Spotless Group Limited

ABN 77 004 376 514

APPENDIX 4D

Half Year Report

Half Year Ended 31 December 2009

Spotless Group Limited

Results for announcement to the market

Current Period: Half Year ended 31 December 2009

Prior corresponding period: Half Year ended 31 December 2008

Results	Current Period	% Movement compared to prior period
Revenue from ordinary activities	$1,211.9 million	Up 1.9%
Earnings before interest, tax (prior to NRIs and asset sales)	$47.3 million	Up 9.5%
Net Profit (prior to NRIs and asset sales)	$24.5 million	Up 29.6%
Reported Net Profit attributable to members	$24.5 million	Up 40.8%
Reported earnings per share (cents)	10.0 cents	Up 25.0%

Dividends	Interim Dividend 2010	Interim Dividend 2009
Amount per share	5.0 c	5.0 c
Franked amount	60%	100%

Ratios	Dec 2009	Dec 2008
Net tangible assets per share (cents)	12.7 c	(22.4) c

Record Date for determining dividend entitlement: 26 March 2010

Interim Dividend Payment Date: 30 April 2010

Dividend Reinvestment Plan (DRP)
The DRP will operate for the interim dividend. The DRP is optional and offers shareholders the opportunity to acquire fully paid ordinary shares, without transaction costs. A shareholder can elect to participate, vary or terminate involvement in the DRP at any time. The Directors have also decided the minimum number of shares that will be eligible to participate in the Plan for this dividend is 350 shares per shareholding.

DRP election notices must be received by Spotless' Share Registry at Computershare Investor Services, Yarra Falls, 452 Johnston Street, Abbotsford, Vic 3067, by 5.00pm on 26 March 2010 (the Record Date). No discount will apply to the DRP.

Audited Results
This report is based on the financial statements that have been the subject of an independent review and are not subject to any dispute or qualification. The detailed half year financial statements are attached to this report.

FINANCIAL PERFORMANCE SUMMARY
Half Year ended 31 December 2009

Summary Group Income Statement

A$ million	1H10	1H09	Change
Sales Revenue	**1,206.3**	**1,180.6**	**2.2%**
Sales Revenue (excluding pass-through revenue)	1,155.0	1,095.6	5.4%
Group EBITDA (prior to NRIs and asset sales)	**81.6**	**78.9**	**3.4%**
Depreciation and amortisation	(34.3)	(35.7)	(3.9)%
Facility Services EBIT (excluding Corporate Administration)	48.7	48.3	0.8%
Corporate Administration	(4.6)	(6.0)	(23.3)%
Facility Services EBIT (prior to NRIs and asset sales)	**44.1**	**42.3**	**4.3%**
Braiform EBIT	3.2	0.9	255.6%
Group EBIT (prior to NRIs and asset sales)	**47.3**	**43.2**	**9.5%**
Net interest expense	(11.5)	(13.0)	(11.5)%
Profit Before Tax (prior to NRIs and asset sales)	**35.8**	**30.2**	**18.5%**
Tax expense	(10.8)	(10.8)	0.0%
Minorities	(0.5)	(0.5)	0.0%
NPAT after minorities (prior to NRIs and asset sales)	**24.5**	**18.9**	**29.6%**
Impaired assets and onerous contracts	-	(4.4)	(100.0)%
NRIs (pre-tax)	-	(4.4)	(100.0)%
Asset sales (pre-tax)	-	2.9	(100.0)%
NRIs and asset sales (pre-tax)	-	(1.5)	(100.0)%
NRIs and asset sales (post-tax)	-	(1.5)	(100.0)%
Reported NPAT after minorities	**24.5**	**17.4**	**40.8%**
EPS prior to NRIs (cents)	**10.0**	**8.7**	**14.9%**
Reported EPS (cents)	10.0	8.0	25.0%

Notes:
(1) NRIs - No NRIs in 1H10. NRIs of $4.4m in 1H09 (non-cash PMS investment impairment (AASB139)).
(2) Asset sales - No asset sales in 1H10. One-off profit on sale of asset in 1H09 of $2.9m.
(3) Pass-through revenue is revenue generated by Spotless at zero profit margin.

Summary Divisional Income Statement

A$ million	1H10	1H09	Change
Sales Revenue			
Cleaning Services	133.1	124.4	7.0%
Food Services	271.7	282.7	(3.9)%
Laundry Services	118.4	113.4	4.4%
Managed Services[1]	513.2	407.6	25.9%
Braiform	118.6	167.5	(29.2)%
Group Sales Revenue[1]	**1,155.0**	**1,095.6**	**5.4%**
EBIT			
Cleaning Services	6.9	7.6	(9.2)%
Food Services	10.7	12.1	(11.6)%
Laundry Services	14.8	13.7	8.0%
Managed Services	16.3	14.9	9.4%
Braiform	3.2	0.9	255.6%
Unallocated corporate administration	(4.6)	(6.0)	(23.3)%
Group EBIT (prior to NRIs and asset sales)	**47.3**	**43.2**	**9.5%**
EBIT Margin			
Cleaning Services	5.2%	6.1%	(93) bp
Food Services	3.9%	4.3%	(34) bp
Laundry Services	12.5%	12.1%	42 bp
Managed Services[1]	3.2%	3.7%	(48) bp
Braiform	2.7%	0.5%	216 bp
Group EBIT Margin (prior to NRIs and asset sales)[1]	**4.1%**	**3.9%**	**15 bp**

1. Excludes pass-through revenue

Notes:
(1) NRIs - No NRIs in 1H10. NRIs of $4.4m in 1H09 (non-cash PMS investment impairment (AASB139)).
(2) Asset sales - No asset sales in 1H10. One-off profit on sale of asset in 1H09 of $2.9m.
(3) Pass-through revenue is revenue generated by Spotless at zero profit margin.

REVIEW OF OPERATIONS

For the Half Year ended 31 December 2009

Spotless Group Results

Sales revenue increased 2.2% on the prior corresponding period (pcp) to $1,206.3 million. EBIT prior to NRIs and asset sales rose 9.5% on the pcp to $47.3 million. NPAT prior to NRIs and asset sales increased 29.6% on the pcp to $24.5 million. Earnings per share (EPS) prior to NRIs and asset sales was up 14.9% on the pcp to 10.0 cents. On a reported basis, NPAT increased 40.8% on the pcp to $24.5 million, whilst reported EPS rose 25.0% to 10.0 cents.

Facility Services – comprising Cleaning Services, Food Services, Laundry Services and Managed Services

Total Facility Services sales revenue, excluding pass-through revenue, rose by 11.7% on pcp to $1,036.4 million. Pass-through revenue is revenue generated by Spotless at zero profit margin. Including pass-through revenue, the Facility Services sales revenue increase of 7.4% on pcp to $1,087.7 million was the result of significant new business wins across all divisions, including work resulting from the Federal Government's fiscal stimulus program and the impact of recent bolt-on acquisitions. These effects were dampened by reduced scope of existing contracts and several contract losses directly attributed to challenging economic conditions.

Facility Services EBIT prior to NRIs and asset sales increased 4.3% on pcp to $44.1 million as a result of the increased revenue coupled with successful cost reduction initiatives. This was dampened by some margin compression across the business, as a number of clients sought ways to reduce their cost base. Soft demand was seen in corporate hospitality sales and industrial garment laundering, whilst some temporary de-scoping of major contracts was experienced within Cleaning Services.

In local currency, New Zealand revenue declined 9% on pcp. This decline was caused by contract losses in New Zealand within Cleaning Services and Food Services. Revenue was also impacted by the temporary de-scoping of major contracts and deferral of scheduled maintenance, as clients sought to reduce their cost base amid the subdued economic conditions. Food Services in New Zealand was influenced by a pullback in corporate hospitality, lower stadia attendance and the redevelopment of Eden Park ahead of the 2011 Rugby World Cup.

Despite the decline in revenue, local currency New Zealand EBIT rose 17% on pcp. This result was driven by an increased focus on operational and production efficiency and an improvement in overhead cost control.

Cleaning Services

Sales revenue increased 7.0% on pcp to $133.1 million. The adverse impact in 1H10 of the temporary de-scoping of major contracts due to the economic downturn has been offset by major business wins in the Education, Industrial and Hospitality sectors. Specifically, Spotless has been successful in securing a major contract win with the NSW Government servicing schools and government agency sites. These contracts employ an additional 1,300 staff for tenure of 17 months. The three new contract areas add to Spotless' NSW Government cleaning portfolio which already includes schools and government agency sites in the Hornsby / Northern Beaches contract area and supports our integrated model with Managed Services performing the maintenance on the majority of these sites. Other significant new business wins include Universities in South Australia and Tasmania, and Food processing facilities and Power Stations in New South Wales and Queensland. Arrix, the leading WA-based cleaning services business acquired in June 2009 also made a solid revenue contribution.

EBIT declined 9.2% on pcp to $6.9 million. The largest driver of this decline in profitability reflects the de-scoping of major contracts the impact of which was first felt in the second half of 2009, coupled with high margin contract losses in New Zealand. Labour productivity rates have been maintained despite a number of award changes; the implementation of the Cleanstart Agreement, which provides higher wages and improved conditions of employment in the CBD areas of each Australian capital city, and industrial changes in Queensland, where a long standing cleaning industrial agreement was terminated and state award implemented at higher rates. Both revenue and earnings have increased 12% and 77% on the second half of 2009 respectively, reflecting the impact of recent business wins and cost containment.

Food Services

Sales revenue declined 3.9% on pcp to $271.7 million. Revenue performance and profitability was significantly influenced by a pullback in corporate hospitality as a result of general economic conditions. This sales revenue decline was partially offset by the completion of redevelopments in major airports and improved major event schedules.

Alliance Catering was impacted by lowered high value function activity and a decline in foot traffic at Alliance sites located at client workplaces, a direct result of more subdued activity across the client base. However, during the half Alliance Catering won several significant contracts, including services provided to the Coles Group. Alliance Catering is the new provider of catering services at 13 Coles Group distribution centres across NSW, Victoria, SA, Queensland and WA.

The Hospitality business was adversely impacted by lower patron attendances arising from fewer sporting events and concerts and the redevelopment of Eden Park in New Zealand ahead of the 2011 Rugby World Cup. Function venues sales were negatively influenced by the lower corporate hospitality activity levels. This was offset by a strong contribution from major events, in particular the Australian Masters Golf and V8 Supercars Australia Townsville 400. During the period, Spotless won the contract to provide catering services at Dairy Farmers Stadium in Townsville.

Food Services EBIT, after excluding the one-off profit on the sale of a contract in the pcp, declined 11.6% on pcp to $10.7 million, with earnings declining faster than revenue due to lower premium event and catering activity. Proactive control of the key input costs (food, beverages and labour) offset lower activity levels and limited the direct impact of lowered demand.

Alliance Catering profit margins increased in both Australia and New Zealand despite a material level of contract ‘churn’ and the difficult economic climate. Airports margins increased, despite higher depreciation charges in the newly developed facilities and increased competition in the expanded terminals. Stadia and venues margins declined, impacted by softening corporate attendances and reduced premium function activity. Margin gains were achieved within major events due to the stronger event schedule.

Laundry Services

Sales revenue rose by 4.4% on pcp to $118.4 million. The key drivers of revenue growth were new Linen business won in the ACT and Queensland and improved contract retention within Garments. These wins provide a solid base for the second half of 2010 and beyond. The significant demand contraction experienced within Garments amid the subdued economic conditions showed signs of stabilising during the period. Linen was impacted by a continuation of subdued conditions for hospitality and accommodation clients across Australia and New Zealand. Healthcare Linen also experienced a modest decline in volumes due to linen usage efficiencies implemented with customers during the period.

EBIT increased 8.0% on pcp to $14.8 million. Strong EBIT growth in excess of revenue growth was driven by an increased focus on operational and production efficiency across all sites and an improvement in overhead cost control. These efficiency gains provide a platform for improved profitability in the second half of the year and beyond. During the half work commenced on Spotless' new Linen and Garments laundry in Brisbane, with the facility on track to be in operation by 30 June 2010.

Taylors Group Limited represents the Laundry Services business in New Zealand. During the period Spotless successfully acquired all the shares in Taylors Group that it did not already own. Spotless was previously the largest shareholder in Taylors Group, owning 66.0% of the Taylors Group shares on issue.

Managed Services

Sales revenue increased 14.6% on pcp to $564.5 million. Excluding pass-through revenue, Managed Services sales revenue rose 25.9% to $513.2 million. Pass-through revenue is revenue recorded by Spotless at zero profit margin. Revenue growth within existing contracts was bolstered by Spotless' participation in the Federal Government stimulus program across Housing Insulation, Education and Public Housing. Riley Shelley, Spotless' leading painting and property services business, acquired in June 2009, contributed strongly during the period. Within the Defence segment, revenue was negatively impacted by a reduction in project works.

EBIT increased 9.4% on pcp to $16.3 million. The key operational drivers of earnings growth were the aforementioned participation in the Federal Government's fiscal stimulus program and Riley Shelley, coupled with increased vigilance in respect of discretionary expenditure and overheads. The first half result includes transitory redundancy costs associated with an organisational restructure that will better align Managed Services with future growth opportunities, as well as one-off costs relating to the mobilisation of several new contracts.

During the half year new integrated facility services contracts were signed and mobilised with two major clients within the resources sector, including Argyle Diamond Mine. In addition, a major Australian retailer has awarded Spotless the integrated facility maintenance services contract for all of its stores across Australia. As at 31 December 2009 the total Managed Services forward revenue order book stood at approximately $8.2 billion.

Braiform

In US dollar terms, sales revenue declined 16.9% on pcp to US$104.1 million. When reported in Australian dollars, sales revenue fell 29.2% to $118.6 million. The revenue decline reflects lower sales volumes, selling prices and some changes in product mix. Despite the continued softness in retail demand within the United States and Europe, Braiform has secured sales volume increases from several key customers. As a result, the business is experiencing full factory utilisation for our manufacturing partners in China for the first time in more than five years.

In US dollar terms, EBIT increased 212.8% on pcp to US$2.9 million. When reported in Australian dollars, EBIT increased 255.6% on pcp to $3.2 million. This strong EBIT growth, despite the decline in revenue on pcp, was driven by the positive impacts of recent restructuring work and a continued focus on efficiency; including cost savings from the closure of manufacturing facilities, the streamlining of distribution facilities and other elements of the supply chain and a reduction in global staffing levels.

The impact of resin price increases was minimised during the period although not all of the resin cost increases experienced in the first half were able to be passed on during the period.

Corporate Administration

Unallocated corporate administration costs fell to $4.6 million for the period from $6.0 million in the pcp. These lower costs are a direct result of Spotless' continued commitment to administrative efficiency.

Other items

During the period, Spotless Group became a Dual Listed Issuer on NZSX. The dual listing is a demonstration of Spotless' long-term commitment to New Zealand, where Spotless employs over 12,000 people, and provides a broader group of investors with an opportunity to own part of a growing global services business with close links to New Zealand.

Cash Flow, Gearing and Tax

Net operating cash flow rose 55.6% on pcp to $37.8 million, a result of improved working capital performance, a decrease in interest paid on debt and a decrease in tax paid when compared to the pcp. The ratio of gross operating cash flow to EBITDA, adjusted for the impact of NRIs and asset sales, was 63%, up on the pcp of 51%. Spotless typically has a seasonal investment in working capital at 31 December when compared to 30 June.

During the period Spotless raised $86.2 million in new equity through the successful completion of an institutional placement and Share Purchase Plan. The equity raising reduced Spotless' gearing towards the bottom end of its target gearing range and added further strength and flexibility to the balance sheet, ensuring Spotless is conservatively positioned and able to continue to reinvest in the business and pursue further bolt-on opportunities as they arise.

Net debt as at 31 December 2009 fell 22.2% to $192.2 million from 30 June 2009, resulting in gearing (net debt to net debt plus equity) at 31 December 2009 of 30.1%, a significant improvement when compared to gearing as at 30 June 2009 of 40.5%.

The effective tax rate (prior to NRIs and asset sales) was 30.2%, below the pcp of 35.8%. The largest drivers of the change in tax rate were the Federal Government investment allowance and the mix of profits by country within Braiform.

Dividend

The Directors have declared an interim dividend of 5.0 cents per share, franked to 60%, which compares to 5.0 cents per share in the pcp (franked to 100%).

The level of franking for the 2010 interim dividend reflects the lower tax rate, Spotless' low level of surplus franking credits and the impact of additional shares on issue from the recent equity raising. The interim dividend is consistent with Spotless' previously stated dividend policy, which targets a payout ratio of between 50% and 60% of EPS prior to NRIs.

OUTLOOK

Facility Services

The business is competitively positioned to support clients with a unique breadth and depth of services. Spotless' strong integrated services offering to clients resulted in significant new business wins during the period and the pipeline of new contract opportunities has strengthened over the course of the first half.

The impact on clients of more subdued economic conditions has varied across Spotless' diverse range of clients and service offerings. Facility Services continues to experience some demand softness, but in areas has shown early signs of a potential demand recovery, supported by the award of new business during the first half. Notwithstanding an expectation for Government fiscal stimulus withdrawal, Facility Services is expected to generate improved revenue and EBIT in the second half.

Braiform

For Braiform, the timing and extent of a global economic recovery remains less clear. Additionally, when compared with the prior corresponding period, current foreign exchange rates and resin prices are less favourable.

Notwithstanding these external headwinds, cost and operating efficiency initiatives are in place and Braiform expects to produce improved revenue and EBIT results in the second half of the year, consistent with the business' typical mix of earnings and the impact of previously announced European reuse contracts won in 2009.

Group

In the absence of major unforseen events, Spotless expects that second half revenue and earnings will exceed the first half.

We remain confident that we have the right strategy to enable Spotless to fully realise its potential and remain committed to delivering sustainable value for our clients, shareholders and people.

Josef Farnik
Managing Director & Chief Executive Officer
Spotless Group Limited

19 February 2010

Spotless Group Limited

ABN 77 004 376 514

Half Yearly Financial Report
for the half year ended 31 December 2009

SPOTLESS GROUP LIMITED
and controlled entities

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Directors' Report

Your Directors are pleased to present their report for the half year ended 31 December 2009. In order to comply with the provisions of the *Corporations Act 2001* , the Directors report as follows:

Directors

The names of the Directors of Spotless Group Limited in office during the half year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

P J Smedley (Chairman)
J P Farnik (Managing Director and Chief Executive Officer)
A E Beanland
B K Morris
L B O'Bryan (retired 20 November 2009)
D A Pritchard
E M Proust
G T Ricketts

Principal activities

The principal activities of the Spotless Group of companies during the reporting period were the provision of an extensive range of services and products to the industrial, healthcare, education, resources, government and leisure sectors in Australia, New Zealand and the Middle East and to garment-based retailers and manufacturers throughout the world.

Results

The consolidated profit of the Spotless Group for the half year ended was $24.5 million (2008: $17.4 million) after income tax and minority interests.

Review of operations

Please refer to the attached commentary on the review of operations.

Subsequent events

Subsequent to 31 December 2009 an entity in the consolidated entity entered into a conditional agreement to acquire 100% of the ordinary shares in Cleanevent Holdings Pty Ltd. Cleanevent Holdings Pty Ltd is based in Australia, with international operations and its principal activity is cleaning and facility maintenace of major events and venues. This transaction remains contingent on novating certain contracts. This condition precedent is expected to be met over the coming weeks and completion will take place in early March 2010.

Other than the above, there has not been any other matter or circumstance since 31 December 2009 that has significantly or may significantly affect the operations, results of those operations or the state of affairs of the entity or consolidated entity in future financial years.

Rounding of amounts

The Company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998 and in accordance with the Class order amounts in the Directors' report and financial report are rounded off to the nearest hundred thousand dollars unless otherwise stated.

Auditor's independence declaration

A copy of the Auditor's declaration made pursuant to s.307C of the *Corporations Act 2001* in relation to the review for the half year is contained on page 13 of this report.

Signed in accordance with a resolution of the Directors made pursuant to s.306(3) of the *Corporations Act 2001* .

On behalf of the Directors

P J Smedley
Chairman

Sydney, 19 February 2010

J P Farnik
Managing Director

Sydney, 19 February 2010

SPOTLESS GROUP LIMITED
and controlled entities

Condensed Consolidated Statement of Comprehensive Income
for the half year ended 31 December 2009

	Consolidated	
	Half year ended 31 Dec 2009 $m	**Half year ended 31 Dec 2008 $m**
Revenue attributable to continuing operations	**1,208.5**	1,183.6
Other income attributable to continuing operations	**3.4**	6.0
	1,211.9	1,189.6
Direct employee expenses	**(439.6)**	(426.1)
Subcontractor expenses	**(309.9)**	(266.7)
Cost of goods used	**(239.9)**	(271.2)
Impairment of available-for-sale financial assets	**-**	(4.4)
Occupancy costs	**(34.1)**	(35.2)
Professional costs	**(7.8)**	(8.5)
Transportation costs	**(20.2)**	(24.3)
Catering rights	**(28.8)**	(26.4)
Other expenses	**(50.0)**	(49.4)
Profit before depreciation, amortisation, finance costs and income tax expense (EBITDA)	**81.6**	77.4
Depreciation and amortisation expense	**(34.3)**	(35.7)
Profit before finance costs and income tax expense (EBIT)	**47.3**	41.7
Finance costs - interest expense	**(12.0)**	(13.8)
Finance costs - interest revenue	**0.5**	0.8
Profit before income tax expense	**35.8**	28.7
Income tax expense	**(10.8)**	(10.8)
Profit for the half year	**25.0**	17.9
Other Comprehensive Income		
Foreign currency translation differences for foreign operations	**(3.7)**	14.6
Effective portion of changes in fair value of cash flow hedges	**4.3**	(6.2)
Net change in fair value of available for sale financial instruments	**2.1**	2.7
Income tax on effective portion of changes in fair value of cash flow hedges	**(1.4)**	1.9
Other comprehensive income for the year, net of income tax	**1.3**	13.0
Total Comprehensive income for the half year	**26.3**	30.9
Profit attributable to:		
Equity holders of the parent	**24.5**	17.4
Non-controlling interest	**0.5**	0.5
Profit for the half year	**25.0**	17.9
Total comprehensive income attributable to:		
Equity holders of the parent	**25.9**	30.0
Non-controlling interest	**0.4**	0.9
Total comprehensive income	**26.3**	30.9

Earnings per share	**Cents per share**	**Cents per share**
Basic and diluted earnings per share	**10.0**	8.0
Basic and diluted earnings per share from continuing operations	**10.0**	8.0

The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

SPOTLESS GROUP LIMITED
and controlled entities

Condensed Consolidated Balance Sheet
as at 31 December 2009

	Consolidated		
	As at 31 Dec 2009 $m	**As at 30 Jun 2009 $m**	**As at 31 Dec 2008 $m**
Current assets			
Cash and cash equivalents	**48.6**	56.0	56.6
Current tax assets	**2.5**	3.2	2.9
Trade and other receivables	**291.7**	279.9	279.3
Inventories	**43.7**	51.1	68.8
Other financial assets	**3.2**	2.7	4.4
Prepayments	**11.1**	9.6	7.7
Total current assets	**400.8**	402.5	419.7
Non-current assets			
Investments accounted for using the equity method	**4.9**	5.0	5.6
Other financial assets	**26.8**	23.5	21.8
Property, plant and equipment	**192.7**	185.9	189.0
Goodwill	**393.5**	393.3	387.9
Intangible assets	**19.2**	19.5	13.5
Deferred tax assets	**33.5**	37.1	37.9
Prepayments	**5.2**	6.5	6.3
Total non-current assets	**675.8**	670.8	662.0
Total assets	**1,076.6**	1,073.3	1,081.7
Current liabilities			
Trade and other payables	**290.4**	303.4	273.6
Borrowings	**10.5**	10.1	111.1
Current tax payables	**3.5**	3.3	5.9
Provisions	**70.9**	73.9	64.2
Other	**2.5**	4.4	1.3
Total current liabilities	**377.8**	395.1	456.1
Non-current liabilities			
Borrowings	**192.3**	259.4	228.0
Other financial liabilities	**38.0**	33.7	7.1
Deferred tax liabilities	**16.7**	14.6	11.8
Provisions	**5.4**	5.4	16.9
Other	**0.7**	1.4	1.3
Total non-current liabilities	**253.1**	314.5	265.1
Total liabilities	**630.9**	709.6	721.2
Net assets	**445.7**	363.7	360.5
Equity			
Issued capital	**606.1**	521.5	521.2
Reserves	**(30.0)**	(24.1)	(12.6)
Retained profits	**(130.4)**	(141.8)	(156.2)
Parent entity interest	**445.7**	355.6	352.4
Non-controlling interest	**-**	8.1	8.1
Total equity	**445.7**	363.7	360.5

The Condensed Consolidated Balance Sheet should be read in conjunction with the accompanying notes.

SPOTLESS GROUP LIMITED
and controlled entities

Condensed Consolidated Statement of Changes in Equity
for the half year ended 31 December 2009

	Consolidated $m								
	Attributable to equity holders of the parent								
	Issued Capital	Foreign Currency Translation Reserve	Debt Hedging Reserve	Investment Revaluation Reserve	Share Based Payment Reserve	Retained earnings	Total	Non-controlling Interest	Total
At 30 June 2008	**519.6**	**(27.5)**	**7.7**	**(2.7)**	**-**	**(150.7)**	**346.4**	**7.6**	**354.0**
Profit for the half year	-	-	-	-	-	17.4	17.4	0.5	17.9
Other comprehensive income									
Currency translation differences	-	14.2	-	-	-	-	14.2	0.4	14.6
Movement in foreign exchange swap	-	-	38.8	-	-	-	38.8	-	38.8
Movement in loan balance	-	-	(45.0)	-	-	-	(45.0)	-	(45.0)
Loss on available-for-sale financial assets	-	-	-	(1.7)	-	-	(1.7)	-	(1.7)
Transfer to profit of impairment of available-for-sale financial assets	-	-	-	4.4	-	-	4.4	-	4.4
Tax effect of movements	-	-	1.9	-	-	-	1.9	-	1.9
Total other comprehensive income	-	14.2	(4.3)	2.7	-	-	12.6	0.4	13.0
Total comprehensive income	-	14.2	(4.3)	2.7	-	17.4	30.0	0.9	30.9
Dividends reinvested	1.6	-	-	-	-	-	1.6	-	1.6
Dividends paid	-	-	-	-	-	(22.9)	(22.9)	(0.4)	(23.3)
Recognition of share based payment expense	-	-	-	-	0.6	-	0.6	-	0.6
Re-purchase of shares	-	-	-	-	(3.8)	-	(3.8)	-	(3.8)
Tax effect of movements	-	-	-	-	0.5	-	0.5	-	0.5
At 31 December 2008	**521.2**	**(13.3)**	**3.4**	**-**	**(2.7)**	**(156.2)**	**352.4**	**8.1**	**360.5**
At 30 June 2009	**521.5**	**(22.8)**	**1.4**	**-**	**(2.7)**	**(141.8)**	**355.6**	**8.1**	**363.7**
Profit for the half year	-	-	-	-	-	24.5	24.5	0.5	25.0
Other comprehensive income									
Currency translation differences	-	(3.6)	-	-	-	-	(3.6)	(0.1)	(3.7)
Movement in foreign exchange swap	-	-	(4.2)	-	-	-	(4.2)	-	(4.2)
Movement in loan balance	-	-	8.5	-	-	-	8.5	-	8.5
Gain on available-for-sale financial assets	-	-	-	2.1	-	-	2.1	-	2.1
Tax effect of movements	-	-	(1.4)	-	-	-	(1.4)	-	(1.4)
Total other comprehensive income	-	(3.6)	2.9	2.1	-	-	1.4	(0.1)	1.3
Total comprehensive income	-	(3.6)	2.9	2.1	-	24.5	25.9	0.4	26.3
Dividends reinvested	0.6	-	-	-	-	-	0.6	-	0.6
Dividends paid	-	-	-	-	-	(13.1)	(13.1)	(0.4)	(13.5)
Recognition of share based payment expense	-	-	-	-	0.4	-	0.4	-	0.4
Proceeds from shares issued	86.2	-	-	-	-	-	86.2	-	86.2
Transaction costs on shares issued	(2.2)	-	-	-	-	-	(2.2)	-	(2.2)
Acquisition of non-controlling interests	-	-	-	(7.7)	-	-	(7.7)	(8.1)	(15.8)
At 31 December 2009	**606.1**	**(26.4)**	**4.3**	**(5.6)**	**(2.3)**	**(130.4)**	**445.7**	**-**	**445.7**

Total number of fully paid ordinary shares on issue at 31 December 2009 were 259,126,131 (30 June 2009: 218,989,922)

The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

SPOTLESS GROUP LIMITED
and controlled entities
Condensed Consolidated Cash Flow Statement
for the half year ended 31 December 2009

	Consolidated	
	Half year ended 31 Dec 2009 $m	Half year ended 31 Dec 2008 $m
Cash flows from operating activities		
Receipts from customers	**1,296.9**	1,288.8
Payments to suppliers and employees	**(1,245.8)**	(1,244.1)
Interest received	**0.4**	0.7
Other receipts	**3.2**	3.7
Interest and other costs of finance paid	**(10.8)**	(12.7)
Income tax paid	**(6.1)**	(12.1)
Net cash provided by operating activities	**37.8**	24.3
Cash flows from investing activities		
Payment for property, plant and equipment	**(41.7)**	(30.9)
Payment for option on property	**-**	(1.3)
Proceeds from sale of property, plant and equipment	**0.5**	2.4
Payment for business	**(0.4)**	-
Payment for available-for-sale financial assets	**(2.1)**	-
Payment for intangible assets	**(1.1)**	(1.8)
Proceeds from repayment of Security Plan Loans	**0.2**	1.5
Payment for non-controlling interests (Taylors Group Limited)	**(16.0)**	-
Dividends received	**0.1**	-
Net cash used in investing activities	**(60.5)**	(30.1)
Cash flows from financing activities		
Proceeds from shares issued	**86.2**	-
Payments for transaction costs on shares issued	**(2.2)**	-
Payment for share scheme	**-**	(3.8)
Proceeds from borrowings	**209.1**	404.0
Repayment of borrowings	**(262.2)**	(363.4)
Dividends paid - members of the parent entity	**(12.5)**	(21.3)
- non-controlling interest	**(0.4)**	(0.4)
Net cash provided by financing activities	**18.0**	15.1
Net increase/(decrease) in cash and cash equivalents	**(4.7)**	9.3
Cash and cash equivalents at the beginning of the half year	**56.0**	35.4
Effects of exchange rate changes on the balance of cash held in foreign currencies	**(2.7)**	11.9
Cash and cash equivalents at the end of the half year	**48.6**	56.6

The Condensed Consolidated Cash Flow Statement should be read in conjunction with the accompanying notes.

1. Statement of Compliance

This general purpose condensed financial report for the half year ended 31 December 2009 has been prepared in accordance with the *Corporations Act 2001* and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with IAS 34 *'*Interim Financial Reporting*'*.

The half year financial report does not include all notes of the type normally included within the annual report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half year financial report be read in conjunction with the annual report for the year ended 30 June 2009 and considered together with any public announcements made by the consolidated entity during the half year ended 31 December 2009 in accordance with the continuous disclosure obligations of the ASX listing rules.

2. Basis of Preparation

The condensed financial statements have been prepared on a historical cost basis, except for financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars unless otherwise noted.

The company is a company of the kind referred to in ASIC Class Order 98/0100, dated 10 July 1998, and in accordance with that Class Order amounts in the Directors' report and the half year financial report are rounded to the nearest hundred thousand dollars, unless otherwise indicated.

Apart from changes in accounting policy noted below, the accounting policies and methods of computation are the same as those adopted in the most recent annual financial report for the financial year ended 30 June 2009.

Changes in Accounting Policy

From 1 July 2009 the consolidated entity has adopted the following Standards and Interpretations. Adoption of these Standards and Interpretations did not have any effect on the financial position or performance of the consolidated entity.

- AASB 101 'Presentation of Financial Statements' (revised September 2007).
- AASB 2008-1 'Amendments to Australian Accounting Standard - Share-based payments: vesting Conditions and Cancellations'.
- Revised AASB 3 'Business Combinations' and revised AASB 127 'Consolidated and Separate Financial Statements'.
- AASB 2008-5 'Amendments to Australian Accounting Standards arising from the Annual Improvements Process'.
- AASB 2008-6 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Process'.
- AASB 2008-7 'Amendments to Australian Accounting Standards - Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate'.
- AASB 2008-8 'Amendments to Australian Accounting Standards - Eligible Hedged Items'.
- AASB 2009-4 'Amendments to Australian Accounting Standards arising from the Annual Improvements Process'.
- Interpretation 16 'Hedges of a Net Investment in a Foreign Operation'

The consolidated entity has not elected to early adopt any new standards or amendments.

Acquisition of Non-Controlling Interest

As disclosed in Note 7, the consolidated entity acquired the remaining 33.99% non-controlling interest in Taylors Group Limited during the period. AASB 127 *Consolidated and Separate Financial Statements* requires increases in investments in existing subsidiaries to be recognised in equity with no impact on goodwill and profit and loss. As such, an amount of $7.7m, representing the difference between the consideration paid and the carrying amount of outside equity interest in Taylors Group Limited, has been included in the Investment Revaluation Reserve as at 31 December 2009.

3. Segment Information

The consolidated entity's reportable segments under AASB 8 are as follows:

	External Sales Revenue		Segment Result	
	Half year ended		Half year ended	
Operating Segments	**31 Dec 2009 $m**	**31 Dec 2008 $m**	**31 Dec 2009 $m**	**31 Dec 2008 $m**
Cleaning Services	**133.1**	124.4	**6.9**	7.6
Food Services[1]	**271.7**	282.7	**10.7**	15.0
Laundry Services	**118.4**	113.4	**14.8**	13.7
Managed Services	**564.5**	492.6	**16.3**	14.9
	1,087.7	1,013.1	**48.7**	51.2
Braiform	**118.6**	167.5	**3.2**	0.9
Total Operating Segments	**1,206.3**	1,180.6	**51.9**	52.1
Unallocated corporate administration costs			**(4.6)**	(6.0)
EBIT prior to non-recurring items ("NRIs")			**47.3**	46.1
NRIs: Impairment of available-for-sale financial assets			**-**	(4.4)
EBIT after NRIs			**47.3**	**41.7**
Net finance costs			**(11.5)**	(13.0)
Profit before income tax expense			**35.8**	28.7
Income tax expense			**(10.8)**	(10.8)
	1,206.3	1,180.6	**25.0**	17.9

Inter-segment transactions are immaterial.

1: 2008 comparative result includes the non-cash profit on sale of a contract of $2.9m.

Cleaning Services: provide commercial and specialised cleaning services to a wide range of critical sectors including hospitals, schools and airports.

Food Services: offer food services to a diverse range of customers including sport stadiums, function centres, airports and business and education institutions.

Laundry Services: wash and supply workwear for large supermarket chains, food manufacturing and general industry customers. Specialise in linen and laundry for the healthcare sector, including sterilised linen and surgical packs.

Managed Services: is comprised of Spotless' facilities management, asset maintenance operations and painting and refurbishment services. Managed Services supports a variety of vital sectors such as defence, education, health, industry and mining.

Braiform: this division manages the supply of garment hanger and apparel packaging products, servicing clients globally.

The accounting policies of the reportable segments are the same as the consolidated entity's accounting policies.

Segment result represents the profit earned by each segment without allocation of corporate administration costs, transaction costs, non-recurring items, finance costs and income tax expense.

4. Revenue from Operations

	Half year ended 31 Dec 2009 $m	Half year ended 31 Dec 2008 $m
Revenue from operating activities		
Sales revenue	**1,206.3**	1,180.6
Royalties	**2.1**	2.7
Dividends	**0.1**	0.3
Other income	**3.4**	6.0
	1,211.9	1,189.6

5. Net Finance Costs

	31 Dec 2009 $m	31 Dec 2008 $m
Interest expense	**11.7**	13.3
Costs of borrowing	**0.3**	0.5
	12.0	13.8
Interest revenue		
Third party entities	**0.4**	0.5
Security Plan Loans	**0.1**	0.3
	0.5	0.8
Net Finance Costs	**11.5**	13.0

6. Dividends

	Half year ended 31 Dec 2009 Cents per share	Half year ended 31 Dec 2009 Total $m	Half year ended 31 Dec 2008 Cents per share	Half year ended 31 Dec 2008 Total $m
Fully Paid Ordinary Shares				
Recognised or paid amounts				
2009 Final dividend - 100% franked	6.0	13.1	-	-
2008 Final dividend - 60% franked	-	-	10.5	22.9
Fully Paid Ordinary Shares				
Unrecognised and declared amounts				
2010 Interim dividend - 60% franked	5.0	13.0	-	-
2009 Interim dividend - 100% franked	-	-	5.0	10.9

7. Changes in the composition of the consolidated entity

During the half year ended 31 December 2009 the consolidated entity acquired the remaining 33.99% non-controlling interest in its subsidiary Taylors Group Limited for net consideration of $16.0m.
Other than the above, there have been no significant changes in the composition of the consolidated entity since 30 June 2009.

8. Commitments and Contingencies

There have been no changes to the commitments and contingencies disclosed in the most recent annual financial report. These are again specified below.

Legal claims

a) In February 2004 the consolidated entity announced that litigation had commenced against Spotless Group member entities in respect of contamination of two sites in Barkly Street Brunswick, formerly leased by a Spotless Group entity but vacated many years ago. Notes have appeared in the Spotless Group Limited Financial Statements in 2004 and subsequent years. Hearing of the claims proceeded before the Victorian Supreme Court over the past year. On 5 October 2007 the court determined that all claims against the Spotless Group failed, other than a limited claim for statutory compensation amounting to between $3 million and $4 million. The final amount will be determined after independent assessment and further submissions to the court. Spotless is currently in the process of appealing this judgement.

b) Two entities in the consolidated entity, have been charged under the Occupational Safety and Health Act 1984 (WA), in relation to two deaths and serious harm caused to seven persons during Cyclone George in March 2007. The charges have been made by WorkSafe WA, which has also brought charges against six other companies, who are not part of the consolidated entity. The matter has been set down for trial from 31 May 2010.

c) A number of entities in the consolidated entity are required to guarantee their performance for certain contracts. These guarantees relate to contracts in the Food Services, Cleaning Services and Managed Services segments. The extent to which an outflow of funds will be required is dependent on the future operations.

9. Subsequent Events

Business Combination

Subsequent to 31 December 2009 an entity in the consolidated entity entered into a conditional agreement to acquire 100% of the ordinary shares in Cleanevent Holdings Pty Ltd. Cleanevent Holdings Pty Ltd is based in Australia, with international operations and its principal activity is cleaning and facility maintenace of major events and venues. The strategic acquisition would provide an expanded geographic footprint for Spotless' Facility Services operations into the United Kingdom, Europe, the United States and Middle East and increased scale and efficiencies in the Australian market. It would further consolidate Spotless' position as a leading supplier of outsourced services.

This transaction remains contingent on novating certain contracts. This condition precedent is expected to be met over the coming weeks and completion will take place in early March 2010. Therefore at the date of this report it is not possible to make any further disclosures as the initial accounting for the business combination is incomplete as the consolidated entity has yet to obtain control.

Other

Other than mentioned above, there has not been any other matter or circumstance since 31 December 2009 that has significantly or may significantly affect the operations, results of those operations or the state of affairs of the entity or consolidated entity in future financial years.

10. Issuances, repurchases and repayments of securities

During the half year reporting period, Spotless Group Limited issued 39,904,223 ordinary shares for $86.2 million under a share purchase plan (2008: nil), 231,986 ordinary shares for $0.6 million (2008: 457,659 ordinary shares for $1.6 million) under its Dividend Reinvestment Plan and no shares under the Spotless Group Securities Plan (2008: Nil). The Securities Plan is now closed.

Directors' Declaration
for the half year ended 31 December 2009

The Directors declare that;

(a) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001* ("the Act"), including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity; and

(b) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to section 303(5) of the Act.

On behalf of the Directors

P J Smedley
Chairman

Sydney, 19 February 2010

J P Farnik
Managing Director

Sydney, 19 February 2010

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The Board of Directors
Spotless Group Limited
Level 3, 350 Queen Street
MELBOURNE VIC 3000

19 February 2010

Dear Board Members

Spotless Group Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Spotless Group Limited.

As lead audit partner for the review of the financial statements of Spotless Group Limited for the financial half-year ended 31 December 2009, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

(ii) any applicable code of professional conduct in relation to the review.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ian Sanders

Ian Sanders
Partner
Chartered Accountants

Deloitte.

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Independent Auditor's Review Report to the members of Spotless Group Limited

We have reviewed the accompanying half-year financial report of Spotless Group Limited, which comprises the condensed consolidated balance sheet as at 31 December 2009, and the condensed consolidated statement of comprehensive income, the condensed consolidated cash flow statement and the condensed consolidated statement of changes in equity for the half-year ended on that date, selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 4 to 12.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of Spotless Group Limited's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Spotless Group Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Spotless Group Limited is not in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Ian Sanders

Ian Sanders
Partner
Chartered Accountants
Melbourne, 19 February 2010

Member of
Deloitte Touche Tohmatsu