m	All Other Segments £m	Restated Total £m
Balance sheet information						
Segment assets		–	137.5	245.7	1.2	384.4
Unallocated assets:	Deferred income tax assets					0.8
	Current income tax assets					2.8
	Cash and cash equivalents					6.8
Total assets						**394.8**
Segment liabilities		(3.7)	(49.7)	(62.9)	(3.7)	(120.0)
Unallocated liabilities:	Bank borrowings					(15.6)
	Derivative financial liabilities					(0.3)
	Post-employment benefit obligations					(8.3)
Total liabilities						**(144.2)**

	Discontinued Operations £m	Workwear £m	HORECA £m	All Other Segments £m	Total £m
Other information					
Non-current asset additions					
– Property, plant and equipment	–	9.2	4.0	–	13.2
– Right of use assets	–	–	0.2	–	0.2
– Textile rental items	–	9.7	10.3	–	20.0
– Intangible software	–	0.1	–	–	0.1
Depreciation and amortisation expense					
– Property, plant and equipment	–	2.5	5.4	–	7.9
– Right of use assets	–	1.1	2.0	–	3.1
– Textile rental items	–	8.1	7.3	–	15.4
– Customer contracts	–	–	5.4	–	5.4

Notes to the Condensed Consolidated Interim Financial Statements Continued >

2 SEGMENT ANALYSIS (continued)

Year ended 31 December 2021		Workwear £m	HORECA £m	All Other Segments £m	Total £m
Revenue					
Rendering of services		125.8	142.3	–	268.1
Sale of goods		3.1	0.2	–	3.3
		128.9	**142.5**	**–**	**271.4**
Operating profit/(loss) before amortisation of intangible assets (excluding software amortisation) and exceptional items		**22.5**	**(5.2)**	**(4.6)**	**12.7**
Amortisation of intangible assets (excluding software amortisation)		–	(11.0)	–	(11.0)
Exceptional items		3.0	(0.1)	3.8	6.7
Operating profit/(loss)		**25.5**	**(16.3)**	**(0.8)**	**8.4**
Finance cost					(3.3)
Profit before taxation					**5.1**
Taxation					1.8
Profit for the period from continuing operations					**6.9**
Loss for the period from discontinued operations					(0.3)
Profit for the period attributable to equity holders					**6.6**

		Workwear £m	HORECA £m	All Other Segments £m	Total £m
Balance sheet information					
Segment assets		138.7	259.7	1.1	399.5
Unallocated assets:	Current income tax assets				3.6
	Derivatives financial assets				0.3
	Cash and cash equivalents				5.2
Total assets					**408.6**
Segment liabilities		(38.4)	(61.8)	(3.0)	(103.2)
Unallocated liabilities:	Bank borrowings				(27.5)
	Derivative financial liabilities				(0.1)
	Post-employment benefit obligations				(2.1)
	Deferred income tax liabilities				(3.3)
Total liabilities					**(136.2)**

	Workwear £m	HORECA £m	All Other Segments £m	Total £m
Other information				
Non-current asset additions				
– Property, plant and equipment	12.7	9.8	–	22.5
– Right of use assets	0.4	0.6	–	1.0
– Textile rental items	19.6	27.1	–	46.7
– Intangible software	–	0.1	–	0.1
Depreciation, impairment and amortisation expense				
– Property, plant and equipment	5.5	11.3	–	16.8
– Right of use assets depreciation	2.2	3.9	–	6.1
– Textile rental items depreciation	16.1	16.1	–	32.2
– Intangible software	–	0.1	–	0.1
– Customer contracts	–	11.0	–	11.0

3 EXCEPTIONAL ITEMS

	Half year to 30 June 2022 £m	Half year to 30 June 2021 £m	Year ended 31 December 2021 £m
Costs in relation to business acquisition activity	–	–	(0.1)
Exeter property costs	(0.5)	–	–
Insurance claims	–	2.6	5.9
Other costs re insurance claims	–	–	(0.6)
Income from Parent Company Guarantees	–	–	1.5
Total exceptional items	**(0.5)**	**2.6**	**6.7**

Current year exceptional items

During the half year to 30 June 2022, further property costs were incurred relating to the clean-up of the Exeter Workwear processing site destroyed as a result of a fire in January 2020.

Prior year exceptional items

Insurance claims

During the half year to 30 June 2021, further interim insurance proceeds of £2.0 million were received relating to a fire in January 2020 at a Workwear processing site. Final insurance proceeds of £0.6 million were also received relating to a flood in February 2020 at a further Workwear site.

4 FINANCE COST

	Half year to 30 June 2022 £m	Half year to 30 June 2021 £m	Year ended 31 December 2021 £m
Interest payable on bank loans and overdrafts	0.8	0.6	1.4
Gain on interest rate swaps not qualifying as hedges	(0.1)	(0.1)	(0.2)
Amortisation of bank facility fees	0.1	0.2	0.3
Finance costs on lease liabilities	0.8	0.8	1.6
Notional interest on post-employment benefit obligations	–	0.1	0.2
	1.6	**1.6**	**3.3**

5 ALTERNATIVE PERFORMANCE MEASURES (APMs)

Adjusted profit/(loss) before and after taxation	Half year to 30 June 2022 £m	Restated Half year to 30 June 2021 £m	Year ended 31 December 2021 £m
Profit/(loss) before taxation	5.1	(13.9)	5.1
Amortisation of intangible assets (excluding software amortisation)	4.2	5.4	11.0
Goodwill impairment	1.4	–	–
Exceptional items	0.5	(2.6)	(6.7)
Adjusted profit/(loss) before taxation	11.2	(11.1)	9.4
Taxation on adjusted (profit)/loss	(1.1)	2.6	0.5
Adjusted profit/(loss) after taxation	**10.1**	**(8.5)**	**9.9**

Notes to the Condensed Consolidated Interim Financial Statements Continued >

5 ALTERNATIVE PERFORMANCE MEASURES (APMs) (continued)

Adjusted EBITDA	Half year to 30 June 2022 £m	Restated Half year to 30 June 2021 £m	Year ended 31 December 2021 £m
Operating profit/(loss) before amortisation of intangible assets (excluding software amortisation), goodwill impairment and exceptional items	12.8	(9.5)	12.7
Software amortisation	0.1	–	0.1
Property, plant and equipment depreciation	9.0	7.9	16.8
Right of use asset depreciation	3.1	3.1	6.1
Textile rental items depreciation	17.8	15.4	32.2
Adjusted EBITDA	**42.8**	**16.9**	**67.9**

6 DIVIDENDS

Following the impact of COVID-19, and in order to conserve cash resources in response to the pandemic, the Board did not propose dividends in respect of 2021. Reflecting the recovery during recent months and the confidence that trading levels have returned to, and will remain at, more normal levels, the Board has reinstated dividends in respect of 2022. Accordingly, an interim dividend of 0.8 pence per share will be paid on 4 November 2022 to those Shareholders on the register of members on 7 October 2022.

7 TAXATION

	Half year to 30 June 2022 £m	Half year to 30 June 2021 £m	Year ended 31 December 2021 £m
Current tax			
UK corporation tax credit for the period	–	–	–
Adjustment in relation to previous periods	–	–	(0.8)
Current tax credit for the period	**–**	**–**	**(0.8)**
Deferred tax			
Origination and reversal of temporary differences	0.4	(3.6)	(3.0)
Changes in statutory tax rate	–	0.5	1.6
Adjustment in relation to previous years	–	–	0.4
Deferred tax charge/(credit) for the period	**0.4**	**(3.1)**	**(1.0)**
Total charge/(credit) for taxation included in the income statement for continuing operations	**0.4**	**(3.1)**	**(1.8)**

Taxation in relation to the amortisation of intangible assets (excluding software amortisation) has reduced the charge for taxation on continuing operations in the half year to 30 June 2022 by £0.7 million (June 2021: £0.6 million increased taxation credit; December 2021: £1.6 million increased taxation credit). Taxation in relation to exceptional items in the half year to 30 June 2022 has had no impact on the tax charge (June 2021: £0.1 million reduced taxation credit; December 2021: £0.3 million reduced taxation credit).

During the half year to 30 June 2022, a £2.2 million charge relating to deferred taxation (June 2021: £1.1 million; December 2021: £2.4 million) has been recognised in other comprehensive income.

Reconciliation of effective tax rate

Taxation on non-exceptional items for the half year to 30 June 2022 is calculated based on the estimated average annual effective tax rate of 9.7% (June 2021: 23.1%; December 2021: (5.3%)). This compares to the weighted average tax rate expected to be enacted or substantively enacted at the balance sheet date of 19.0% (June 2021: 19.0%; December 2021: 19.0%). The current period includes the impact of the capital allowances super-deduction, which offers 130% first-year relief on qualifying main rate plant and machinery investments until 31 March 2023, and due to the additional 30% permanent difference on our Textile Rental items, significantly reduces the estimated average annual effective rate. In the period to June 2021, the impact of the super deduction was excluded and applied from the period from when it first impacted the Group, the six months to 31 December 2021.

Changes to the UK corporation tax rates, which were substantively enacted as part of Finance Bill 2021 on 24 May 2021, include an increase to the main rate from 19% to 25% with effect from 1 April 2023. 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 23.7% being used to measure all deferred tax balances as at 30 June 2022 (June 2021: 22.3%; December 2021: 23.3%).

Further 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.

8 EARNINGS/(LOSS) PER SHARE

	Half year to 30 June 2022 £m	Restated Half year to 30 June 2021 £m	Year ended 31 December 2021 £m
Profit/(loss) for the period attributable to Shareholders	4.7	(10.8)	6.9
Amortisation of intangible assets (net of taxation)	3.5	4.8	9.4
Goodwill impairment (net of taxation)	1.4	–	–
Exceptional items (net of taxation)	0.5	(2.5)	(6.4)
Adjusted profit/(loss) attributable to Shareholders	10.1	(8.5)	9.9
Profit/(loss) from discontinued attributable to Shareholders	0.1	–	(0.3)
Total adjusted profit/(loss) from all operations attributable to Shareholders	**10.2**	**(8.5)**	**9.6**

	Number of shares	Number of shares	Number of shares
Weighted average number of Ordinary shares	445,247,615	444,644,046	444,939,982
Potentially dilutive options*	95,000	408,058	206,112
Diluted number of Ordinary shares	**445,342,615**	**445,052,104**	**445,146,094**

	Pence per share	Pence per share	Pence per share
Basic earnings/(loss) per share			
From continuing operations	1.1p	(2.5p)	1.6p
From discontinued operations	–	–	(0.1p)
From total operations	1.1p	(2.5p)	1.5p
Adjustment for amortisation of intangibles assets (continuing)	0.8p	1.1p	2.1p
Adjustment for goodwill impairment (continuing)	0.3p	–	–
Adjustment for exceptional items (continuing)	0.1p	(0.5p)	(1.5p)
Adjustment for exceptional items (discontinued)	–	–	0.1p
Adjusted basic earnings/(loss) per share (continuing)	2.3p	(1.9p)	2.2p
Adjusted basic earnings/(loss) per share (discontinued)	–	–	–
Adjusted basic earnings/(loss) per share from total operations	2.3p	(1.9p)	2.2p
Diluted earnings/(loss) per share			
From continuing operations	1.1p	(2.5p)	1.6p
From discontinued operations	–	–	(0.1p)
From total operations	1.1p	(2.5p)	1.5p
Adjustment for amortisation of intangibles assets (continuing)	0.8p	1.1p	2.1p
Adjustment for goodwill impairment (continuing)	0.3p	–	–
Adjustment for exceptional items (continuing)	0.1p	(0.5p)	(1.5p)
Adjustment for exceptional items (discontinued)	–	–	0.1p
Adjusted diluted earnings/(loss) per share (continuing)	2.3p	(1.9p)	2.2p
Adjusted diluted earnings/(loss) per share (discontinued)	–	–	–
Adjusted diluted earnings/(loss) per share from total operations	2.3p	(1.9p)	2.2p
Adjusted diluted earnings/(loss) per share from total operations (excluding super deduction)	1.7p	(1.9p)	1.7p

*** 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 year, excluding those held by the Employee Benefit Trust, based on the profit for the year 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.

Notes to the Condensed Consolidated Interim Financial Statements Continued >

8 EARNINGS/(LOSS) PER SHARE (continued)

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 Directors' Remuneration Report within the 2021 Annual Report and Accounts, are satisfied at the end of the reporting period, irrespective of whether this is the end of the vesting period or not.

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 period ended 30 June 2022 and the year ended 31 December 2021, potentially dilutive Ordinary shares have been treated as dilutive, as their inclusion in the diluted earnings per share calculation decreases the earnings per share from continuing operations. For the period ended 30 June 2021, potentially dilutive Ordinary shares have not been treated as dilutive, as their inclusion in the diluted earnings per share calculation decreases 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.

9 GOODWILL

	As at 30 June 2022 £m	As at 30 June 2021 £m	As at 31 December 2021 £m
Cost			
Brought forward	135.2	130.9	130.9
Business combinations	–	–	4.3
	135.2	**130.9**	**135.2**
Impairment			
Brought forward	–	–	–
Impairment	1.4	–	–
	1.4	**–**	**–**
Closing	**133.8**	**130.9**	**135.2**

In accordance with International Financial Reporting Standards, goodwill is not amortised, but instead is tested annually for impairment, or upon the existence of indicators of impairment per IAS 36, and carried at cost less accumulated impairment losses.

During the period to 30 June 2022, there have been changes in the economic environment and an increase in market interest rates which impact the discount rate used in the value-in-use calculations and hence are likely to materially impact the recoverable amount for each CGU. Both are indicators of impairment and therefore a full impairment review has been performed at 30 June 2022.

Impairment tests for goodwill

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

	As at 30 June 2022 £m	As at 30 June 2021 £m	As at 31 December 2021 £m
Workwear	41.7	41.7	41.7
Stalbridge*	48.3	48.3	48.3
Hotel Linen	40.9	40.9	40.9
Lilliput	2.9	–	4.3
HORECA	92.1	89.2	93.5
Total	**133.8**	**130.9**	**135.2**

* The CGUs have been reassessed in the period to 30 June 2022, resulting in London Linen no longer being determined as separately identifiable and instead now forming part of the Stalbridge CGU. During 2021, London Linen accounting systems and accounting ledgers were amalgamated with Stalbridge and, with effect from 1 January 2022, the two trading names are now reported and reviewed by management as one business. Work is transferred between the various sites across both businesses and therefore revenue streams from individual assets are no longer easily obtained or separable. Accordingly, the figures in the table above for Stalbridge as at 30 June 2021 and 31 December 2021 have been adjusted to include London Linen.

9 GOODWILL (continued)

Goodwill is tested for impairment by comparing the carrying value of each CGU against its recoverable amount. The carrying value for each CGU includes the net book value of goodwill, intangible assets and related deferred tax balances, property, plant and equipment, right of use assets, textile rental items and lease liabilities.

As at 30 June 2021, the Directors considered, but did not identify, any indicators of impairment per IAS 36 and, accordingly, did not determine the recoverable amount of each CGU. The recoverable amount for each of the Cash Generating Units (CGUs) as at 30 June 2022 and 31 December 2021 is as follows:

	As at 30 June 2022 £m	As at 31 December 2021 £m
Workwear	183.1	215.4
Stalbridge	162.9	187.6
Hotel Linen	171.7	194.1
Lilliput	9.5	8.0
HORECA	344.1	389.7
Total	**527.2**	**605.1**

The recoverable amount of a CGU is primarily determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets and forecasts, ordinarily covering three years, which are approved by the Board. In arriving at the values assigned to each key assumption management make reference to past experience and external sources of information regarding the future – for example tax rate changes. Key assumptions around 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 2022, the forecasts covered the period to the end of 2024. 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 12.40% (December 2021: 10.51%) 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, size premium and beta factor reflecting the average Beta for the Group and comparator companies which are used in deriving the cost of equity.

The same discount rate has been used for each CGU as the principal risks and uncertainties associated with the Group 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. The level of headroom 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. 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 assumptions used for value-in-use calculations are as follows:

	June 2022	December 2021
Annual growth rate (after forecast period)	2.00%	2.00%
Risk free rate of return	2.72%	1.22%
Market risk premium	6.00%	6.00%
Beta Factor	1.05	1.10
Size Premium	3.00%	3.00%
Cost of debt	6.33%	3.09%

Having completed the June 2022 impairment review, no impairment has been recognised in relation to the CGUs with the exception of Lilliput which is discussed further below (2021: no impairment).

As previously highlighted in the 2021 Annual Report and Accounts, the Lilliput CGU has a higher sensitivity to changes in the discount rate than the other CGUs. As a result of the increase in the pre-tax discount rate to 12.40% at June 2022 from 10.51% at December 2021, the Group has recognised a goodwill impairment loss of £1.4 million within the Consolidated Income Statement in respect of Lilliput. The assumptions considered by the Directors, where a reasonably possible change could give rise to a further impairment, were a further increase to the pre-tax discount rate or a reduction in the growth rate. If the discount rate materially increases again or the growth rate reduces below 2%, then a further impairment may be triggered.

Notes to the Condensed Consolidated Interim Financial Statements Continued >

9 GOODWILL (continued)

Furthermore, sensitivity analysis has been performed in assessing the recoverable amounts of goodwill for each of the other CGUs such that the growth rate for the forecast period was reduced to nil. Such a change did not result in any impairment of goodwill relating to the CGU. Significant headroom exists in each of the cash generating units and, based on the stress testing performed, reasonable possible changes in the assumptions would not cause the carrying amount of the cash generating units to equal or to exceed their recoverable amount, other than potentially for the one cash generating units discussed below.

10 INTANGIBLE ASSETS

Capitalised software

	As at 30 June 2022 £m	Restated As at 30 June 2021 £m	As at 31 December 2021 £m
Opening net book value (as previously reported)	1.5	2.7	1.5
Prior period restatement (note 23)	–	(1.2)	–
Opening net book value (restated)	1.5	1.5	1.5
Additions	0.1	0.1	0.1
Amortisation (as previously reported)	(0.1)	(0.1)	(0.1)
Prior period restatement (note 23)	–	0.1	–
Closing net book value	**1.5**	**1.6**	**1.5**

Other intangible assets

	As at 30 June 2022 £m	As at 30 June 2021 £m	As at 31 December 2021 £m
Opening net book value	15.2	25.0	25.0
Additions	1.3	–	–
Business combinations	–	–	1.2
Amortisation	(4.2)	(5.4)	(11.0)
Closing net book value	**12.3**	**19.6**	**15.2**
Total	**13.8**	**21.2**	**16.7**

Other intangibles assets comprise of customer contracts and relationships.

11 PROPERTY, PLANT AND EQUIPMENT

	As at 30 June 2022 £m	As at 30 June 2021 £m	As at 31 December 2021 £m
Opening net book value	113.3	107.2	107.2
Additions	9.0	13.2	22.5
Business combinations	–	–	0.5
Depreciation	(9.0)	(7.9)	(16.8)
Disposals	–	(0.1)	(0.1)
Closing net book value	**113.3**	**112.4**	**113.3**

CAPITAL COMMITMENTS

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

	As at 30 June 2022 £m	As at 30 June 2021 £m	As at 31 December 2021 £m
Property, plant and equipment	10.0	11.5	10.9

12 RIGHT OF USE ASSETS

	As at 30 June 2022 £m	As at 30 June 2021 £m	As at 31 December 2021 £m
Opening net book value	35.5	38.5	38.5
Additions	0.8	0.2	1.0
Business combinations	–	–	0.8
Reassessment/modifications	–	0.5	1.3
Depreciation	(3.1)	(3.1)	(6.1)
Closing net book value	**33.2**	**36.1**	**35.5**

13 TEXTILE RENTAL ITEMS

	As at 30 June 2022 £m	As at 30 June 2021 £m	As at 31 December 2021 £m
Opening net book value	48.4	35.6	35.6
Additions	26.2	20.0	46.7
Business combinations	–	–	0.7
Depreciation	(17.8)	(15.4)	(32.2)
Special charges	(1.5)	(0.8)	(2.4)
Closing net book value	**55.3**	**39.4**	**48.4**

14 POST-EMPLOYMENT BENEFIT OBLIGATIONS

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

In the half year to 30 June 2022 deficit recovery payments of £0.9 million were paid by the Group to the defined benefit scheme (June 2021: £0.9 million; December 2021: £1.9 million).

Following discussions with the Group's appointed actuary, a re-measurement gain of £8.1 million has been recognised in the half year to 30 June 2022. The improvement in the position is due, in part, to a higher discount rate assumed on liabilities and lower assumed inflation.

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

	As at 30 June 2022 £m	As at 30 June 2021 £m	As at 31 December 2021 £m
Post-employment benefit asset/(obligation)	7.0	(8.3)	(2.1)
Deferred income tax (liability)/asset thereon	(1.8)	1.9	0.4
	5.2	**(6.4)**	**(1.7)**

Notes to the Condensed Consolidated Interim Financial Statements Continued >

14 POST-EMPLOYMENT BENEFIT OBLIGATIONS (continued)

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 2022 £m	As at 30 June 2021 £m	As at 31 December 2021 £m
Opening post-employment benefit obligation	(2.1)	(14.9)	(14.9)
Notional interest	–	(0.1)	(0.2)
Employer contributions	0.9	0.9	1.9
Re-measurement gains	8.1	5.7	11.0
Utilisation of healthcare provision	0.1	0.1	0.1
Closing post-employment benefit surplus/(obligation)	**7.0**	**(8.3)**	**(2.1)**

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

	As at 30 June 2022 £m	As at 30 June 2021 £m	As at 31 December 2021 £m
Post-employment benefit assets (Non-current assets)	8.0	–	–
Post-employment benefit obligations (Non-current liabilities)	(1.0)	(8.3)	(2.1)
	7.0	**(8.3)**	**(2.1)**

Post-employment benefit assets related to the defined benefit pension scheme and the post-employment benefit obligations relate to the unfunded defined benefit private healthcare scheme.

15 SHARE CAPITAL

Issued share capital is as follows:

	Half year to 30 June 2022 £m	Half year to 30 June 2021 £m	Year ended 31 December 2021 £m
Share capital at the start of the period	44.5	44.4	44.4
New shares issued	–	0.1	0.1
Share capital at the end of the period	**44.5**	**44.5**	**44.5**

16 BUSINESS COMBINATIONS

There have been no business combinations in the half year to 30 June 2022.

During 2021, the Group acquired 100% of the share capital of Lilliput (Dunmurry) Limited ('Lilliput') for a net consideration of £3.1 million (being gross consideration of £6.2 million adjusted for normalised working capital, cash and debt like items) plus associated fees. Full details of the acquisition are provided in the 2021 Annual Report and Accounts.

There was no deferred consideration paid during the period relating to acquisitions. During the half year to June 2021, £0.8 million of deferred consideration was paid in relation to the Fresh Linen acquisition in 2019.

17 BORROWINGS

At 30 June 2022, borrowings were secured and drawn down under a committed facility dated 21 February 2014, as amended and restated from time to time. The facility comprised a £135.0 million rolling credit facility (including an overdraft) which ran to August 2023. An average margin of 1.63% applied in the period to 30 June 2022.

On 8 August 2022, a new facility agreement was entered into which now comprises an £85.0 million rolling credit facility (including an overdraft) which runs to August 2025 with two, one-year, extension options with a further option, with bank consent, to increase the facility by up to an additional £50.0 million. The margin on the new facility ranges between 1.45% and 2.45% and is 1.45% for the remainder of 2022.

Individual tranches are drawn down, in sterling, for periods of up to three months at SONIA rates of interest prevailing at the time of drawdown, plus the applicable margin.

Amounts drawn under the revolving credit facility have been classified as either current or non-current depending upon when the loan is expected to be repaid.

17 BORROWINGS (continued)

As at 30 June 2022, the Group has in place the following hedging arrangement which has the effect of replacing SONIA with fixed rates as follows:

- for £15.0 million of borrowings, SONIA plus 0.1193% Credit Adjustment Spread is replaced with 0.805%.

Following the equity placing in June 2020, hedge accounting was discontinued at that date as the Group no longer had any loans for the Group's interest rate swaps to economically hedge. Hedge accounting has not been resumed.

Borrowings are stated net of unamortised issue costs of £nil (30 June 2021: £0.3 million; 31 December 2021: £0.1 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 2022	At 1 January 2022 £m	Cash Flow £m	Non-cash Changes £m	At 30 June 2022 £m
Debt due within one year	0.1	–	(0.1)	**–**
Debt due after more than one year	(18.0)	(3.0)	–	**(21.0)**
Lease liabilities	(37.8)	2.8	(0.8)	**(35.8)**
Total debt and lease financing	(55.7)	(0.2)	(0.9)	**(56.8)**
Cash and cash equivalents	(4.4)	3.5	–	**(0.9)**
Net debt	(60.1)	3.4	(1.0)	**(57.7)**

June 2021	At 1 January 2021 £m	Cash Flow £m	Non-cash Changes £m	At 30 June 2021 £m
Debt due within one year	0.2	0.1	–	**0.3**
Debt due after more than one year	0.2	(7.0)	(0.2)	**(7.0)**
Lease liabilities	(40.6)	2.9	(0.4)	**(38.1)**
Total debt and lease financing	(40.2)	(4.0)	(0.6)	**(44.8)**
Cash and cash equivalents	6.6	(8.7)	–	**(2.1)**
Net debt	(33.6)	(12.7)	(0.6)	**(46.9)**

December 2021	At 1 January 2021 £m	Cash Flow £m	Non-cash Changes £m	At 31 December 2021 £m
Debt due within one year	0.2	1.5	(1.6)	**0.1**
Debt due after more than one year	0.2	(18.0)	(0.2)	**(18.0)**
Lease liabilities	(40.6)	5.7	(2.9)	**(37.8)**
Total debt and lease financing	(40.2)	(10.8)	(4.7)	**(55.7)**
Cash and cash equivalents	6.6	(11.0)	–	**(4.4)**
Net debt	(33.6)	(21.8)	(4.7)	**(60.1)**

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

	As at 30 June 2022 £m	As at 30 June 2021 £m	As at 31 December 2021 £m
Cash (Current assets)	7.6	6.8	5.2
Overdraft (Borrowings, Current liabilities)	(8.5)	(8.9)	(9.6)
	(0.9)	**(2.1)**	**(4.4)**

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 2022 £m	As at 30 June 2021 £m	As at 31 December 2021 £m
Amounts due within one year (Lease liabilities, Current liabilities)	(5.1)	(5.2)	(5.2)
Amounts due within one year (Lease liabilities, Non-current liabilities)	(30.7)	(32.9)	(32.6)
	(35.8)	**(38.1)**	**(37.8)**

19 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Half year to 30 June 2022 £m	Half year to 30 June 2021 £m	Year ended 31 December 2021 £m
Increase/(decrease) in cash in the period	3.5	(8.7)	(11.0)
Increase in debt and lease financing	(0.2)	(4.0)	(10.8)
Change in net debt resulting from cash flows	3.3	(12.7)	(21.8)
Debt acquired through business acquisition	–	–	(2.3)
Lease liabilities recognised during the period	(0.8)	(0.4)	(2.1)
Movement in unamortised issue costs of bank loans	(0.1)	(0.2)	(0.3)
Movement in net debt during the period	2.4	(13.3)	(26.5)
Opening net debt	(60.1)	(33.6)	(33.6)
Closing net debt	**(57.7)**	**(46.9)**	**(60.1)**

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 Annual Report and Accounts for the year ended 31 December 2021. There have been no material changes in these relationships in the half year to 30 June 2022 or up to the date of this Report.

21 CONTINGENT ASSETS

Final settlement proceeds relating to the fire at the Exeter plant were agreed with the insurers in July 2022 and the proceeds received in August 2022. Proceeds received relating to capital items are £1.5 million with a further £1.0 million of proceeds relating to business interruption.

22 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.

23 PRIOR PERIOD RESTATEMENT

Accounting in Relation to the Configuration and Customisation Costs Incurred in Implementing Software-as-a-Service

In 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision on the clarification of accounting in relation to the configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS) as follows:

- Amounts paid to the cloud vendor for configuration and customisation that are not distinct from access to the cloud software are expensed over the SaaS contract term.

23 PRIOR PERIOD RESTATEMENT (continued)

- In limited circumstances, other configuration and customisation costs incurred in implementing SaaS arrangements may give rise to an identifiable intangible asset, for example, where code is created that is controlled by the entity.
- In all other instances, configuration and customisation costs will be expensed as the customisation and configuration services are received.

Following the agenda decision, the Group reviewed its costs incurred in respect of the configuration and customisation of cloud-based software applications implemented across the Group. As it was concluded that the Group's arrangements were not in the scope of IFRS 16, the costs were assessed in line with the guidance in IAS 38. The costs incurred did not create a resource controlled by the Group that is separate to the software and as such did not relate to a separately identifiable asset under IAS 38. The Group's accounting policy has therefore been revised so that such costs are expensed to the Consolidated Income Statement. As the configuration and customisation services were performed in conjunction with a third party, the costs should be expensed as and when the services are received. This clarification has been accounted for retrospectively resulting in the Interim Statements for the half year ended 30 June 2021 being restated.

The Group identified £1.5 million of capitalised costs incurred in previous years which should, in light of the agenda decision, have been expensed to the Consolidated Income Statement as incurred. Amortisation thereon of £0.3 million was charged prior to 2021 and a further £0.1 million was charged to the Consolidated Income Statement in the six-month period to 30 June 2021 resulting in a £1.1 million adjustment to Intangible assets at 30 June 2021.

The impact of the prior year restatement on the Group's opening Consolidated Balance Sheet is as follows:

	As at 30 June 2021 £m	Adjustment £m	Restated As at 30 June 2021 £m
Non-current assets			
Intangible assets	22.3	(1.1)	21.2
Current assets			
Current income tax assets	2.5	0.3	2.8
Net assets	**251.4**	**(0.8)**	**250.6**
Capital and reserves attributable to the Company's Shareholders			
Retained earnings	187.9	(0.8)	187.1
Total equity	**251.4**	**(0.8)**	**250.6**

As a result of the above costs being expensed through the Consolidated Income Statement prior to 1 January 2021, amortisation of the previously capitalised costs have been reversed in the period to 30 June 2021. This cost was £0.1 million. The impact of the prior period restatement on the Consolidated Income Statement for the period ended 30 June 2021 is as follows:

	Half year to 30 June 2021 £m	Adjustment £m	Restated Half year to 30 June 2021 £m
Operating loss before amortisation of intangible assets (excluding software amortisation) and exceptional items	(9.6)	0.1	(9.5)
Operating loss	(12.4)	0.1	(12.3)
Loss before taxation	(14.0)	0.1	(13.9)
Loss for the period attributable to equity holders	(10.9)	0.1	(10.8)

There was no impact of the prior period restatement on the Group's earnings per share for the period ended 30 June 2021.

Impairment Loss on Trade Receivables

In accordance with IAS 1, amounts charged in respect of impairment losses on trade receivables should be separately disclosed on the face of the Consolidated Income Statement. In respect of the half year to 30 June 2021, the Group recognised an expense of £0.2 million in respect of impairment losses on trade receivables. Accordingly, the comparative figures for this period have been re-presented in order to separately disclose impairment losses on trade receivables on the face of the Consolidated Income Statement with all other expenses, in determining Operating Profit, being disclosed within 'All other costs'.

The comparative figures for the year ended 31 December 2021 are presented as previously disclosed in the 2021 Annual Report and Accounts.

Notes to the Condensed Consolidated Interim Financial Statements Continued >

24 ACCOUNTING POLICIES, PRESENTATION AND METHODS OF COMPUTATION

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 2021.

(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.

25 EVENTS AFTER THE REPORTING PERIOD

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

26 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 sets out in its 2021 Annual Report and Accounts the principal risks and uncertainties that could impact its performance:

Principal Risk	Risk Rating
Economic Conditions	High
Failure of Strategy	High
Recruitment, Retention and Motivation of Employees	High
Loss of a Processing Facility	High
Cost Inflation	High
Insufficient Processing Capacity	Medium
Customer Sales and Retention	Medium
Competition and Disruption	Medium
Health and Safety	Medium
Compliance and Fraud	Medium
Information Systems and Technology	Medium
Climate Change and Energy Costs	Medium

The Directors have reviewed the above principal risks and uncertainties during the period and, other than as set out below, concluded that they remain applicable to the current financial year with no overall material change to the risk environment. Key considerations relating to the review of principal risks and uncertainties during the period are set out below:

Principal Risk	Considerations
Economic Conditions and Cost Inflation	As with all businesses, we are seeing inflationary pressures on our costs, in particular in respect of energy. Energy costs for the first half of 2022 were significantly higher than the equivalent period in 2019 and represented 9.3% of revenue in the six months to 30 June 2022 (June 2019: 6.5%). However, we have continued to proactively trade in the energy market when appropriate in order to fix an element of our energy pricing and have also continued to secure and implement price increases across our customer base. These actions, along with expected additional volume which will better utilise our labour resource and improve processing efficiency, help to mitigate the impact of cost inflation. Our existing scale and focus on operational excellence means we are well placed to address these challenges proactively without compromising our market share opportunity.
Competition and Disruption	The Group aims to mitigate the risk of competition and disruption by continuing to promote its differentiated proposition and focus on its points of strength. Our diversified customer base and non-reliance on any one particular customer does mitigate this risk to an extent. However, in view of ongoing economic factors in the UK, the Board considers this risk to be more elevated than previously.

26 PRINCIPAL RISKS AND UNCERTAINTIES (continued)

As previously reported, the Board did not establish a specific principal risk in relation to the COVID-19 pandemic, or for future potential pandemics, but instead considered, and disclosed, how each of the Group's principal risks and uncertainties were impacted by it. Whilst the risks associated with the COVID-19 pandemic have reduced significantly, the Board is cognisant that a future significant unexpected event, such as a pandemic or other national crisis, could have a material impact on the Group and, accordingly, this remains factored into the Board's assessment of risk. Detailed business continuity plans are in place and, in response to COVID-19, the Group demonstrated its ability to continue trading throughout the pandemic through the implementation of action plans to protect the liquidity of the Group, reduce the cost base and protect the health, safety and wellbeing of our employees. The Board will continue to keep the potential for a significant unexpected event under review as part of its overall assessment of risk.

The Board strongly believes that effective risk management is critical to the achievement of our strategic objectives and the long-term sustainable growth of the Group. The Board will continue to take a proactive approach to recognising and mitigating risk with the aim of protecting its employees and customers and safeguarding the interests of the Group and its stakeholders.

Further details of the Principal Risks and Uncertainties facing the Group are detailed on pages 46 to 52 of the 2021 Annual Report and Accounts.

27 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 help to reduce the Company's environmental impact and save on 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 relevant 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 Accompanying Note 4 of the Notice of Annual General Meeting.

If you have any queries regarding electronic communications, please contact the Company's Registrar, Link Group, on 0371 664 0300 (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 - 17:30 (GMT), Monday to Friday excluding public holidays in England and Wales).

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