INTERIM REPORT & ACCOUNTS 2023

JOHNSON
Service Group PLC

Contents

Financial and Operational Review

BASIS OF PREPARATION

Throughout this statement, and consistent with prior years, a number of alternative performance measures ('APMs') are used to describe the Group's performance. APMs are not recognised under UK-adopted international accounting standards. Whilst the Board uses APMs to manage and assess the performance of the Group, and believes they are representative of ongoing trading, facilitate meaningful year on year comparisons, and hence provide useful information to stakeholders, it is cognisant that they do have limitations and should not be regarded as a complete picture of the Group's financial performance. APMs, which include adjusted operating profit, adjusted profit before taxation, adjusted EBITDA, adjusted EPS, adjusted EPS excluding super-deduction and adjusted net debt are defined within note 1 (Basis of Preparation) and are reconciled to statutory reporting measures in notes 2, 5, 8 and 18.

PERFORMANCE

Organic revenue growth was strong at 20.6% compared to 2022, which was still impacted by COVID-19. Workwear remained stable and, encouragingly, some positive signs on new sales have started to materialise. Within Hotel, Restaurant and Catering ('HORECA'), volumes have continued to increase and follow more predictable patterns which allows for improving efficiency.

Cost pressures remain, particularly in relation to energy and, to a lesser extent, labour. Energy continued to be a significantly higher cost than has been experienced historically and we have proactively fixed prices for the coming months to obtain and manage some degree of certainty over cost of supply.

Adjusted operating profit margin was 8.8%, reflecting energy costs at 10.3% of revenue and labour at 45.1% of revenue. Had energy and labour, two significant drivers of cost increase, been at the same percentage of revenue as for 2019, adjusted operating profit margin would have been 14.5% (June 2019: 13.5%). As we continue to improve the recovery of these costs, through increasing volumes, efficiencies and price increases, the Board remains of the opinion that the operating margin of each individual Division can return to the historic levels achieved in 2019.

Overall, we are encouraged with the Group's performance as we plan to further expand capacity in each of our businesses.

ACQUISITION OF CELTIC LINEN

As announced on 1 September 2023, we recently completed the purchase of Celtic Linen for a consideration of €31.5 million (£27.1 million) on a debt free, cash free, basis. This leading supplier of textile rental services to the Healthcare and HORECA sectors in the Republic of Ireland represents a significant step in our strategy to expand the range and scale of services we offer and complements our existing Lilliput business in Northern Ireland.

FINANCIAL REVIEW

Financial Results

Revenue in the period increased by 22.0% to £215.0 million (June 2022: £176.2 million). Adjusted EBITDA was £57.7 million (June 2022: £42.8 million) giving an improved margin of 26.8% (June 2022: 24.3%). Adjusted operating profit increased by 48.4% to £19.0 million (June 2022: £12.8 million).

The exceptional charge of £0.3 million (June 2022: £0.5 million) relates to costs in relation to business acquisition activity.

Total finance costs were £2.6 million (June 2022: £1.6 million) reflecting higher interest rates and borrowing over the period.

Adjusted profit before taxation increased by 46.4% to £16.4 million (June 2022: £11.2 million). Statutory profit before taxation, after amortisation of intangible assets (excluding software amortisation) of £2.6 million (June 2022: £4.2 million), goodwill impairment of £nil (June 2022: £1.4 million) and an exceptional charge of £0.3 million (June 2022: £0.5 million) was £13.5 million (June 2022: £5.1 million).

The tax rate on the adjusted profit before taxation, excluding exceptional items, amortisation of intangible assets (excluding software amortisation) and goodwill impairment, was 25.1% (June 2022: 9.7%). The rate is above the headline corporation tax rate for the full year of 23.5%, due to the effect of expenses not deductible for taxation and short-term timing differences, and ahead of the rate in 2022, which was significantly impacted by the capital allowance super-deduction. The super-deduction allowance, which ended in March 2023, has little impact on the 2023 tax rate.

Adjusted diluted earnings per share was 2.9 pence (June 2022: 2.3 pence). Excluding the impact of the capital allowances super-deduction, the adjusted diluted earnings per share in the period to 30 June 2022 was 1.7 pence.

Dividend

An interim dividend of 0.9 pence per share (June 2022: 0.8 pence per share) will be paid on 3 November 2023 to those Shareholders on the register of members on 6 October 2023. The ex-dividend date is 5 October 2023. The increased dividend is in line with our progressive dividend policy and it remains the Board's current intention to reduce dividend cover from our historical level of cover of 3 times in 2022 to 2.5 times by financial year 2024.

Cash Flow and Net Debt

Free cash flow (calculated as net cash generated from operating activities, less net spend on textile rental items, less the capital element of leases) in the first half of the year was £17.9 million compared to £8.5 million in the first half of 2022. This is largely reflective of the continuing improvement in trading performance.

Total net debt (excluding IFRS 16 liabilities) at 30 June 2023 was £40.5 million (December 2022: £13.7 million). The increase is largely attributed to the share buyback and significant capital investment in the business together with the cost of the acquisition of Regency in February 2023. After including the impact of IFRS 16, net debt at June 2023 was £83.7 million (December 2022: £48.0 million).

Bank Facility

In May 2023, the Group extended the tenure of its existing £85.0 million revolving credit facility by 12 months such that it now expires in August 2026. The Group has also received approval from its banks to increase the facility to £120.0 million and it is our intention to do this in the coming months. The enlarged facility will ensure that we have access to capital to fund our existing investment plans and other opportunities that may arise.

In addition to the above, the terms of the facility provide for an option to extend the tenure for a further year and an option to increase the facility by up to a further £15.0 million, both subject to bank consent.

The current margin on the facility is 1.45% over SONIA or the relevant EURIBOR rate, as applicable. 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 2023, the leverage ratio was 0.7 times. On a pro-forma basis, to include the approximate impact of Celtic Linen had it been acquired on that date, the leverage ratio would have been 0.9 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

Financial and Operational Review

Continued >

opportunities to deploy capital organically and have a good M&A pipeline. Over the last 12 months we have completed an initial share buyback programme returning £25.3 million to Shareholders, announced the commitment to the opening of a new plant in Crawley and commenced significant capital investment in several of our plants. The acquisition of Regency in February 2023 and Celtic Linen in August 2023 has further utilised available capital. Even after taking into consideration these investments and the payment of dividends, the Group has significant headroom under its committed facilities and target leverage of 1-1.5 times.

As a result, the Board announces that, later this month, it intends to launch a second share buyback programme of the Company's ordinary shares for up to a maximum aggregate consideration of £10.0 million, excluding expenses, during the period up until and including 1 March 2024. A further announcement will be made in due course.

Defined Benefit Pension Scheme ('the Scheme')

The recorded net deficit after tax for the Scheme, calculated in accordance with IAS 19, was £5.3 million at June 2023 compared to a net deficit of £7.1 million at December 2022. The improvement in the position is due, in part, to a higher discount rate assumed on liabilities and higher 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 triennial valuation of the defined benefit pension scheme as at 30 September 2022 is in progress with an initial indication that the Scheme was showing a small surplus on the Technical Provisions basis. We remain in discussion with the Trustee regarding the future deficit contributions to the Scheme and the potential for working towards a buy out of the Scheme in the medium term.

Operational 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') 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, Johnsons Hotel Linen, our high volume linen business primarily serves the corporate four star and budget hotel market and Regency serves the luxury/bespoke segment of the HORECA sector. Also within HORECA, our Northern Ireland business, Lilliput, predominantly services hotels and restaurants as well as a number of healthcare customers. Since the period end we have acquired Celtic Linen which serves both the Healthcare and HORECA sectors in the Republic of Ireland.

Energy

Energy costs (comprising gas, electricity and diesel) have remained volatile over the period and, although energy unit prices have gradually fallen, still remain at higher levels than historically. Costs for the first half of 2023 represented 10.3% of revenue and were significantly higher than the equivalent period in both 2022 and 2019 (June 2022: 9.3%; June 2019: 6.5%).

Our policy in the UK has always been to fix gas and electricity prices on a rolling basis, building a position so that the upcoming months are largely fixed. This provides certainty but also means that costs do not immediately reflect falls, or increases, in spot prices. We currently have, on average, some 92% of our anticipated electricity usage and some 86% of our anticipated gas usage fixed for the remainder of 2023. Looking ahead, approximately 80% of our anticipated electricity requirement is fixed for the first half of next year with around 48% for the remainder of 2024. Similarly, we have fixed pricing in place for some 63% of our anticipated gas requirement in the first half of 2024 and some 38% for the remainder of 2024. In addition, we have hedged 95% of our anticipated diesel requirement for the second half of 2023. We have also started to build positions in gas and electricity into 2025 and 2026 and will continue to follow our current policy as we go forward.

Notwithstanding the fixed pricing arrangements we have already put in place, we continue to expect that energy costs for the full year, as a percentage of revenue, will remain at a similar level to the first half as fixed pricing benefits enjoyed in 2022 roll off and average pricing remains elevated.

Labour

In the six months to 30 June 2023, labour as a percentage of revenue reduced to 45.1%, compared to 47.5% in the six months to 30 June 2022, although this was still higher than the 43.2% in the six months to 30 June 2019. We are, however, encouraged by the improving efficiency as volumes continue to return and, accordingly, expect labour, as a percentage of revenue, to reduce even further by the end of the year.

Workwear Division

Total revenue for the Workwear division was £71.1 million (June 2022: £66.0 million), an increase of 7.7%. Organic growth was 7.5%. Adjusted EBITDA was £24.4 million (June 2022: £22.2 million) giving a margin of 34.3% (June 2022: 33.6%). Adjusted operating profit was £11.1 million (June 2022: £10.0 million).

Our pricing structure, which supports our high levels of customer service, has been maintained during contract renewal negotiations with customers. On occasion, this has naturally led to some shrinkage in our customer base. In addition, the economic climate continues to provide challenges with some customers reducing their spend alongside an increase in terminations in the first half of the year, in particular with a number of smaller customers ceasing to use a rental service at all.

Overall, retention was 92.3% (December 2022: 94.3%). Positively, our sales team and support centre has seen an increase in activity in recent weeks, with more encouraging news on new sales, whilst our dedicated service teams remain focused on renewing customer contracts and adding additional services. Our National Accounts team is also successfully installing additional sites from both new and existing group customers. In the period to June 2023, 26% of new sales have been generated from new to rental customers.

Our commitment to providing exceptional customer service remains steadfast and we continue to achieve strong independent customer satisfaction results at 82.4% for new business and 82.9% for existing customers. These scores confirm our position as the market sector leader in providing a first-class service. To further improve our service we have invested in customer service training programmes to equip our colleagues with additional skills and knowledge to enable them to deliver an even greater customer service and to continue to promote a customer centric culture towards customer satisfaction.

By identifying emerging trends and collaborating with key customers, we have developed and launched a range of innovative garments for specific sectors that combine functionality with sustainability. Further garment ranges are under development and will be launched in the coming months. A key factor in developing the range was the ability to recycle and repurpose the garments, which aligns with our vision of creating a greener future.

Our continuous improvement programmes regularly evaluate our operational efficiencies, processes, systems and supply chain to streamline our operational costs. Our investment programme of replacing existing equipment with more advanced technological and energy efficient capabilities, has seen the installation of new washer extractors, tunnel finishers and garment folders across several sites. The installation of the automated sortation systems in Perth and Hull is progressing in line with expectations. A major refurbishment of our Manchester site is planned for early 2024 with a capital investment of £4.0 million. This will significantly improve operational efficiency and processing capacity. We are also continuing to update our commercial fleet, with over 40 new vehicles expected in 2023.

The responses to the employee engagement survey at the start of the year have provided us with an invaluable insight into the areas where we are excelling and support the introduction of further initiatives around reward and recognition programs, which are scheduled to be launched into the business over the coming months.

The recruitment and retention of employees remains challenging in some areas, particularly in administrative and supporting roles. The importance of personal growth and development for all colleagues is vital and in recognition of these, new training programmes have been successfully implemented to enhance core skills and to provide a supportive environment with pathways for career advancement and succession planning.

HORECA Division

Total revenue for the HORECA division increased significantly to £143.9 million from £110.2 million in 2022, which was still impacted by COVID-19. Organic growth was 28.4% reflecting both improved price per piece and increasing volume. Adjusted EBITDA was £36.3 million (June 2022: £23.3 million) giving an improved margin of 25.2% (June 2022: 21.1%). Adjusted operating profit was £10.9 million (June 2022: £5.5 million).

Volumes have been stronger and more predictable in the first six months of the year due to no impact from COVID-19, the large number of new customer contracts and organic growth within existing customers.

Our primary focus is to continue to deliver on time and in full to our customer base, with employee recruitment and retention being a key component in achieving this. Engagement initiatives have resulted in a

Operational Review

Continued >

more stable workforce with flexible working patterns and the introduction of additional employee learning and development opportunities aiding recruitment.

The successful working partnership with His Majesty's Prison Service continues at some of our Hotel Linen sites, providing employment for prisoners qualifying for Release on Temporary Licence. We are proud to have received Platinum Partner status for our support of this very important initiative.

Hotel, Restaurant and Catering, which includes Stalbridge and London Linen, has continued to invest in several of its locations to create extra space and capacity to support the returning volumes and continuing growth of the business. In Shaftesbury and Grantham we have extended the floorspace and the installation of additional ironers in Grantham and Glasgow will enable us to accommodate greater throughput. The same technology that is successfully recycling 75% of water at our Shaftesbury site is currently being installed at our site in Cornwall and we expect this new equipment to be fully operational in the final quarter of this year. We are also evaluating opportunities to install the technology across other sites.

Our new location in Crawley, Sussex, which is due to be operational in the second half 2024, will allow for accelerated growth and greater access to the London and South-East markets. Included in the development will be the latest state-of-the-art energy efficient machinery and water recycling processes which will help in our carbon reduction journey. Of the estimated £16.0 million total capital investment, we anticipate some £8.0 million will be incurred this year, with £0.2 million having been spent in the first half of the year. Operating costs of £0.3 million were incurred in the first half with a further £0.6 million expected in the second half.

Our very active sales team are delivering great results and presently the sales pipeline is very strong in most geographical locations. We have continued to achieve commercially improved terms with independent and group customers and are signing renewal agreements with many of the latter.

Regency, which serves the luxury/bespoke segment of the HORECA sector, joined the Group in February 2023 and continues to operate under the same brand. The business is now enjoying the advantages of being part of the Johnsons family. Since acquisition, there have been some key wins with almost 350 new rooms added, an increase of some 8%. Over £1.4 million of capital investment has been approved to strengthen the resilience of the two operational units, to further improve efficiencies and quality and to increase capacity of the site by over 30%. We expect this investment to be completed by mid-2024.

Within Hotel Linen, a net 6,000 rooms were installed in the first half of the year such that, at 30 June 2023, it serviced over 206,000 rooms.

In terms of capital investment, we await the delivery of innovative robotic machinery in the third quarter for two of our sites, have replaced a number of pieces of equipment across the estate and continue to upgrade employee welfare facilities such as café style canteens and outside seating areas. The new dynamic production data capture trial at Bourne has been successful and will be rolled out across all other sites in due course, with Cardiff being the next site for installation.

Lead times for delivery of new vehicles have improved, with around 60 vehicles expected to be delivered by the end of 2023. A new HGV tractor unit and double decker trailer will join the fleet this year and another trailer is planned for next year to improve transport reliability and efficiency.

The roll out of our on-line customer portal has continued with excellent feedback from our customer base and achieving our objective of "being easy to do business with". The Linen Room has been developed further to provide more online information to our customers, with customised platforms for large hotel groups, and will be rolled out during the second half of the year.

The National Accounts team continue to develop strong relationships with our hotel groups and, again, most have been accepting of cost pressures facing the industry during price increase discussions. Successfully building strong relationships and strategic partnerships has been reflected in significant growth with both existing and new customers.

The availability of timely data is key to developing a quality service. The support from our IT department has continued with sourcing of innovative software to support our business functions including business process mapping, production data capture, Linen Room development, use of Power BI and Customer Visit App reporting. The teamwork shown by all departments in contributing towards a collaborative and proactive culture is the key to future growth.

EMPLOYEES

Our employees are the foundation of our business. The Board would like to thank them for their support, hard work and significant contribution to the success of the business over the last six months. The teamwork, dedication and determination demonstrated in order to deliver a professional and on time service to our customers is a credit to each and every one of them. The Board also welcomes the employees of Regency Laundry and Celtic Linen into the Johnsons family.

SUSTAINABILITY

We continue to make excellent progress with embedding our sustainability programme across the Group and are working to create a long-term road map for delivery of performance improvement in line with our stated 2030 targets.

Key highlights of the programme so far this year include:

- We continue to explore opportunities to reduce the carbon emissions generated through our vehicle fleet. Electric vehicles are being deployed where practicable and we are also successfully using HVO (Hydrotreated Vegetable Oil), which is a fossil-free alternative to diesel resulting in up to a 90% reduction in Greenhouse Gas emissions, in a number of our vehicles.
- We have begun a phased transition to a single waste management provider across mainland UK to enable us to more effectively manage the materials generated through our operations. We envisage that this relationship will support us in achieving our landfill reduction targets.
- Various volunteering initiatives, support of local charities and working within our local communities have been undertaken by our employees with beach litter picking, donations to children's charities, collections for food banks and support for the homeless to name but a few.
- We continue to formally develop our approach and strategy in respect of a 'circular economy', by sourcing core products with an increased sustainable content and identifying how we can further integrate a closed loop approach to the end-of-life management of our textiles. We are currently undertaking a number of feasibility studies and projects, some of which are providing very promising results, with the intention that our end-of-life textiles go back into the product cycle, either by being reused, repurposed or recycled.
- We have begun active engagement with our value chain around sustainability related topics, beginning with communicating our new Guiding Principles to key customers and suppliers.

- We have seen an improvement in our external Sustainability ratings including our submissions to the CDP Climate Change and Water Security questionnaires both being awarded a "C" rating and our Sustainalytics rating moving to "Low Risk" and a score of 18.
- We have made further progress on calculations for our Scope 3 Emissions and anticipate reporting these more fully in our 2023 Annual Report.

BOARD CHANGES

As announced on 14 July 2023, Kirsty Homer joined the Board on 1 August 2023 as an additional Non-Executive Director.

OUTLOOK

The Board is pleased with the progress made by the Group in the first half of the year and with the results reported today.

During the first six months, we have added the Regency business to our portfolio to better serve the luxury/bespoke segment of the HORECA sector and have committed to a £16.0 million investment in a new site in Crawley, Sussex, which will allow for accelerated growth and greater access to the London and South-East markets for our HORECA business.

Our recent investment in a leading linen business in the Republic of Ireland, which itself is a growing market, represents a significant step in our strategy to expand the range and scale of services we offer. The acquisition is expected to be immediately earnings enhancing and, in addition to collaboratively sharing best practice across the enlarged organisation, allows us to explore operational synergies with our Northern Ireland based business, Lilliput.

We continue to believe that investing in our estate will give us an advantage in the market in delivering unrivalled service to our customers in the most efficient way.

Whilst the challenges of cost pressures continue to persist, they are being proactively managed. The Board remains of the opinion that the operating margin of each individual Division can return to the historic levels achieved in 2019 however, the timing of achieving this is dependent on where a number of inflationary pressures, most notably energy and labour, settle over the medium term.

The Board was pleased to indicate an outlook for the year ahead of market expectations when the Group released its pre-close trading update in mid-July. Recognising the volumes processed over the busy summer months, improving efficiencies and a somewhat more predictable outlook on the cost base, together with our assumption that the trading environment remains unchanged, we expect the full year outturn to be slightly ahead of the guidance provided in our July trading update. This improved outlook is in addition to the positive contribution expected from Celtic Linen.

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 2022 and, other than for the appointment of Kirsty Homer on 1 August 2023, 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
5 September 2023	5 September 2023

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 2023 £m	Half year to 30 June 2022 £m	Year ended 31 December 2022 £m
Revenue	2	**215.0**	**176.2**	**385.7**
Impairment loss on trade receivables		(0.5)	(0.2)	(0.9)
All other costs		(198.4)	(169.3)	(351.5)
Operating profit	2	**16.1**	**6.7**	**33.3**
Operating profit before amortisation of intangible assets (excluding software amortisation), goodwill impairment and exceptional items		**19.0**	**12.8**	**41.2**
Amortisation of intangible assets (excluding software amortisation)		(2.6)	(4.2)	(7.2)
Goodwill impairment	9	–	(1.4)	(1.4)
Exceptional items	3	(0.3)	(0.5)	0.7
Operating profit	2	**16.1**	**6.7**	**33.3**
Finance cost	4	(2.6)	(1.6)	(3.0)
Profit before taxation		**13.5**	**5.1**	**30.3**
Taxation charge	7	(3.5)	(0.4)	(1.5)
Profit for the period from continuing operations		**10.0**	**4.7**	**28.8**
Profit for the period from discontinued operations		**–**	**0.1**	**0.2**
Profit for the period attributable to equity holders		**10.0**	**4.8**	**29.0**
Earnings per share	8			
Basic earnings per share		**2.3p**	**1.1p**	**6.5p**
Diluted earnings per share		**2.3p**	**1.1p**	**6.5p**

See note 8 for Adjusted basic earnings per share and Adjusted diluted earnings per share.

Consolidated Statement of Comprehensive Income

	Note	Half year to 30 June 2023 £m	Half year to 30 June 2022 £m	Year ended 31 December 2022 £m
Profit for the period		**10.0**	**4.8**	**29.0**
Items that will not be subsequently reclassified to profit or loss				
Re-measurement and experience gains/(losses) on post-employment benefit obligations	14	1.6	8.1	(10.0)
Taxation in respect of re-measurement and experience (gains)/losses		(0.4)	(2.0)	2.5
Deferred taxation rate change in respect of re-measurement and experience losses/(gains)		–	–	0.1
Items that may be subsequently reclassified to profit or loss				
Cash flow hedges (net of taxation)				
– fair value (losses)/gains		(0.8)	1.7	1.4
– transfers to administrative expenses		0.3	(1.0)	(2.2)
Other comprehensive income/(loss) for the period		**0.7**	**6.8**	**(8.2)**
Total comprehensive income for the period		**10.7**	**11.6**	**20.8**

The notes on pages 11 to 27 form an integral part of these condensed consolidated interim financial statements.

Consolidated Statement of Changes in Shareholders' Equity

	Share Capital £m	Share Premium £m	Merger Reserve £m	Capital Redemption Reserve £m	Hedge Reserve £m	Retained Earnings £m	Total Equity £m
Balance at 1 January 2022	**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**
Profit for the period	–	–	–	–	–	24.2	24.2
Other comprehensive loss	–	–	–	–	(1.5)	(13.5)	(15.0)
Total comprehensive (loss)/income for the period	**–**	**–**	**–**	**–**	**(1.5)**	**10.7**	**9.2**
Share options (value of employee services)	–	–	–	–	–	0.4	0.4
Share buybacks	(0.6)	–	–	0.6	–	(5.7)	(5.7)
Deferred tax on share options	–	–	–	–	–	(0.2)	(0.2)
Dividend paid	–	–	–	–	–	(3.5)	(3.5)
Transactions with Shareholders recognised directly in Shareholders' equity	**(0.6)**	**–**	**–**	**0.6**	**–**	**(9.0)**	**(9.0)**
Balance at 31 December 2022	**43.9**	**16.8**	**1.6**	**1.2**	**(0.5)**	**221.6**	**284.6**
Profit for the period	–	–	–	–	–	10.0	10.0
Other comprehensive (loss)/income	–	–	–	–	(0.5)	1.2	0.7
Total comprehensive (loss)/income for the period	**–**	**–**	**–**	**–**	**(0.5)**	**11.2**	**10.7**
Share options (value of employee services)	–	–	–	–	–	0.3	0.3
Share buybacks	(1.7)	–	–	1.7	–	(19.7)	(19.7)
Dividend paid	–	–	–	–	–	(6.8)	(6.8)
Transactions with Shareholders recognised directly in Shareholders' equity	**(1.7)**	**–**	**–**	**1.7**	**–**	**(26.2)**	**(26.2)**
Balance at 30 June 2023	**42.2**	**16.8**	**1.6**	**2.9**	**(1.0)**	**206.6**	**269.1**

The Group has an Employee Benefit Trust (EBT) to administer share plans and to acquire shares, using funds contributed by the Group, to meet commitments to employee share schemes. As at 30 June 2023, the EBT held 9,024 shares (June 2022: 9,024 shares; December 2022: 9,024 shares).

Consolidated Balance Sheet

	Note	As at 30 June 2023 £m	Restated* As at 30 June 2022 £m	As at 31 December 2022 £m
Non-current assets				
Goodwill	9	137.0	133.8	133.8
Intangible assets	10	9.5	13.8	10.9
Property, plant and equipment	11	122.4	113.3	119.6
Right-of-use assets	12	40.5	33.2	31.7
Textile rental items	13	67.3	55.3	63.8
Trade and other receivables		0.3	0.3	0.3
Post-employment benefit assets		–	8.0	–
		377.0	**357.7**	**360.1**
Current assets				
Inventories		2.2	2.6	1.8
Trade and other receivables		74.2	60.5	61.0
Reimbursement assets		4.5	4.4	4.5
Derivative financial assets		–	1.4	–
Current income tax assets		1.4	–	–
Cash and cash equivalents		6.0	7.6	6.1
		88.3	**76.5**	**73.4**
Current liabilities				
Trade and other payables		85.0	70.8	75.7
Borrowings		6.7	8.5	5.1
Current income tax liabilities		–	–	0.2
Lease liabilities		5.1	5.1	5.1
Derivative financial liabilities		1.4	–	0.4
Provisions		5.1	5.1	5.1
		103.3	**89.5**	**91.6**
Non-current liabilities				
Post-employment benefit obligations	14	7.8	1.0	10.2
Deferred income tax liabilities		5.9	5.9	1.8
Trade and other payables		0.6	0.9	0.3
Borrowings		39.8	21.0	14.7
Lease liabilities		38.1	30.7	29.2
Derivative financial liabilities		–	–	0.3
Provisions		0.7	0.8	0.8
		92.9	**60.3**	**57.3**
Net assets		**269.1**	**284.4**	**284.6**
Capital and reserves attributable to the Company's Shareholders				
Share capital	15	42.2	44.5	43.9
Share premium		16.8	16.8	16.8
Merger reserve		1.6	1.6	1.6
Capital redemption reserve		2.9	0.6	1.2
Hedge reserve		(1.0)	1.0	(0.5)
Retained earnings		206.6	219.9	221.6
Total equity		**269.1**	**284.4**	**284.6**

* Restated to reflect the inclusion of a £4.4 million provision in respect of third-party claims made against the Group, offset by an equal and opposite corresponding reimbursement asset. Further details are set out within note 1.

The notes on pages 11 to 27 form an integral part of these condensed consolidated interim financial statements. The condensed consolidated interim financial statements on pages 6 to 27 were approved by the Board of Directors on 5 September 2023 and signed on its behalf by:

Yvonne Monaghan
Chief Financial Officer

Consolidated Statement of Cash Flows

	Note	Half year to 30 June 2023 £m	Half year to 30 June 2022 £m	Year ended 31 December 2022 £m
Cash flows from operating activities				
Profit for the period		10.0	4.8	29.0
Adjustments for:				
Taxation charge – continuing	7	3.5	0.4	1.5
Finance cost		2.6	1.6	3.0
Depreciation		38.5	29.9	63.5
Amortisation		2.8	4.3	7.4
Goodwill impairment loss		–	1.4	1.4
Profit on disposal of property, plant and equipment		(0.1)	–	(0.2)
(Increase)/decrease in inventories		(0.4)	(0.4)	0.4
Increase in trade and other receivables		(12.9)	(12.4)	(12.9)
Increase in trade and other payables		10.7	3.7	4.3
Deficit recovery payments in respect of post-employment benefit obligations		(0.9)	(0.9)	(1.9)
Share-based payments		0.3	0.4	0.8
Commodity swaps not qualifying as hedges		–	–	(0.1)
Income re insurance claims		–	–	(1.5)
Decrease in provisions		(0.1)	–	(0.1)
Business acquisition costs charged to the income statement		0.3	–	–
Cash generated from operations		54.3	32.8	94.6
Interest paid		(2.3)	(1.7)	(3.6)
Taxation (paid)/received		(1.6)	3.5	3.5
Net cash generated from operating activities		**50.4**	**34.6**	**94.5**
Cash flows from investing activities				
Acquisition of business (including acquired overdrafts)		(5.3)	–	–
Purchase of other intangible assets	10	–	(1.3)	(1.3)
Purchase of property, plant and equipment		(12.9)	(6.6)	(22.1)
Income re insurance claims		–	–	1.5
Purchase of software		–	(0.1)	(0.3)
Proceeds from sale of property, plant and equipment		0.2	–	0.4
Purchase of textile rental items		(31.1)	(24.8)	(52.5)
Proceeds received in respect of special charges		1.5	1.5	2.7
Net cash used in investing activities		**(47.6)**	**(31.3)**	**(71.6)**
Cash flows from financing activities				
Proceeds from borrowings		52.0	23.0	48.0
Repayments of borrowings		(27.2)	(20.0)	(51.0)
Capital element of leases		(2.9)	(2.8)	(5.6)
Share buyback		(19.8)	–	(5.6)
Dividends paid to company shareholders		(6.8)	–	(3.5)
Net cash (used in)/generated from financing activities		**(4.7)**	**0.2**	**(17.7)**
Net (decrease)/increase in cash and cash equivalents		**(1.9)**	**3.5**	**5.2**
Cash and cash equivalents at beginning of the period		0.8	(4.4)	(4.4)
Cash and cash equivalents at end of the period	18	**(1.1)**	**(0.9)**	**0.8**
Cash and cash equivalents comprise:				
Cash		6.0	7.6	6.1
Overdraft		(7.1)	(8.5)	(5.3)
Cash and cash equivalents at end of the period		**(1.1)**	**(0.9)**	**0.8**

The notes on pages 11 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 5 September 2023.

1 BASIS OF PREPARATION

Overview

These condensed consolidated interim financial statements of the Group are for the half year ended 30 June 2023. 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 2022 Annual Report and Accounts, which was prepared in accordance with UK-adopted international accounting standards.

Financial information for the year ended 31 December 2022 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 below, financial information for the half year ended 30 June 2022 included herein is derived from the condensed consolidated interim financial statements for that period.

Accounting Policies, Presentation and 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 2022.

(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.

Prior Year Adjustment

The Balance Sheet as at 30 June 2022 has been restated to reflect the inclusion of a £4.4 million provision in respect of third-party claims made against the Group, but which are indemnified under the terms of its insurance policies. A corresponding reimbursement asset of £4.4 million has also been recognised as at the same date. As the Group expects, on average, insurance claims to be settled within one year, which is driven by a review of the historic claims data, recognition of these balances is made within current assets and current liabilities.

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 Financial and Operating 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 2024 (the assessment period). The Directors consider 18 months to be a reasonable period for the going concern assessment as it enables them to consider the potential impact of macroeconomic and geopolitical factors 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.

Notes to the Condensed Consolidated Interim Financial Statements Continued >

1 BASIS OF PREPARATION (continued)

The Group has also performed a reverse stress test against the base monthly cash flow projections referred to above in order 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 70% of 2022 levels. The Directors do not consider this scenario to be likely.

As a further stress test, the Group considered the impact of increasing interest rates. The Directors do not consider the magnitude of the increase in interest rates that would be required in order for a covenant to be breached to be plausible.

Each of the stress tests assume 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

The Group has access to a committed Revolving Credit Facility of £85.0 million (the 'Facility') which matures in August 2026. The terms of the Facility provide an option to extend the term for a further year 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 tests 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 2024. Accordingly, 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.

Alternative Performance Measures (APMs)

Overview of APMs

Throughout this Interim Statement, and consistent with prior years, we refer to a number of APMs. APMs are used by the Group to provide further clarity and transparency of the Group's financial performance. The APMs are used internally by management to monitor business performance, budgeting and forecasting, and for determining Directors' remuneration and that of other management throughout the business. The APMs, which are not recognised under UK-adopted international accounting standards, are:

- 'adjusted operating profit', which refers to continuing operating profit/(loss) before amortisation of intangible assets (excluding software amortisation), goodwill impairment and exceptional items;
- 'adjusted profit before taxation', which refers to adjusted operating profit less finance cost;
- 'adjusted EBITDA', which refers to adjusted operating profit plus the depreciation charge for property, plant and equipment, textile rental items and right of use assets plus software amortisation;
- 'adjusted EPS', which refers to EPS calculated based on adjusted profit after taxation;
- 'adjusted EPS excluding super-deduction', an additional measure introduced for 2021 and 2022 only which amends the 'adjusted EPS' to exclude the short-term benefit of the capital allowance super-deduction; and
- 'adjusted net debt', which refers to net debt excluding IFRS 16 lease liabilities.

The Board considers that the above APMs, all of which exclude the effects of non-recurring items or non-operating events, provide useful information for stakeholders on the underlying trends and performance of the Group and facilitate meaningful year on year comparisons.

Limitations of APMs

The Board is cognisant that APMs do have limitations and should not be regarded as a complete picture of the Group's financial performance. Limitations of APMs may include, inter alia:

- similarly named measures may not be comparable across companies;
- profit-related APMs may exclude significant, sometimes recurring, business transactions (e.g. restructuring charges and acquisition–related costs) that impact financial performance and cash flows; and
- adjusted operating profit, adjusted profit before taxation, adjusted EBITDA, adjusted EPS and adjusted EPS excluding super-deduction all exclude the amortisation of intangibles acquired in business combinations, but do not similarly exclude the related revenue.

Reconciliation of APMs to Statutory Performance Measures

Reconciliations between the above APMs and statutory performance measures are reconciled within this Interim Statement as follows:

- Adjusted operating profit – note 2
- Adjusted profit before taxation – note 5
- Adjusted EBITDA – note 5
- Adjusted EPS – note 8
- Adjusted net debt – note 18

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, Hotel Linen, Lilliput and Regency businesses, each of which are a separate operating segment.

The CODM's rationale for aggregating the Stalbridge, Hotel Linen, Lilliput and Regency 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 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, current income tax assets and cash and cash equivalents, all of which are managed on a central basis. Segment liabilities include non-bank borrowings but exclude bank borrowings, post-employment benefit obligations, derivative financial liabilities, current income tax liabilities 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 2023, together with comparative figures, are as follows:

Half year to 30 June 2023	Workwear £m	HORECA £m	All Other Segments £m	Total £m
Revenue				
Rendering of services	69.2	143.9	–	213.1
Sale of goods	1.9	–	–	1.9
Total revenue	**71.1**	**143.9**	**–**	**215.0**
Operating profit/(loss) before amortisation of intangible assets (excluding software amortisation) and exceptional items	**11.1**	**10.9**	**(3.0)**	**19.0**
Amortisation of intangible assets (excluding software amortisation)	(0.2)	(2.4)	–	(2.6)
Exceptional items	–	(0.3)	–	(0.3)
Operating profit/(loss)	**10.9**	**8.2**	**(3.0)**	**16.1**
Finance cost				(2.6)
Profit before taxation				**13.5**
Taxation charge				(3.5)
Profit for the period attributable to equity holders				**10.0**

		Workwear £m	HORECA £m	All Other Segments £m	Total £m
Balance sheet information					
Segment assets		129.2	327.2	1.5	457.9
Unallocated assets:	Current income tax assets				1.4
	Cash and cash equivalents				6.0
Total assets					**465.3**
Segment liabilities		(40.0)	(90.0)	(4.6)	(134.6)
Unallocated liabilities:	Bank borrowings				(46.5)
	Derivative financial liabilities				(1.4)
	Post-employment benefit obligations				(7.8)
	Deferred income tax liabilities				(5.9)
Total liabilities					**(196.2)**

	Workwear £m	HORECA £m	All Other Segments £m	Total £m
Other information				
Non-current asset additions				
– Property, plant and equipment	2.1	10.0	–	12.1
– Right of use assets	1.7	8.6	0.1	10.4
– Textile rental items	12.1	17.6	–	29.7
Depreciation and amortisation expense				
– Property, plant and equipment	2.9	7.3	–	10.2
– Right of use assets	1.2	1.9	–	3.1
– Textile rental items	9.1	16.1	–	25.2
– Capitalised software	0.1	0.1	–	0.2
– Customer contracts and brands	0.2	2.4	–	2.6

2 SEGMENT ANALYSIS (continued)

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
Total revenue	**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 cost				(1.6)
Profit before taxation				**5.1**
Taxation charge				(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	Restated Total £m
Balance sheet information					
Segment assets		142.9	272.9	1.4	417.2
Unallocated assets:	Post-employment benefit assets				8.0
	Derivative financial assets				1.4
	Cash and cash equivalents				7.6
Total assets					**434.2**
Segment liabilities		(38.4)	(71.9)	(3.1)	(113.4)
Unallocated liabilities:	Bank borrowings				(29.5)
	Post-employment benefit obligations				(1.0)
	Deferred income tax liabilities				(5.9)
Total liabilities					**(149.8)**

	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
– Capitalised 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
– Capitalised software	0.1	–	–	0.1
– Customer contracts	0.2	4.0	–	4.2

Notes to the Condensed Consolidated Interim Financial Statements Continued >

2 SEGMENT ANALYSIS (continued)

Year ended 31 December 2022	Workwear £m	HORECA £m	All Other Segments £m	Total £m
Revenue				
Rendering of services	131.0	251.0	–	382.0
Sale of goods	3.6	0.1	–	3.7
Total revenue	**134.6**	**251.1**	**–**	**385.7**
Operating profit/(loss) before amortisation of intangible assets (excluding software amortisation), goodwill impairment and exceptional items	**21.9**	**24.1**	**(4.8)**	**41.2**
Amortisation of intangible assets (excluding software amortisation)	(0.4)	(6.8)	–	(7.2)
Goodwill impairment	–	(1.4)	–	(1.4)
Exceptional items	0.9	–	(0.2)	0.7
Operating profit/(loss)	**22.4**	**15.9**	**(5.0)**	**33.3**
Finance cost				(3.0)
Profit before taxation				**30.3**
Taxation charge				(1.5)
Profit for the period from continuing operations				**28.8**
Profit for the period from discontinued operations				**0.2**
Profit for the period attributable to equity holders				**29.0**

		Workwear £m	HORECA £m	All Other Segments £m	Total £m
Balance sheet information					
Segment assets		144.7	281.8	0.9	427.4
Unallocated assets:	Cash and cash equivalents				6.1
Total assets					**433.5**
Segment liabilities		(37.4)	(76.3)	(2.5)	(116.2)
Unallocated liabilities:	Bank borrowings				(19.8)
	Derivative financial liabilities				(0.7)
	Post-employment benefit obligations				(10.2)
	Current income tax liabilities				(0.2)
	Deferred income tax liabilities				(1.8)
Total liabilities					**(148.9)**

	Workwear £m	HORECA £m	All Other Segments £m	Total £m
Other information				
Non-current asset additions				
– Property, plant and equipment	6.3	18.5	–	24.8
– Right of use assets	0.8	1.2	–	2.0
– Textile rental items	21.5	35.9	–	57.4
– Capitalised software	0.2	0.1	–	0.3
– Customer contracts	1.3	–	–	1.3
Depreciation, impairment and amortisation expense				
– Property, plant and equipment	5.8	12.5	–	18.3
– Right of use assets depreciation	2.0	3.8	0.1	5.9
– Textile rental items depreciation	16.7	22.6	–	39.3
– Capitalised software	0.2	–	–	0.2
– Customer contracts	0.4	6.8	–	7.2
– Goodwill impairment	–	1.4	–	1.4

3 EXCEPTIONAL ITEMS

	Half year to 30 June 2023 £m	Half year to 30 June 2022 £m	Year ended 31 December 2022 £m
Costs in relation to business acquisition activity	(0.3)	–	–
Insurance claims	–	–	1.5
Other costs re insurance claims	–	(0.5)	(0.8)
Total exceptional items	**(0.3)**	**(0.5)**	**0.7**

Current year exceptional items

During the half year to 30 June 2023, professional fees of £0.3 million were incurred relating to the acquisition of Regency Laundry Limited and other costs in relation to business acquisition activity. Further information relating to the acquisition is provided in note 16.

Prior year exceptional items

Insurance claims and other costs

A Workwear processing plant was destroyed as a result of a fire in 2020. Final settlement proceeds of £1.5 million were received in the year ended 31 December 2022 in respect of this insurance claim. In addition, costs of £0.8 million (£0.5 million to 30 June 2022) were incurred in the year in respect of the demolition of the destroyed site and preparing the site for sale.

4 FINANCE COST

	Half year to 30 June 2023 £m	Half year to 30 June 2022 £m	Year ended 31 December 2022 £m
Interest payable on bank loans and overdrafts	1.3	0.8	1.3
Gain on interest rate swaps not qualifying as hedges	–	(0.1)	(0.1)
Amortisation of bank facility fees	0.1	0.1	0.3
Finance costs on lease liabilities relating to IFRS 16	1.0	0.8	1.5
Notional interest on post-employment benefit obligations	0.2	–	–
Finance cost	**2.6**	**1.6**	**3.0**

5 ALTERNATIVE PERFORMANCE MEASURES (APMs)

Adjusted profit before and after taxation (continuing)	Half year to 30 June 2023 £m	Half year to 30 June 2022 £m	Year ended 31 December 2022 £m
Profit before taxation (continuing)	13.5	5.1	30.3
Amortisation of intangible assets (excluding software amortisation)	2.6	4.2	7.2
Goodwill impairment	–	1.4	1.4
Exceptional items	0.3	0.5	(0.7)
Adjusted profit before taxation (continuing)	16.4	11.2	38.2
Taxation thereon	(4.1)	(1.1)	(2.6)
Adjusted profit after taxation (continuing)	**12.3**	**10.1**	**35.6**

Adjusted EBITDA	Half year to 30 June 2023 £m	Half year to 30 June 2022 £m	Year ended 31 December 2022 £m
Operating profit before amortisation of intangible assets (excluding software amortisation), goodwill impairment and exceptional items	19.0	12.8	41.2
Software amortisation	0.2	0.1	0.2
Property, plant and equipment depreciation	10.2	9.0	18.3
Right of use asset depreciation	3.1	3.1	5.9
Textile rental items depreciation	25.2	17.8	39.3
Adjusted EBITDA	**57.7**	**42.8**	**104.9**

Notes to the Condensed Consolidated Interim Financial Statements Continued >

6 DIVIDENDS

	Half year to 30 June 2023	Half year to 30 June 2022	Year ended 31 December 2022
Dividend per share (pence)			
2023 Interim dividend proposed	0.9	–	–
2022 Interim dividend proposed and paid	–	0.8	0.8
2022 Final dividend proposed and paid	–	–	1.6
	0.9	**0.8**	**2.4**

	Half year to 30 June 2023	Half year to 30 June 2022	Year ended 31 December 2022
Shareholders' funds committed (£m)			
2023 Interim dividend proposed	3.8	–	–
2022 Interim dividend proposed and paid	–	3.5	3.5
2022 Final dividend proposed and paid	–	–	6.8

On 12 May 2023, a final dividend in respect of the year ended 31 December 2022 of 1.6 pence per share was paid to Shareholders, utilising £6.8 million of Shareholders' funds.

The Directors are proposing an interim dividend in respect of the year ended 31 December 2023 of 0.9 pence per Ordinary share which, based on the number of shares in issue as at the date of this report, will reduce Shareholders' funds by £3.8 million. The dividend will be paid on 3 November 2023 to Shareholders on the register of members at the close of business on 6 October 2023. The trustee of the EBT has waived the entitlement to receive dividends on the Ordinary shares held by the trust. Given the intention of the Directors to launch a second share buyback programme later this month, it is anticipated that the actual distribution will be less than the amount stated above.

In accordance with IAS 10, there is no payable recognised at 30 June 2023 in respect of this proposed dividend.

7 TAXATION

	Half year to 30 June 2023 £m	Half year to 30 June 2022 £m	Year ended 31 December 2022 £m
Current tax			
UK corporation tax charge for the period	–	–	–
Adjustment in relation to previous periods	–	–	0.3
Current tax charge for the period	**–**	**–**	**0.3**
Deferred tax			
Origination and reversal of temporary differences	3.5	0.4	3.3
Adjustment in relation to previous years	–	–	(2.1)
Deferred tax charge for the period	**3.5**	**0.4**	**1.2**
Total charge for taxation included in the consolidated income statement for continuing operations	**3.5**	**0.4**	**1.5**

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 2023 by £0.6 million (June 2022: £0.7 million; December 2022: £1.1 million).

During the half year to 30 June 2023 a £0.2 million charge relating to deferred taxation (June 2022: £2.2 million; December 2022: £2.6 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 2023 is calculated based on the estimated average annual effective tax rate of 25.1% (June 2022: 9.7%; December 2022: 6.8%). This compares to the weighted average tax rate at the balance sheet date of 23.5% (June 2022: 19.0%; December 2022: 19.0%). The effective tax rate is impacted by a number of factors, including expenses not deductible for taxation and short-term timing differences, with first year capital allowances in the period reflecting the full expensing relief announced in the Chancellor's Spring Budget, impacting upon the estimated pattern of reversal of the Group's deferred tax assets and liabilities. These factors combine to increase the effective tax rate for the half year to 30 June 2023 to 25.1%. The adjustment for under or over provisions in previous years is recognised when the amounts are agreed – none have been recognised in the period (June 2022: £nil; December 2022: £1.8 million credit).

7 TAXATION (continued)

A change to the UK corporation tax rate, which was substantively enacted as part of Finance Bill 2021 on 24 May 2021, was 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. Accordingly, an average deferred income tax rate of 25% has been used to measure all deferred tax balances as at 30 June 2023 (June 2022: 23.7%; December 2022: 24.6%).

8 EARNINGS PER SHARE

	Half year to 30 June 2023 £m	Half year to 30 June 2022 £m	Year ended 31 December 2022 £m
Profit for the period attributable to Shareholders	10.0	4.7	28.8
Amortisation of intangible assets from continuing operations (net of taxation)	2.0	3.5	6.1
Goodwill impairment (net of taxation)	–	1.4	1.4
Exceptional items from continuing operations (net of taxation)	0.3	0.5	(0.7)
Adjusted profit from continuing operations attributable to Shareholders	12.3	10.1	35.6
Profit from discontinued operations attributable to Shareholders	–	0.1	0.2
Total adjusted profit from all operations attributable to Shareholders	**12.3**	**10.2**	**35.8**

	Number of shares	Number of shares	Number of shares
Weighted average number of Ordinary shares	429,246,079	445,247,615	444,288,818
Potentially dilutive Ordinary shares	95,000	95,000	95,000
Diluted number of Ordinary shares	**429,341,079**	**445,342,615**	**444,383,818**

	Pence per share	Pence per share	Pence per share
Basic earnings per share			
From continuing operations	2.3p	1.1p	6.5p
From discontinued operations	–	–	–
From total operations	2.3p	1.1p	6.5p
Adjustment for amortisation of intangibles assets (continuing)	0.5p	0.8p	1.4p
Adjustment for goodwill impairment (continuing)	–	0.3p	0.3p
Adjustment for exceptional items (continuing)	0.1p	0.1p	(0.2)p
Adjusted basic earnings per share (continuing)	2.9p	2.3p	8.0p
Adjusted basic earnings per share (discontinued)	–	–	–
Adjusted basic earnings per share from total operations	2.9p	2.3p	8.0p
Diluted earnings per share			
From continuing operations	2.3p	1.1p	6.5p
From discontinued operations	–	–	–
From total operations	2.3p	1.1p	6.5p
Adjustment for amortisation of intangibles assets (continuing)	0.5p	0.8p	1.4p
Adjustment for goodwill impairment (continuing)	–	0.3p	0.3p
Adjustment for exceptional items (continuing)	0.1p	0.1p	(0.2)p
Adjusted diluted earnings per share (continuing)	2.9p	2.3p	8.0p
Adjusted diluted earnings per share (discontinued)	–	–	–
Adjusted diluted earnings per share from total operations	2.9p	2.3p	8.0p

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

Notes to the Condensed Consolidated Interim Financial Statements Continued >

8 EARNINGS PER SHARE (continued)

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

For diluted earnings per share, the weighted average number of Ordinary shares in issue is adjusted to assume conversion of all potentially dilutive Ordinary shares. The Company has potentially dilutive Ordinary shares arising from share options granted to employees. Options are dilutive under the SAYE scheme, where the exercise price together with the future IFRS 2 charge of the option is less than the average market price of the Company's Ordinary shares during the period. 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 2022 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 periods ended 30 June 2023 and 30 June 2022, and the year ended 31 December 2022, 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.

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 2023 £m	As at 30 June 2022 £m	As at 31 December 2022 £m
Cost			
Brought forward	135.2	135.2	135.2
Business combinations (note 16)	3.2	–	–
	138.4	**135.2**	**135.2**
Impairment			
Brought forward	1.4	–	–
Impairment	–	1.4	1.4
	1.4	**1.4**	**1.4**
Closing	**137.0**	**133.8**	**133.8**

In accordance with UK-adopted international accounting 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.

Management have reviewed the indicators of impairment per IAS 36 and do not believe that any have been triggered since 31 December 2022 and, as such, no impairment review has been carried out as at 30 June 2023. In line with the requirements of IAS 36, a full impairment review will be performed during the second half of the year.

10 INTANGIBLE ASSETS

Capitalised software

	As at 30 June 2023 £m	As at 30 June 2022 £m	As at 31 December 2022 £m
Opening net book value	1.6	1.5	1.5
Additions	–	0.1	0.3
Amortisation	(0.2)	(0.1)	(0.2)
Closing net book value	**1.4**	**1.5**	**1.6**

10 INTANGIBLE ASSETS (continued)

Other intangible assets

	As at 30 June 2023 £m	As at 30 June 2022 £m	As at 31 December 2022 £m
Opening net book value	9.3	15.2	15.2
Additions	–	1.3	1.3
Business combinations (note 16)	1.4	–	–
Amortisation	(2.6)	(4.2)	(7.2)
Closing net book value	**8.1**	**12.3**	**9.3**
Total	**9.5**	**13.8**	**10.9**

Other intangibles assets comprise of customer contracts and relationships and, from 1 January 2023, brands.

11 PROPERTY, PLANT AND EQUIPMENT

	As at 30 June 2023 £m	As at 30 June 2022 £m	As at 31 December 2022 £m
Opening net book value	119.6	113.3	113.3
Additions	12.1	9.0	24.8
Business combinations (note 16)	1.0	–	–
Depreciation	(10.2)	(9.0)	(18.3)
Disposals	(0.1)	–	(0.2)
Closing net book value	**122.4**	**113.3**	**119.6**

CAPITAL COMMITMENTS

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

	As at 30 June 2023 £m	As at 30 June 2022 £m	As at 31 December 2022 £m
Property, plant and equipment	23.4	10.0	11.1

£13.8 million of the capital commitments relates to the new HORECA site in Crawley.

12 RIGHT OF USE ASSETS

	As at 30 June 2023 £m	As at 30 June 2022 £m	As at 31 December 2022 £m
Opening net book value	31.7	35.5	35.5
Additions	10.4	0.8	2.0
Business combinations (note 16)	1.5	–	–
Reassessment/modifications of assets previously recognised	–	–	0.1
Depreciation	(3.1)	(3.1)	(5.9)
Closing net book value	**40.5**	**33.2**	**31.7**

Notes to the Condensed Consolidated Interim Financial Statements Continued >

13 TEXTILE RENTAL ITEMS

	As at 30 June 2023 £m	As at 30 June 2022 £m	As at 31 December 2022 £m
Opening net book value	63.8	48.4	48.4
Additions	29.7	26.2	57.4
Business combinations (note 16)	0.5	–	–
Depreciation	(25.2)	(17.8)	(39.3)
Special charges	(1.5)	(1.5)	(2.7)
Closing net book value	**67.3**	**55.3**	**63.8**

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 2023, deficit recovery payments of £0.9 million were paid by the Group to the defined benefit scheme (June 2022: £0.9 million; December 2022: £1.9 million).

Following discussions with the Group's appointed actuary, a re-measurement gain of £1.6 million has been recognised in the half year to 30 June 2023. The improvement in the position is mainly driven by an increase in the discount rate assumption since 31 December 2022, offset to a lesser extent by an increase in the assumed rate of inflation.

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

	As at 30 June 2023 £m	As at 30 June 2022 £m	As at 31 December 2022 £m
Post-employment benefit (obligation)/asset	(7.8)	7.0	(10.2)
Deferred income tax asset/(liability) thereon	1.9	(1.8)	2.6
	(5.9)	**5.2**	**(7.6)**

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

	As at 30 June 2023 £m	As at 30 June 2022 £m	As at 31 December 2022 £m
Opening post-employment benefit obligation	(10.2)	(2.1)	(2.1)
Notional interest	(0.2)	–	–
Employer contributions	0.9	0.9	1.9
Re-measurement gains/(losses)	1.6	8.1	(10.0)
Utilisation of healthcare provision	0.1	0.1	–
Closing post-employment benefit (obligation)/surplus	**(7.8)**	**7.0**	**(10.2)**

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

	As at 30 June 2023 £m	As at 30 June 2022 £m	As at 31 December 2022 £m
Post-employment benefit assets (Non-current assets)	–	8.0	–
Post-employment benefit obligations (Non-current liabilities)	(7.8)	(1.0)	(10.2)
	(7.8)	**7.0**	**(10.2)**

Post-employment benefit assets related to the defined benefit pension scheme in the half year to 30 June 2022.

15 SHARE CAPITAL

Issued share capital is as follows:

	Half year to 30 June 2023 £m	Half year to 30 June 2022 £m	Year ended 31 December 2022 £m
Share capital at the start of the period	43.9	44.5	44.5
Share buybacks	(1.7)	–	(0.6)
Share capital at the end of the period	**42.2**	**44.5**	**43.9**

In September 2022, the Group commenced a share buyback programme to repurchase up to £27.5 million (excluding expenses) of its own shares. During the half year to 30 June 2023, 17,047,238 (June 2022: nil, December 2022: 6,222,227) ordinary shares with a total nominal value of £1,704,724 (June 2022: £nil, December 2022: £622,223) were bought back by the Company for a total consideration, including transaction costs, of £19.7 million (June 2022: £nil; December 2022: £5.7 million). In cash terms, £19.8 million was expended during the half year to 30 June 2023, being £19.7 million relating to ordinary shares repurchased in the half year to 30 June 2023, together with a further £0.1 million relating to 116,934 ordinary shares which were repurchased in the year ended 31 December 2022 but not settled until post year end. The total shares repurchased as part of the share buyback programme represents 5.2% of the Company's share capital in issue prior to commencement of the share buyback programme.

16 BUSINESS COMBINATIONS

On 13 February 2023, the Group acquired 100% of the share capital of Regency Laundry Limited ('Regency') for a net consideration of £5.3 million (being gross consideration of £5.75 million adjusted for normalised working capital, cash and debt like items) plus associated fees. Since acquisition, Regency has generated a profit of £0.3 million on revenue of £2.5 million. Had the business been acquired at the start of the period it is estimated that profit of £0.3 million would have been generated on revenue of £3.1 million.

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

	Regency £m
Intangible assets – Goodwill	3.2
Intangible assets – Customer contracts and brands	1.4
Property, plant and equipment	1.0
Right of use assets	1.5
Textile rental items	0.5
Trade and other receivables	0.8
Cash and cash equivalents	0.2
Trade and other payables	(1.1)
Borrowings	(0.2)
Lease liabilities	(1.6)
Deferred income tax liability	(0.4)
Net consideration	**5.3**

Goodwill represents the expected benefits to the wider Group arising from the acquisition together with deferred income tax arising from the recognition of the intangible asset for customer contracts and brands.

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

	Half year to 30 June 2023 £m	Half year to 30 June 2022 £m	Year ended 31 December 2022 £m
Consideration paid for acquisitions in the period	(5.3)	–	–
Cash and cash equivalents acquired	0.2	–	–
Costs in relation to business acquisition activity	(0.2)	–	–
	(5.3)	**–**	**–**

In the half year to 30 June 2023, costs in relation to business acquisition activity were £0.3 million, of which £0.2 million has been paid within the period.

Notes to the Condensed Consolidated Interim Financial Statements Continued >

17 BORROWINGS

At 30 June 2023, borrowings were secured and drawn down under a committed facility dated 8 August 2022. The facility comprises a £85.0 million rolling credit facility (including an overdraft) which runs to August 2026 with a one-year extension option and a further option, both subject to bank consent, to increase the facility by up to an additional £50.0 million. The margin on the facility, which is determined based upon the Group's leverage ratio, ranges between 1.45% and 2.45% and was 1.45% for the period to 30 June 2023.

During the period, individual tranches were drawn down, in sterling, for periods of up to three months at SONIA rates of interest, 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.

Borrowings are stated net of unamortised issue costs of £0.6 million (30 June 2022: £nil; 31 December 2022: £0.5 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 2023	At 1 January 2023 £m	Cash Flow £m	Non-cash Changes £m	At 30 June 2023 £m
Debt due within one year	0.2	0.3	(0.1)	**0.4**
Debt due after more than one year	(14.7)	(24.9)	(0.2)	**(39.8)**
Lease liabilities	(34.3)	2.9	(11.8)	**(43.2)**
Total debt and lease financing	(48.8)	(21.7)	(12.1)	**(82.6)**
Cash and cash equivalents	0.8	(1.9)	-	**(1.1)**
Net debt	(48.0)	(23.6)	(12.1)	**(83.7)**

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)	3.3	(0.9)	**(57.7)**

December 2022	At 1 January 2022 £m	Cash Flow £m	Non-cash Changes £m	At 31 December 2022 £m
Debt due within one year	0.1	0.3	(0.2)	**0.2**
Debt due after more than one year	(18.0)	3.4	(0.1)	**(14.7)**
Lease liabilities	(37.8)	5.6	(2.1)	**(34.3)**
Total debt and lease financing	(55.7)	9.3	(2.4)	**(48.8)**
Cash and cash equivalents	(4.4)	5.2	–	**0.8**
Net debt	(60.1)	14.5	(2.4)	**(48.0)**

18 ANALYSIS OF NET DEBT (continued)

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

	As at 30 June 2023 £m	As at 30 June 2022 £m	As at 31 December 2022 £m
Cash (Current assets)	6.0	7.6	6.1
Overdraft (Borrowings, Current liabilities)	(7.1)	(8.5)	(5.3)
	(1.1)	**(0.9)**	**0.8**

Lease liabilities are comprised of the following balance sheet amounts:

	As at 30 June 2023 £m	As at 30 June 2022 £m	As at 31 December 2022 £m
Amounts due within one year (Lease liabilities, Current liabilities)	(5.1)	(5.1)	(5.1)
Amounts due within one year (Lease liabilities, Non-current liabilities)	(38.1)	(30.7)	(29.2)
	(43.2)	**(35.8)**	**(34.3)**

19 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	Half year to 30 June 2023 £m	Half year to 30 June 2022 £m	Year ended 31 December 2022 £m
(Decrease)/increase in cash in the period	(1.9)	3.5	5.2
(Increase)/decrease in debt and lease financing	(21.7)	(0.2)	9.3
Change in net debt resulting from cash flows	(23.6)	3.3	14.5
Debt acquired through business combinations (note 16)	(1.8)	–	–
Lease liabilities recognised during the period	(10.2)	(0.8)	(2.1)
Movement in unamortised issue costs of bank loans	(0.1)	(0.1)	(0.3)
Movement in net debt during the period	(35.7)	2.4	12.1
Opening net debt	(48.0)	(60.1)	(60.1)
Closing net debt	**(83.7)**	**(57.7)**	**(48.0)**

20 RELATED PARTY TRANSACTIONS

Transactions during the period 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 2022. There have been no material changes in these relationships in the half year to 30 June 2023 or up to the date of this Report.

21 CONTINGENT LIABILITIES

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

The Group has granted each of its banks and the 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.

Notes to the Condensed Consolidated Interim Financial Statements Continued >

22 EVENTS AFTER THE REPORTING PERIOD

On 31 August 2023, the Group acquired the entire issued share capital of Harkglade Limited, together with its subsidiaries Celtic Linen Limited and Millbrook Linen Limited (together, 'Celtic Linen'), for a cash consideration of €31.5 million (£27.1 million) on a debt free cash free basis, subject to a locked box mechanism and a normalised level of working capital.

Celtic Linen services the Republic of Ireland's Healthcare and Hotel, Restaurant and Catering ('HORECA') sectors; it is the largest linen supplier to the Republic of Ireland's Healthcare sector and is the second largest linen supplier to the HORECA sector. The transaction is expected to be immediately earnings enhancing and, in addition to collaboratively sharing best practice across the enlarged Group, allows us to explore operational synergies with our Northern Ireland based business, Lilliput.

Celtic Linen's revenue, adjusted EBITDA and loss before taxation (after finance costs of €1.5 million), as set out in Harkglade Limited's audited consolidated financial statements for the year ended 1 January 2023, was €29.0 million, €4.6 million and €(0.9) million respectively. Celtic Linen's gross assets as at the same date amounted to €16.0 million, of which €15.3 million were tangible.

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

23 PRINCIPAL RISKS AND UNCERTAINTIES

Approach to Risk Management

The Board has overall accountability for ensuring that risk is effectively managed across the Group and, on behalf of the Board, the Audit Committee coordinates and reviews the effectiveness of the Group's risk management process.

Risks are reviewed by all of our businesses on an ongoing basis and are measured against a defined set of likelihood and impact criteria. This is captured in consistent reporting formats enabling the Audit Committee to review and consolidate risk information and summarise the principal risks and uncertainties facing the Group. Wherever possible, action is taken to mitigate, to an acceptable level, the potential impact of identified principal risks and uncertainties.

The Board formally reviews the most significant risks facing the Group at its March and August meetings, or more frequently should new matters arise. Throughout 2023 to date, the overall risk environment remained largely unchanged from that reported within the Group's 2022 Annual Report.

Risk Appetite

The Board interprets appetite for risk as the level of risk that the Group is willing to take in order to meet its strategic goals. The Board communicates its approach to, and appetite for, risk to the business through the strategy planning process and the internal risk governance and control frameworks. In determining its risk appetite, the Board recognises that a prudent and robust approach to risk assessment and mitigation must be carefully balanced with a degree of flexibility so that the entrepreneurial spirit which has greatly contributed to the success of the Group is not inhibited. Both the Board and the Audit Committee remain satisfied that the Group's internal risk control framework continues to provide the necessary element of flexibility without compromising the integrity of risk management and internal control systems.

Emerging Risks

The Board has established processes for identifying emerging risks, and horizon scanning for risks that may arise over the medium to long term. Emerging and potential changes to the Group's risk profile are identified through the Group's risk governance frameworks and processes, and through direct feedback from management, including changing operating conditions, market and consumer trends.

Principal Risks and Uncertainties

The principal risks and uncertainties affecting the Group are summarised below:

- Economic and Political Conditions
- Cost Inflation
- Failure of Strategy
- Recruitment, Retention and Motivation of Employees
- Loss of a Processing Facility
- Competition and Disruption
- Pandemic or Other National Crisis
- Health & Safety
- Compliance and Fraud
- Insufficient Processing Capacity
- Customer Sales and Retention
- Information Systems and Technology
- Climate Change and Energy Costs

23 PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Full details of the above risks, together with details on how the Board takes action to mitigate each risk, were provided in our 2022 Annual Report. These risks and uncertainties do not comprise all of the risks that the Group may face and are not necessarily listed in any order of priority. Additional risks and uncertainties not presently known to the Board, or deemed to be less material, may also have an adverse effect on the Group.

In accordance with the provisions of the UK Corporate Governance Code, the Board has taken into consideration the principal risks and uncertainties in the context of determining whether to adopt the going concern basis of preparation and when assessing the future prospects of the Group.

24 PUBLISHED FINANCIAL STATEMENTS

There is no regulatory 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 interim 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 notification in the post each time a new Shareholder report or notice of meeting is published, unless you have requested to receive these documents 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 5 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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