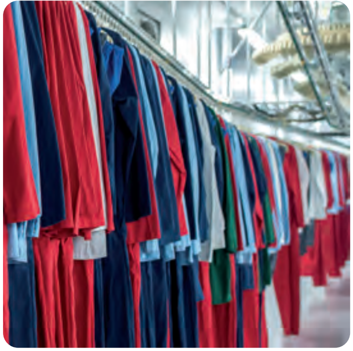
Annual Report and Accounts 2014



JOHNSON
SERVICE GROUP PLC

THE ESTABLISHED NAME IN THE TEXTILE RENTAL AND DRYCLEANING SECTORS

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GROUP OVERVIEW AND HIGHLIGHTS

TEXTILE RENTAL

PROVIDING WORKWEAR AND LINEN RENTAL AND LAUNDRY SERVICES THROUGHOUT THE UK.

Apparelmaster

The UK's market leading workwear rental, protective wear and workplace hygiene services provider with some 40,000 UK-based customers operating in a wide cross-section of industries.

www.apparelmaster.co.uk

Stalbridge

Providing a wide range of high quality products to the premium hotel, catering and corporate hospitality markets, including chefswear, crisp white bed linen, fluffy towels and a range of table linen.

www.stalbridge-linen.com

Bourne

Providing high quality linen to a complete cross section of hotels, including city and town centre establishments, holiday village resorts and many hotels in the rapidly growing budget hotel sector.

www.bournegroup.co.uk

DRYCLEANING

PROVIDING DRYCLEANING AND SPECIALIST GARMENT CARE SERVICES THROUGHOUT THE UK.

Johnsons Cleaners

The UK's number one drycleaner with a network of conveniently located branches nationwide. Leaders in drycleaning, specialist textile and garment aftercare services.

www.johnsoncleaners.com

Jeeves

Jeeves is a respected luxury brand offering premium quality services to customers including haute-couture houses, a wide range of City and bespoke-service-seeking individuals and is the holder of a Royal Warrant.

www.jeevesofbelgravia.co.uk

STRONG PERFORMANCE IN A CHALLENGING ENVIRONMENT

210.4m

REVENUE
Increased to £210.4m (2013: £193.6m)

21.8m

ADJUSTED OPERATING PROFIT [1]
Increased to £21.8m (2013: £17.0m)

20.0m

ADJUSTED PROFIT BEFORE TAX [2]
Increased to £20.0m (2013: £13.4m)

1.8m

FINANCE COSTS
Reduced to £1.8m (2013: £3.6m)

5.2p

ADJUSTED FULLY DILUTED EPS [3]
Increased to 5.2p (2013: 3.8p)

1.70p

FULL YEAR DIVIDEND
Increased to 1.70p (2013: 1.21p)

[1] Before amortisation and impairment of intangible assets (excluding software amortisation) and exceptional items

[2] Adjusted operating profit, less total finance cost

[3] Calculated using adjusted profit before tax, and deducting the charge to, or adding the credit for taxation thereon

STRATEGIC REVIEW
TIM MORRIS

THE ESTABLISHED NAME IN THE TEXTILE RENTAL AND DRYCLEANING SECTORS

The Group's Strategic Report comprises the Group Overview and Highlights, the Strategic Review, the Chairman's Statement, the Chief Executive's Operating Review, the Financial Review, the Corporate Social Responsibility Statement and the Principal Risks and Uncertainties.

Principal Activities and Business Overview

Johnson Service Group PLC (the "Company") and its subsidiaries (together, the "Group") provide textile related services to both businesses and consumers. 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 Group has two distinct operating segments:

Textile Rental

Provision and laundering of workwear, roller towels, corporate apparel, dust mats, premium linen for the hotel, catering and hospitality markets, linen for the high volume hotel market and the direct sale of associated products.

Drycleaning

Provision of retail and commercial drycleaning and other associated support services.

Mission

- Enable our people and businesses to achieve their true potential from a stable financial platform.

Vision

- Achieve and maintain market leadership in all sectors in which we have a major focus.

Values

- To behave, and to be recognised, as a good citizen in the communities in which our businesses operate.
- To believe in the talents and energy of those who work in our businesses, to encourage them wherever possible to take responsibility and to give them the power to follow through on the decisions they take.

Targets

- Be recognised as market leader across all our brands.
- Provide leading edge customer service in all of our businesses.
- Continuously strive to minimise the environmental impact of our operations.
- Continually increase Total Shareholder Return (TSR).

Our Business Model

For some time now, the Board's strategy has been to refocus the Group on our original core business of Textile Services, as well as to reduce net debt. The disposal of the Facilities Management division in August 2013 followed by the acquisition of Bourne Services Group Limited in March 2014 and the restructuring of the Drycleaning business announced in January 2015, represent major steps in achieving this goal.

The Group's business model, which supports this strategy and aims to increase both profitability and shareholder value, focuses on delivering exceptional customer service across all of our businesses in order to increase customer satisfaction and loyalty, and in turn cement the Group as No.1 in the markets in which we operate.

Key to this is our biggest asset, our employees, who are the face of our business. The investment we make in the training and development of our employees supports our business model and we seek the views and opinions of employees, at all levels, to continuously develop the way we operate such that we support our people and the operations of the Group.

Further to growing the underlying Group we continue to actively pursue strategic acquisition opportunities within the Textile Rental sector and to identify businesses which broaden our services and add value for Shareholders.

Key Performance Indicators (KPIs)

The Group refers to certain KPIs to assess the performance of the Group as a whole, and of the individual businesses. Further details of the KPIs are set out within the Financial Review on page 13.

Future Prospects

All companies with a Premium Listing of equity shares in the UK are required under the Listing Rules to comply with the Financial Reporting Council's UK Corporate Governance Code (the "Code"). A new edition of the Code was issued in September 2014, applies to

OUR TARGETS

TO BE RECOGNISED AS MARKET LEADER ACROSS ALL OF OUR BRANDS.

TO PROVIDE LEADING EDGE CUSTOMER SERVICE IN ALL OF OUR BUSINESSES.

TO CONTINUOUSLY STRIVE TO MINIMISE THE ENVIRONMENTAL IMPACT OF OUR OPERATIONS.

TO CONTINUALLY INCREASE TOTAL SHAREHOLDER RETURN (TSR).

reporting periods beginning on or after 1st October 2014 and is intended to enhance the quality of information investors receive about the long-term health and strategy of listed companies, and raises the bar for risk management.

As a Company trading on AIM, Johnson Service Group PLC is not required to comply with the Code, however, the Board is acutely aware that whether or not an entity is a going concern, and therefore likely to continue in operation for the foreseeable future, is of vital importance to all stakeholders. As a consequence a statement, on behalf of the Board, is set out below on the future prospects of the Group. This statement has not been prepared to comply with the requirements of the new Code but embraces the core principles of the new reporting requirements.

"The Directors confirm that, based upon the information and knowledge of which they can be reasonably expected to be aware, they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due for a period of not less than 36 months from the date of this report, and that it is, therefore, appropriate to adopt the going concern principle in preparing these financial statements".

Whilst the Directors expect the future prospects of the Group to extend beyond the 36 month period referred to above, this period has been selected, for the purpose of this statement, based upon the following:

- the Group has a committed bank facility, with significant headroom both in terms of covenant compliance and availability, through to May 2018;
- interest rate risk is mitigated through hedging arrangements which, currently and until January 2016, replace LIBOR with a fixed rate of 1.79% over £20.0 million of borrowings. The Directors will consider additional hedging arrangements in advance of the existing arrangement expiring;
- our Textile Rental business, which forms the largest part of the Group, has a diversified customer base of some 40,000 customers, the majority of which have a formal contract in place, with varying expiry dates of up to five years, and hence providing a secure future income stream;
- given the diverse and unrelated nature of the Group's customer base, there is limited concentration of credit risk;
- the Group has prepared a three year financial budget, which has been reviewed, challenged and approved by the Board, that projects positive earnings under all reasonably possible scenarios;
- the Group continuously strives to seek out and invest in plant and equipment that will help drive operational efficiencies;
- the majority of the Group's key processing sites are owned on either a freehold or long leasehold basis thereby providing security of tenure;
- the wide geographic spread of processing sites mitigates the effect of a loss of any single processing facility and, furthermore, appropriate insurance cover is in place such that the increased cost of working following a loss of processing capacity may, in some circumstances, be recovered; and
- the Group continuously reviews the adequacy and strength of its management teams to ensure that appropriate experience and training is given and develops succession planning as part of the development programmes for our people.

Although the Board is confident of the future prospects of the Group, there remain a number of risks and uncertainties, which are often beyond the control of the Directors, which could mean that actual results and events may differ from those budgeted.

Strategic Report Approval

The Strategic Report, outlined on pages 2 to 19, incorporates the Group Overview and Highlights, the Strategic Review, the Chairman's Statement, the Chief Executive's Operating Review, the Financial Review, the Corporate Social Responsibility Statement and the Principal Risks and Uncertainties.

By order of the Board

Tim Morris
Company Secretary
3rd March 2015

CHAIRMAN'S STATEMENT
PAUL MOODY

OUR STRONG PERFORMANCE CONTINUES

I am delighted to report that the Group has delivered another strong set of results for the full year, building on the success of the first half, and significantly ahead of 2013.

Our entry into the volume hotel linen market through the acquisition of Bourne Services Group Limited (Bourne) in March 2014 has been very successful and immediately earnings enhancing. Our Apparelmaster and Stalbridge businesses have also performed strongly and the recent significant investment in a new highly efficient workwear processing facility reaffirms our focus on the textile rental business.

At the beginning of January 2015, we announced the restructuring of the Drycleaning business, with the future focus on highly convenient collection and delivery locations. Implementation of the restructuring plan is progressing in line with our expectations.

Given the encouraging performance of the Group and our confidence in the future prospects of the business, we are proposing a final dividend of 1.20 pence (2013: 0.81 pence) per share, making a total dividend for the full year of 1.70 pence (2013: 1.21 pence), an increase of 40.5%.

Group Results

Total revenue for the year increased to £210.4 million (2013: £193.6 million) benefitting from the ten months of trading from Bourne. Adjusted operating profit increased by 28.2% to £21.8 million (2013: £17.0 million). The key drivers of this performance are explained further in the Chief Executive's Operating Review.

Total finance cost in 2014 was £1.8 million (2013: £3.6 million), benefitting from the lower margin on reduced average bank borrowings and a reduction in the notional interest charge on net pension liabilities to £0.2 million (2013: £0.8 million).

Adjusted profit before tax increased by 49.3% to £20.0 million (2013: £13.4 million).

Amortisation and impairment of intangible assets (excluding software amortisation) for the year increased to £1.6 million (2013: £0.6 million), reflecting the acquisition of Bourne. Exceptional items for the year amounted to an aggregate charge of £6.8 million (2013: £0.6 million) and comprise costs in relation to business acquisition activity totalling £0.6 million, costs arising on the relocation to our new workwear processing facility in Leeds amounting to £1.3 million and the past service cost impact, together with expenses, arising from the closure to future accrual of the Group's final salary pension scheme on 31st December 2014 totalling £4.9 million. Of this pension charge, £4.7 million is non-cash.

Profit before tax amounted to £11.6 million (2013: £12.2 million).

The tax charge on the adjusted profit before tax was at a rate of 22.4% (2013: 22.6%). After the amortisation and impairment of intangible assets (excluding software amortisation) and exceptional items noted above, the post-tax profit from continuing operations was £8.6 million (2013: £9.8 million).

Adjusted fully diluted earnings per share from continuing operations were up 36.8% to 5.2 pence (2013: 3.8 pence). Fully diluted earnings per share from continuing operations after exceptional items were 2.9 pence (2013: 3.6 pence).

Dividend

The Board is recommending a final dividend of 1.20 pence per share (2013: 0.81 pence), making a total dividend in respect of 2014 of 1.70 pence per share (2013: 1.21 pence), an increase of 40.5%. The dividend increase is reflective of the significant increase in underlying adjusted profit before tax whilst having regard for the anticipated cash requirement for future expansion.

The proposed final dividend, if approved by Shareholders, will be paid on 15th May 2015 to Shareholders on the register at close of business on 17th April 2015. The ex dividend date is 16th April 2015.

Finances

Total net debt at the end of 2014 was £28.5 million (December 2013: £24.5 million), with the strong trading performance and equity raising helping to offset the acquisition of Bourne and the significant investment in capital expenditure.

Interest cover, based on adjusted operating profit and excluding notional interest, was 13.6 times (2013: 6.1 times).

A new bank facility, which currently comprises a £60.0 million revolving credit facility, was agreed in February 2014 and runs to May 2018.

Interest payable on bank borrowings is based upon LIBOR plus a margin which is linked to gearing levels. The applicable margin during 2014 was, on average, 1.83% and will be 1.50% for, at least, the first quarter of 2015. We have mitigated our exposure to increases in LIBOR rates through the use of interest rate hedging. £20.0 million of the bank facility has been hedged so that LIBOR is substituted for a fixed rate of 1.79% for three years from January 2013.

Pension

The recorded net deficit after tax for all post-employment benefit obligations has increased to £14.8 million from £3.4 million at 31st December 2013. This increase in deficit is disappointing given the actions taken in previous years. This increase is due to a combination of a significant reduction in the discount rate applied to liabilities being only partly offset by the impact of an out performance of returns on scheme assets and to the impact of the closure of the defined benefit scheme to future accrual. The closure of the defined benefit pension scheme to future accrual accounts for £3.8 million of the increase in the recorded net deficit after tax and reflects the recognition of past service liabilities.

Asset allocation has been reviewed with the Trustee and changes made to more appropriately match assets against the remaining scheme liabilities and to reduce risk to a more acceptable level.

Deficit recovery payments amounted to £2.0 million in 2014 (2013: £1.9 million) and are expected to be £1.9 million in 2015, as agreed with the Trustee following the completion of the triennial valuation as at 5th October 2013.

The notional interest charge, which is non-cash, amounted to £0.2 million in 2014 (2013: £0.8 million). The charge for 2015 is dependent upon the level of the accounting deficit at 31st December 2014, and will, therefore, increase to £0.6 million for 2015.

Drycleaning Restructuring

The restructuring of the branch portfolio announced in January 2015 is progressing to plan and we believe the strategic actions we are taking will reposition the business to cater for the future requirements of customers and enable us to improve margin.

Employees

I would like to thank all employees in every part of the Group for their continuing commitment and dedication to delivering service beyond our customers' expectations.

Outlook

The strong performance of Textile Rental in 2014 has continued into 2015. We have identified areas for future growth and investment, particularly in sectors of the market where we are under represented.

The streamlined branch network, together with a focus on highly convenient drop off and collection locations, will provide new opportunities to improve the performance of our Drycleaning business.

The Board expects that the Group will continue to deliver a strong performance and successfully implement its strategy for 2015.

Paul Moody
Non-Executive Chairman
3rd March 2015

> "THE BOARD EXPECTS THAT THE GROUP WILL CONTINUE TO DELIVER A STRONG PERFORMANCE AND SUCCESSFULLY IMPLEMENT ITS STRATEGY FOR 2015"

CHIEF EXECUTIVE'S OPERATING REVIEW
CHRIS SANDER

2014 HAS SEEN SOME SIGNIFICANT ACHIEVEMENTS

Within the Group there are two operating segments, Textile Rental, which is by far the largest business, and Drycleaning.

Textile Rental

The Textile Rental business trades through three brands servicing three market sectors within Textile Rental in the UK. These are "Apparelmaster", which predominantly provides workwear rental and laundry services to all sectors of industry, "Stalbridge", which provides premium linen services to the hospitality and corporate events market and "Bourne", which provides high volume hotel linen.

Textile Rental revenue increased by 13.8% to £155.0 million (2013: £136.2 million) whilst adjusted operating profit increased by 25.9% to £23.8 million (2013: £18.9 million), both helped by the addition of Bourne in March 2014. The associated margin increased from 13.9% to 15.4%.

Apparelmaster had another successful year, delivering higher levels of new business wins, increasing sales to existing customers and improving customer retention levels to in excess of 95%, resulting in both adjusted operating profit and margin improving. A number of large national contracts renewed their agreements resulting in additional spend on textile rental items with a corresponding increase in rental stock depreciation levels. However, this increased cost was offset by production efficiencies together with improved energy unit prices and consumption.

As in previous years, the business has continued to invest in equipment to drive higher productivity and lower energy consumption, ensuring that the business is on schedule to meet the Government targets for reduced energy consumption under the CCA (Climate Change Agreement).

As part of this investment strategy, a new and highly efficient £8.5 million workwear processing facility in Leeds has been completed, which replaces an existing facility, and which significantly increases garment processing capacity. The new state of the art plant is the largest and most modern workwear processing facility in the UK and incorporates some of the most efficient and cost effective equipment available in the market.

Apparelmaster has also continued to invest in IT support for the business and has further improved the ability to communicate with customers in a simple and transparent manner. The training and development of staff is key to our continued success and a more structured process is being introduced to ensure the continuing personal development of staff at all levels.

The business strategy of delivering enhanced quality and service to our customer base will continue into 2015 with the aim of sustaining the high customer retention rate achieved in 2014.

Stalbridge returned a strong performance as a result of encouraging new sales wins and a further improvement in customer retention levels, both of which were underpinned with productivity and efficiency benefits from the capital investment made in the final quarter of 2013 and the first quarter of 2014.

A new Managing Director was appointed during 2014, and by the end of the year had implemented a restructure of central overheads, which will reduce costs for 2015. Further investment of £1.2 million in plant and machinery has been approved for the first quarter of 2015 which will both increase capacity and reduce operating costs.

Stalbridge continues to focus on delivering market leading service and quality to premium hotel, restaurant and catering locations. To further improve the customer experience a new extranet and field based mobile technology solution has been developed. To enhance the Stalbridge brand values and service proposition a vigorous marketing campaign is planned throughout 2015, specifically related to its core market.

155.0m

Textile Rental revenue
Increased 13.8% from £136.2m in 2013

23.8m

Textile Rental adjusted operating profit
Increased 25.9% from £18.9m in 2013

55.4m

Drycleaning revenue
Decreased from £57.4m in 2013

1.6m

Drycleaning adjusted operating profit
Maintained at £1.6m

Bourne traded very strongly throughout the ten months since acquisition, delivering increased volume from existing customers as a result of buoyant hotel occupancy levels and new hotel openings. Despite strong pricing competition in the high volume linen market, Bourne has been very successful in delivering new sales wins. As a result of the increased volume, some of the additional capacity that was available upon acquisition is already being utilised.

Similar to our Apparelmaster and Stalbridge businesses, Bourne continuously invests in plant and equipment with a view to driving operational efficiency and lower energy consumption, as well as providing its customers with a higher quality product.

The addition of Bourne to our wider Textile Rental business is also allowing us to identify synergies and improvements in the efficiency of our supply chain.

We anticipate that Bourne will continue to perform ahead of our original expectations throughout 2015 in terms of business development, adjusted operating profit and margin.

Drycleaning

Our Drycleaning business is represented across the UK through the highly recognised Johnson Cleaners brand and our London based premium brand, Jeeves.

Revenue reduced to £55.4 million (2013: £57.4 million), reflecting the reduced number of branches, although adjusted operating profit was maintained at £1.6 million (2013: £1.6 million).

As the market dynamics of retail high streets have continued to change in recent years, so has our Drycleaning business model, and 2014 saw a significant development in alternative routes to market for Johnson Cleaners.

During 2014, the business developed a front of store presence in the premium supermarket Waitrose, improving convenience for many drycleaning customers. Following the success of the partnership trials, Johnson Cleaners had opened facilities in 78 Waitrose locations by December 2014, all utilising our unique and environmentally friendly GreenEarth® cleaning process. The number of Waitrose locations has subsequently increased to 122. We are very proud to be working with such a premium brand and to have developed a relationship which provides both parties with brand extension and customer reach opportunities.

In order to further enhance customer convenience, we have also established collection and delivery points in a small number of corporate office premises with a high concentration of staff and, in particular, as a preferred supplier with a number of facilities management companies who offer multiple services to their clients.

In addition to these initiatives, we have made significant progress with our website development, which now incorporates the capability of online transactions across various services and which will enable home collection and delivery of bulky items in the near future.

As announced on 6th January 2015, we have identified 109 branches which we expect to close by the end of the first half. The estimated net cost of the restructuring remains at £6.5 million and will be treated as an exceptional item in 2015. Of the estimated cost, £0.4 million is non-cash and only £1.4 million is an additional cash requirement, relating to the restructuring cost, as the balance is already contractually committed cash spend in the current and future years (including rent, rates, insurance and dilapidations) irrespective of the restructuring plan.

Chris Sander
Chief Executive Officer
3rd March 2015

A BREAKTHROUGH FOR THE DRYCLEANING INDUSTRY

GreenEarth® is an environmentally safe drycleaning process that uses liquid silicone, a gentle solution made from one of the earth's safest and most abundant natural resources.

Using water as the washing agent, as most of us do in our homes, is termed wet cleaning. Legend has it that drycleaning was discovered accidentally in France during the late 1800s. Apparently, someone spilled turpentine on a tablecloth with set in stains, and every stain the turpentine touched came clean. Thus, the idea of "drycleaning" fabric in a liquid other than water was born.

As drycleaners, we work hard, and successfully, to reduce emissions and control many of the risks associated with the use of petrochemical solvents. But we always hoped for a better alternative. One that would meet the needs of customers and drycleaners whilst protecting the communities in which we live.

GreenEarth® is the solution the industry has been waiting for. GreenEarth® is an environmentally safe drycleaning process that uses liquid silicone, a gentle solution made from one of the earth's safest and most abundant natural resources: silica, or sand. The same natural sand the earth has been creating for over six billion years. When released to the environment, it safely breaks down into its three natural elements, sand (SiO_2) and trace amounts of water and carbon dioxide. So GreenEarth® is safe for the air, water and soil. GreenEarth® is safe for people too. If you wanted to, you could safely rub it on your skin. In fact you probably already do. Liquid silicone is the base ingredient in many everyday shampoos, conditioners and lotions.

Johnson Service Group has now installed GreenEarth® Cleaning systems in 100% of its drycleaning processing estate. As a leading public company, Johnson Service Group takes its responsibilities seriously - to employees, customers and the environment as a whole.

Quite simply, because we care about the environment we have converted to GreenEarth® cleaning.

THE BENEFITS OF GREENEARTH® CLEANING

CLEANING BENEFITS

SAFE FOR DELICATE FABRICS, COLOURS DON'T FADE AND WHITES DON'T GREY.

COMPOSITION AND PROPERTIES

MODIFIED LIQUID SILICONE. CHEMICALLY INERT, CLEAR, ODOURLESS LIQUID.

SAFETY AND ENVIRONMENTAL BENEFITS

BREAKS DOWN INTO SAND, WATER AND CARBON DIOXIDE.

FINANCIAL REVIEW

YVONNE MONAGHAN

2014 HAS BEEN A YEAR OF SIGNIFICANT INVESTMENT FOR THE GROUP

This Financial Review should be read in conjunction with the Chairman's Statement and the Chief Executive's Operating Review, which set out comments on revenue, earnings and dividends.

Overview

Our financial performance continues to reflect the strong performance in Textile Rental and the investment we have made in new businesses, through acquisition, and in increased processing capacity for our main workwear rental business.

Details of the segmental results are given in note 1 of the consolidated financial statements.

Taxation

The effective continuing tax rate, excluding exceptional items and the amortisation and impairment of intangible assets (excluding software amortisation), was 22.4% (2013: 22.6%) and above the effective tax rate of 21.5% (2013: 23.25%). We would expect our tax rate to reduce in 2015 but remain slightly above the effective rate of 20.25%.

Cash Flow

We continue to generate strong cash flow with net cash generated from operating activities increasing by 35.6% to £43.8 million (2013: £32.3 million). Of this cash generation we invested £11.6 million in the purchase of property, plant and equipment including £6.6 million of cash spend on our new workwear processing facility in Leeds. This significant investment in Leeds, amounting to £8.5 million in total, is in line with our strategic plan of continually investing in facilities which are both close to our customers and enable us to deliver a high quality service.

We invested £22.3 million, net of cash acquired, in the acquisition of Bourne Services Group Limited (Bourne) our first entry into the volume hotel linen market. An equity raising in March 2014 raised £12.8 million of net cash, allowing us to reduce our gearing levels during the year and giving headroom for further investment.

Bank Facilities and Finance Costs

The Group's bank facility was renewed in February 2014 with the incumbent banks. The new facility comprised a Revolving Credit Facility (RCF) of £60.0 million running to May 2018 together with a short term £10.0 million RCF which was repaid and cancelled in November 2014.

The current facilities give significant headroom both in terms of covenant compliance and availability to allow further investment to be made in the Textile Rental business.

Hedging arrangements over £20.0 million of the facility remain in place such that LIBOR is replaced by a fixed rate of 1.79% for the period January 2013 to January 2016. The remaining borrowings will be subject to LIBOR at market rates at the point of drawdown. Interest charges include an average margin of 1.83%, for 2014, a significant reduction from the average margin of 2.61% in 2013. The margin is subject to a quarterly covenant test and is dependent upon the gearing ratio at each quarter end and, based on the actual gearing ratio at December 2014, will be initially 1.50% for the first quarter of 2015.

Total finance costs in 2014 included £0.2 million (2013: £0.8 million) of notional interest (non-cash) on post-employment benefit obligations. This cost is fixed at the start of the year and is dependent on the level of the pension deficit at the previous year end. The cost for 2015 will increase to £0.6 million.

The bank covenants within the facility agreement measure interest cover and gearing ratios and contain some restrictions on pension fund deficit recovery payments.

Investment in Textile Rental Items

2014 saw an unprecedented level of investment in new textile rental items with additions increasing from £19.5 million in 2013 to £24.9 million in 2014. £2.1 million of this increase was in respect of new linen purchased by Bourne in the ten months since acquisition, with the balance being as a result of strong new business wins together with contract renewals by existing rental customers.

Defined Benefit Pension Scheme Liabilities

Following the completion of the merger of the three historic defined benefit pension schemes into one new scheme in 2013, the original schemes have been wound up. We are working with the independent Corporate Trustee of the remaining scheme to ensure that the scheme will be adequately funded. We have closed the scheme to future accrual with effect from 31st December 2014 and affected employees have been offered membership of the Group's defined contribution

210.4m

Revenue
Increased from £193.6m in 2013

21.8m

Adjusted operating profit
Increased from £17.0m in 2013

5.2p

Adjusted diluted earnings per share
Increased from 3.8p in 2013

43.8m

Net Cashflow
Increased from £32.3m in 2013

arrangements. As a direct result of the decision to cease future accrual, there has been an increase in the calculated pension liabilities of the scheme of £4.7 million. This, together with related expenses of £0.2 million, has been recognised as an exceptional item in the Income Statement.

As at 31st December 2014, the scheme's assets had increased by £13.3 million, to £198.3 million even after the payment of £10.2 million of benefits. Despite the higher than expected return on scheme assets, the deficit has increased by £14.2 million to £17.2 million, primarily driven by a reduction in the discount rate applied in the calculation of scheme liabilities.

The first triennial valuation of the new scheme as at 5th October 2013 was finalised during the year and, at that time, indicated a deficit (on a funding basis) of £19.1 million. We have agreed with the Trustee that deficit recovery payments of £1.9 million per annum will be paid into the scheme for an estimated nine year period.

Clearly, the deficit calculated under both the provisions of IAS19(R) and under the statutory funding objective is sensitive to changes in the discount rate, based on corporate bond or gilt yields as appropriate.

Balance Sheet

Net assets of the Group have increased to £80.0 million (2013: £70.5 million) through a combination of retained earnings and new equity offset by the significant increase in the pension scheme deficit.

Customer Rebates

In response to the Financial Reporting Council's (the "FRC") recent announcement in relation to accounting for complex customer arrangements, the Group has taken the opportunity to disclose its policy in relation to this area. The Group has a small number of rebate arrangements in place with its key customers, which are in line with prior years and which the Directors do not consider to be complex in nature as they do not require significant estimates and judgements. The Group gives annual rebates to certain key customers which are calculated as a percentage of the value of services provided to customers in the year. Rebate costs are generally accrued in the year in which the services are provided based on the terms agreed with customers and therefore require little judgement in their calculation. The Group's accounting policy for customer rebates is set out on page 53.

Key Performance Indicators (KPIs)

The main KPIs used as part of the assessment of performance of the Group, and of the individual business, referred to within this Financial Review, Chairman's Statement, Chief Executive's Operating Review or segmental information on pages 59 to 61 are growth in revenue, adjusted operating profit, adjusted fully diluted earnings per share and return on capital employed. Non-financial KPIs include our employee and customer survey results.

Summary

2014 has been a year of significant investment for the Group both in terms of acquisition and investment in processing capacity whilst improving Balance Sheet strength.

We are well placed to pursue further opportunities in Textile Rental over the coming months.

Yvonne Monaghan
Chief Financial Officer
3rd March 2015

CORPORATE SOCIAL RESPONSIBILITY STATEMENT

OUR DUTY TO SHAREHOLDERS

We recognise our duty to stakeholders to operate the business in an ethical and responsible manner. We are committed to developing our Corporate Social Responsibility (CSR) agenda, recognising that it can play a major part in leading and influencing all of our people and operations.

We work to ensure that we provide the right resources, energy and focus to meet the expectations of all of our stakeholders in relation to CSR.

This report does not contain information about any policies of the Group in relation to human rights issues since it is not considered essential for an understanding of the development, performance or position of the Group's business activities.

Work Place

We recognise that our people are key to the success of the Group and we value the contribution of each and every one of our employees. We strive to create an inspiring working environment where everyone is engaged and motivated.

Employment Policies

The employment policies of the Group embody the principles of equal opportunity and are tailored to meet the needs of its different businesses and the locations in which they operate.

The Group's employment policies and procedures are described in detail in its Staff Handbook, a copy of which is available to all employees. This Handbook takes account of relevant employment legislation and best practice. New policies, procedures and related training are developed and delivered as required.

Code of Ethics and Bribery

The Group has a written code on business ethics (the "Ethics Code"), which is reviewed regularly by the Board and sets out guidelines for all employees to enable the Group to meet the highest standards of conduct in business dealings, including those with overseas suppliers. On joining the Group, whether by way of acquisition or otherwise, all employees are made aware of these standards and procedures to ensure compliance is achieved.

Senior employees are required to sign an annual statement of compliance with the Ethics Code. A confidential hotline service is available to employees should anyone wish to report perceived improprieties. Arrangements are in place to ensure that any reports are followed up and the appropriate action taken.

The Group's anti-bribery policy sets out how employees must act to ensure that our zero tolerance approach to bribery and corruption is upheld.

Diversity

We are committed to equal opportunities and the creation of an entirely non-discriminatory working environment. The aim of our diversity policy is to ensure that no job applicant, or employee, receives less favourable treatment because of, amongst other matters, gender, marital status, race, age, sexual orientation, religion, belief or disability. All decisions are based on the merits of the individual concerned. The Group is dedicated to undertaking its business operations in a way which respects individual human rights, treats individuals with dignity and allows freedom of association.

Procedures are in operation to support the Group's policy that disabled persons, whether registered or not, shall be considered for employment and subsequent training, career development and promotion on the basis of their aptitudes and abilities. Where members of staff become disabled every effort is made to ensure that they are retrained according to their abilities.

Health and Wellbeing

In order to meet employees' needs for support both at work and at home the Group offers occupational health benefits across its operating companies.

Employee Communication

Each Operating Company takes responsibility for fostering employee engagement through appropriately structured communications, training and incentive arrangements. Employee views are sought by management and taken into consideration when making decisions that may affect the employees' interests. A broader understanding of the Group and opportunities within it are made available to employees through a Group wide magazine.

Share Schemes

The Group's ongoing desire for employees to be able to share in the performance and success of the Group as a whole is afforded through an approved Sharesave Plan, which has now operated for over 20 years.

Environment

We recognise our responsibilities to achieve good environmental practice and to continue to strive for improvement in areas of environmental impact. Our approach is to work through education, communication and direct action wherever possible.

Board Responsibility
The Board is aware of its responsibilities with regard to the environment, receives regular reports on all environmental matters and has nominated Chris Sander, Chief Executive Officer, as the Director responsible for such matters.

Environmental Risk Assessment
Potential areas of risk are identified through the Group's risk assessment programme and mitigated wherever possible. Key operating divisions undertake quantitative audits which enable a measure of environmental improvement to be made. The Operating Companies have achieved, or are working towards, ISO 14001:2004 Environmental Management System Certification.

Greenhouse Gas Emissions & Carbon Footprint
The Group is party to a Climate Change Agreement (CCA), is constantly looking for new ways to reduce its carbon footprint and has put various initiatives in place, including continued investment in energy efficient capital equipment and the gradual rollout of passive ultra low-energy LED lighting. It is also party to a Climate Change Agreement (CCA).

Furthermore, the majority of cars available to employees as part of the Group's car scheme are currently subject to a CO2 restriction of 130g/km. The average CO2 of our non-commercial fleet as at the end of 2014 reduced to 108g/km from 115g/km at the end of 2013. Further detail is provided in the table below:

CO2 Emissions (g/km)	2014	2013
< 95	23%	13%
96 to 110	45%	37%
111 to 130	25%	32%
131 to 160	7%	16%
>160	-	2%

Use of Solvents
Perchloroethylene, a petrochemical solvent, is traditionally used in the drycleaning process. We have worked hard, and successfully, to control many of the risks associated with the use of petrochemical solvents and, during 2013, completed the rollout across our entire retail drycleaning estate of GreenEarth® Cleaning systems. GreenEarth® is an environmentally safe drycleaning process that uses liquid silicone, a gentle solution made from sand. When released to the environment, it safely breaks down into its three natural elements, sand, water and carbon dioxide.

Community
The Group believes that the interests of responsible businesses need to be aligned to the interests of the local communities where they operate and to that end, tries to give back to the community where it can, contributing to charitable causes and local groups during the year.

Health and Safety
The Board is aware of its responsibilities on all matters relating to the health, safety and welfare of employees, visitors and customers on Group premises, and to others affected by the Group's activities.

Board Responsibility
The Board takes seriously its responsibilities with regard to health and safety and has nominated Chris Sander, Chief Executive Officer, as the Director responsible for such matters.

Health and safety matters are a permanent agenda item at all Group and Operating Company Board Meetings. A summary report outlining Operating Company activities is provided on a regular basis for Board Meetings, including up to date statistics relating to accidents and incidents that have occurred since the last report.

Health and Safety Policies
All Operating Companies are required to have clearly defined health and safety policies and procedures relevant to their operations and risks. They are required to implement all defined policies and procedures into the work environment which are audited annually by Group representatives to ensure their fitness for purpose. These audits, the results of which are notified to the Board, are in addition to each company's own protocols.

The Group health and safety policy statement is brought to the attention of all employees and copies of the statement are available upon request to all interested parties.

Safety Management Systems
Each individual Operating Company has developed a safety management system appropriate to their operations and in accordance with either HS(G)65 or OHSAS 18001.

All Operating Companies have arrangements in place to consult with employees on matters which may affect their health and safety. The Group is in regular contact with regulatory bodies both directly, and via industry trade associations. The health and safety performance of all Operating Companies is collectively benchmarked against other companies operating in similar business sectors. All new companies acquired by the Group undergo a stringent audit of their Safety Management Systems to establish compliance with appropriate legislation and Group policy.

PRINCIPAL RISKS AND UNCERTAINTIES

"We believe that effective risk management is critical to the achievement of our strategic objectives and the long-term sustainable growth of our business. The Board continues to take a proactive approach to recognising and mitigating risk with the aim of protecting its employees and customers and safeguarding the interests of the Company and its Shareholders".

Our 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 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 February and August meetings, or more frequently should new matters arise.

The principal risks and uncertainties affecting the Group are highlighted below, together with details on how the Board take action to mitigate each risk. These risks and uncertainties do not comprise all of the risks that the Group may face and are not listed in any order of priority. Additional risks and uncertainties not presently known to the Board or deemed to be less material at the date of this Annual Report may also have an adverse effect on the Group.

Risk Classifications

LIKELIHOOD \ IMPACT	HIGH	MEDIUM	LOW
HIGH	Class A	Class B	Class C
MEDIUM	Class B	Class C	Class D
LOW	Class C	Class D	Class D

Class A - Immediate action with Risk Management Plan

Class B - Consider action and make contingency plans

Class C and D - Review periodically

Financial Risk	Mitigation
Economy	
Our business could be susceptible to adverse changes in economic conditions and employment levels, impacting our profitability and cash flow.	With the variable and flexible nature of our cost base, it is generally possible to contain the impact of these adverse conditions. Each business continually reviews its routes to market, changes in customer demands and expectations and cost base so that it can react appropriately to the impact of the wider economy. Any adverse impact on cash flow could be mitigated in the short term by controls over capital expenditure.
Cost Inflation	
Our objective is always to deliver the right level of service in the most efficient way. An increase in the cost of labour or supplies could constitute a risk to our ability to maintain efficiencies.	We seek to manage inflation through continuing to drive greater efficiencies through supplier rationalisation, labour scheduling and productivity. Cost indexation in certain of our contracts also gives us the contractual right to review pricing with our customers.
Interest Rate Fluctuations	
The Group finances its operations through a mixture of retained profit, bank borrowings and lease arrangements. Fluctuations in the rates of applicable interest could adversely impact the profitability of the Group.	The Group borrows at both fixed and floating rates and normally has hedging products in place to provide fixed rate interest payments for a proportion of its floating rate debt over a specified period. This enables the Group to forecast borrowing costs with a degree of certainty. At 31st December 2014, the Group's bank borrowings incurred interest at rates linked to LIBOR, although hedging arrangements were in place such that in respect of £20.0 million of the facility, LIBOR rates are substituted by fixed rates through to January 2016.
Liquidity Risk	
Our key sources of liquidity in the foreseeable future are likely to be cash generated from operations and borrowings through committed bank facilities. Adverse changes in credit markets or our credit rating could increase the cost of borrowing and banks may be unwilling to renew credit facilities on existing terms.	The Group's policy on liquidity is to ensure that it has committed bank facilities available to provide continuity of funding. Appropriate facilities are in place through to May 2018.
Pension Scheme Deficit	
Asset valuations are based on the fair value of the assets. The valuation of the liabilities of the scheme is based on statistical and actuarial calculations, using various assumptions including discount rates, pension increases, life expectancy of scheme members and cash commutations. The actuarial assumptions may differ materially from actual experience due to changes in economic and market conditions, variations in actual mortality, higher or lower cash withdrawal rates and other changes in factors assessed. Any of these differences could adversely impact the assets or liabilities recognised in the Balance Sheet in future periods.	The Group has taken action to reduce the quantum of liabilities through various initiatives, including: the freezing of pensionable salaries for active members; offering pension increase exchanges for certain pension benefits in payment; and offering enhanced transfer values to certain categories of members. Furthermore, the scheme was closed to future accrual on 31st December 2014. Asset allocations were reviewed during 2014 and changes made to more appropriately match assets against the remaining scheme liabilities and to reduce risk to a more acceptable level.

PRINCIPAL RISKS AND UNCERTAINTIES CONTINUED

Operational Risk	Mitigation
Failure of Strategy	
Our current business model sets out our intentions to expand the Group by actively pursuing strategic acquisition opportunities within the Textile Rental market. Failure to identify suitable targets, or to convert suitable targets into acquisitions, would adversely impact our growth plans.	There is considerable knowledge and expertise within the Group with regard potential acquisitions. An experienced acquisition team, together with external advisors where appropriate, is engaged in all acquisition activity.
Customers	
For our businesses to grow organically, we are reliant on securing and retaining a diverse range of customers. A reliance on any one particular customer or group of customers may present a risk to the future cash flows of the Group should they not be retained. Adverse economic conditions may lead to an increased number of our customers and clients being unable to pay for existing or additional products and services.	We have strategies which strengthen our long term relationships with our customers based on quality, value and innovation. Our business model is structured so that we are not reliant on one particular customer or group of customers. The Group has limited concentration of credit risk with regard to trade receivables given the diverse and unrelated nature of the Group's customer base.
Competition	
We operate in a competitive marketplace. Aggressive pricing from our competitors could cause a reduction in our revenues and margins.	We aim to minimise this by continuing to promote our differentiated propositions and focusing on our points of strength, such as transparency of our pricing, flexibility in our cost base, quality and value of service and innovation.
Retention and Motivation	
As a service orientated Group, attracting, retaining and motivating the best people with the right skills, at all levels of the organisation, is key to the long term success of the Group. Short term disruption could occur if a key member of our team was lost at short notice, either on a temporary or permanent basis.	The Group aims to mitigate this risk by efficient, time critical resource management. The Group has established training, development, performance management and reward programmes to retain, develop and motivate our best people. The Group regularly reviews the adequacy and strength of its management teams to ensure that appropriate experience and training is given such that there is not over reliance on any one individual. Furthermore, the Group has continued to develop succession planning as part of the development programmes for our people.
Loss of a Processing Facility	
The loss of a key processing facility could result in significant disruption to our business, due to the high utilisation of plant capacity.	A wide geographic spread of processing facilities mitigates the effect of a loss of any single processing facility. Furthermore, appropriate insurance cover is in place such that the increased cost of working following a loss of processing capacity, may in some circumstances, be recovered.

Operational Risk	Mitigation
Information Systems and Technology	
The digital world creates many risks for a business including technology failures, loss of confidential data and damage to brand reputation.	We seek to assess and manage the maturity of our enterprise risk and security infrastructure and our ability to effectively defend against current and future cyber risks by using analysis tools and experienced professionals to evaluate and mitigate potential impacts. The Group relies on a variety of IT systems in order to manage and deliver services and communicate with our customers, suppliers and employees. We are focused on the need to maximise the effectiveness of our information systems and technology as a business enabler and to reduce both cost and exposure as a result.

Regulatory Risk	Mitigation
Health and Safety	
Health and safety is our number one operational priority. We are focussed on protecting people's wellbeing, as well as avoiding serious business interruption and potential damage to our reputation.	The Group has policies, procedures and standards in place to ensure compliance with legal obligations and industry standards. All management meetings throughout the Group feature a health and safety update as an agenda item.
Compliance and Fraud	
Ineffective compliance management with laws and regulations, or evidence of fraud, could have an adverse effect on the Group's reputation and could result in an adverse impact on the Group's performance if significant financial penalties are levied or a criminal action is brought against the Company or its Directors.	The Group's zero tolerance based Codes of Business Conduct and Ethics govern all aspects of our relationships with our stakeholders. All alleged breaches of the Codes, including any allegations of fraud, are investigated. The Group's procedures include regular operating reviews, underpinned by a continual focus on ensuring the effectiveness of internal controls. Regulation and compliance risk is also considered as part of our annual business planning process.

BOARD OF DIRECTORS

1

1. Paul Moody (age 57)
Chairman

Paul was appointed Non-Executive Chairman on 1st May 2014 having joined the Board as a Non-Executive Director on 10th March 2010. Prior to his retirement on 26th February 2013, Paul was the Chief Executive of Britvic PLC, having been Director of Sales from 1996 to 2005. Prior to that, he held a number of senior appointments in varied roles in HR and sales with such companies as Mars Inc. and Grand Metropolitan. Paul is also a Non-Executive Director of Pets at Home Group PLC.

2

2. Chris Sander (age 56)
Chief Executive Officer

Chris was appointed as Chief Executive Officer on 3rd January 2014. He joined the Group in 1984 and has significant experience in the Textile Services industry. Chris was appointed Managing Director of the Textile Rental business on 1st January 2008, joined the Board on 9th September 2008 and assumed responsibility for the Drycleaning business as part of the combined Textile Services division at the time of the restructuring of the Drycleaning in business in 2012. Chris is also a Director of the European Textile Services Association.

3

3. Yvonne Monaghan (age 56)
Chief Financial Officer

Yvonne has significant experience in the Textile Services industry having joined the Group as Group Management Accountant in 1984 after qualifying as a Chartered Accountant with Deloitte Haskins and Sells. She was appointed as Company Secretary and Financial Controller in 1985 and joined the Board as Chief Financial Officer on 31st August 2007. Yvonne is also a Non-Executive Director and Chair of the Audit Committee of NWF Group PLC.

4

4. Michael Del Mar (age 68)
Senior Independent Non-Executive Director

Michael joined the Board as a Non-Executive Director on 12th May 2004. Until December 2003 he was with UBS Investment Bank, having joined S G Warburg in 1990. He is also a Non-Executive Director of Regional Airports Limited and Treloar Trust.

5

5. Bill Shannon (age 65)
Non-Executive Director

Bill joined the Board as a Non-Executive Director on 8th May 2009. He is a Chartered Accountant (Scotland) and began his career with Whitbread PLC in 1974, where he served as a Board Director for 10 years until his retirement in 2004. Bill has significant PLC board experience, and is currently Non-Executive Chairman of St. Modwen Properties PLC and Deputy Chairman of LSL Property Services PLC (where he is also Chairman of both the Nomination Committee and Remuneration Committee, having previously served as Non-Executive Chairman of Aegon UK PLC and Non-Executive Director of Rank Group PLC, Barratt Developments PLC and Matalan PLC.

6

6. Tim Morris (age 38)
Company Secretary

Tim was appointed as Company Secretary on 1st January 2014, in addition to his existing role of Group Financial Controller. Having qualified as a Chartered Accountant with KPMG LLP in 2003, Tim joined the Group in 2005 as Group Financial Accountant. He also held the position of Finance Director at SGP Property & Facilities Management Limited prior to the Group disposing of that business in August 2013.

DIRECTORS' REPORT

The Directors have pleasure in presenting their Annual Report and the audited Consolidated and Company financial statements for the year ended 31st December 2014.

The Corporate Governance Report on pages 24 to 28, and the Corporate Social Responsibility Statement on pages 14 to 15 (with regard to information about the employment of disabled persons, employee involvement and share schemes) are also incorporated into this Report by reference.

Principal Activities and Business Overview

The principal activities and business overview of the Group are set out within the Strategic Review.

Results and Dividends

The Group retained profit after taxation for the year from all operations amounted to £8.6 million (2013: £0.7 million).

The dividend comprises an interim dividend of 0.50 pence (2013: 0.40 pence) per Ordinary share and a proposed final dividend of 1.20 pence (2013: 0.81 pence) per Ordinary share. This total dividend of 1.70 pence (2013: 1.21 pence) per Ordinary share will, subject to the approval of Shareholders, amount to a distribution for the year of £5.1 million (2013: £3.4 million).

Share Capital

The authorised share capital of the Company at 31st December 2014 comprised of 383,025,739 Ordinary shares of 10 pence each (2013: 383,025,739 Ordinary shares of 10 pence each). The total issued share capital at the end of the year and the outstanding share options are given in note 26 to the consolidated financial statements.

Acquisition and Disposal of Businesses

Details of acquisitions and disposals during the current and preceding year are given in note 31 and 32 to the consolidated financial statements.

Events after the Reporting Period

On 6th January 2015, the Company announced that it had identified 109 branches within its Drycleaning business where renewal of leases would not be financially viable and, as a consequence, has embarked upon a consultation exercise with affected employees and anticipates that the affected branches will close during the first half of 2015. Further details are set out within note 36 of the consolidated financial statements.

There were no other events occurring after the balance sheet date that require disclosing in accordance with IAS10, 'Events after the reporting period'.

Major Interests in the Company's Share Capital

At 2nd March 2015, being the latest practicable date prior to publication of this document, the Company had been advised of the following interests, of a material nature, in its share capital:

	Shareholding (%)	Cumulative Shareholding (%)
Schroders plc	24.00	24.00
Henderson Global Investors Limited	11.89	35.89
SFM UK Management LLP	5.74	41.63
Ruffer LLP	4.99	46.62
Polar Capital European Forager Fund Ltd	3.01	49.63
Other Shareholders	50.37	100.00

Shareholders' Authority for the Purchase by the Company of its own Shares

At the 2014 Annual General Meeting, Shareholders authorised the Company to make market purchases of up to a maximum aggregate of 26,253,940 Ordinary shares, which represented approximately 10% of the Company's issued Ordinary share capital on the latest practicable date prior to publication of the 2014 Notice of Annual General Meeting. The minimum price allowed for such purchases is 10 pence and the maximum is 105% of the average of the middle market quotation of such shares for the five business days immediately preceding the day of purchase. Except for amending the maximum number of shares subject to the authority, the Directors intend to seek renewal of this authority, which is due to expire at the conclusion of the 2015 Annual General Meeting. Further details are given in the Notice of the Annual General Meeting.

Directors

A list of the Directors of the Company is shown on pages 20 and 108. They all held office throughout the year and up to the date of signing this report. In addition, John Talbot held office as Executive Chairman up until his retirement on 1st May 2014.

Directors' Interests

Share Capital

The interests of the Directors who were in office at 31st December 2014, together with the interests of their close family, in the shares of the Company at the commencement or, if later, date of appointment, and close of the financial year are disclosed in the Board Report on Remuneration on pages 34 to 39. Details of the Company's interest in its own shares are disclosed in note 29 to the consolidated financial statements.

Contracts

None of the Directors have any material interests in contracts of the Company or the Group.

Directors' Indemnity

In accordance with the Articles of Association and to the extent permitted by the laws of England and Wales, the Directors are granted an indemnity from the Company in respect of liabilities incurred as a result of their office. In respect of those matters for which the Directors may not be indemnified, the Company maintained a directors' and officers' liability third party insurance policy throughout the financial year and up to the date of approval of these financial statements. Neither the indemnity nor the insurance provides cover in the event that a Director is proven to have acted dishonestly or fraudulently. No claim was made under this provision during the year.

DIRECTORS' REPORT CONTINUED

Political Donations
It is the Company's policy not to make political donations. The Directors confirm that no donations for political purposes were made during the year (2013: £nil).

Independent Auditors
The auditors, PricewaterhouseCoopers LLP (PwC), have indicated their willingness to continue in office. In accordance with the recommendation of the Audit Committee, as disclosed on page 31, and as required by Section 489 of the Companies Act 2006, a resolution to reappoint the auditors will be proposed at the Annual General Meeting.

Policy on Payment to Suppliers
The Company and its subsidiaries fully support the CBI initiative on payments to suppliers and have continued to apply the Prompt Payment Code in respect of all suppliers. The main features of the Code are that payment terms are agreed at the outset of a transaction and are adhered to; that there is a clear and consistent policy that bills will be paid in accordance with the contract; and that there are no alterations to payment terms without prior agreement. Copies of the Code can be obtained from the CBI.

Half Yearly Reporting
As previously reported, the Company 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.

2015 Annual General Meeting
The Company's AGM will be held at the Doubletree by Hilton Chester, Warrington Road, Hoole, Chester CH2 3PD on Thursday 7th May 2015 at 11am. An explanation of the resolutions to be proposed at the meeting is included in the Notice of Annual General Meeting accompanying this Annual Report.

Corporate Governance
The Company's statement on corporate governance can be found in the Corporate Governance Report on pages 24 to 28 of these financial statements. The Corporate Governance Report forms part of this Directors' Report and is incorporated into it by reference.

Going Concern
The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Review, the Chairman's Statement and Chief Executive's Operating Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review. In addition, note 24 to the consolidated financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk.

The Group currently has adequate financial resources and long term relationships with a number of customers and suppliers across many industries throughout the UK. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that there is not a substantial doubt that the Group should be able to operate within the level of its current facilities.

A statement on the future prospects of the Group is included within the Strategic Review.

By order of the Board

Tim Morris
Company Secretary
3rd March 2015
Johnson Service Group PLC Registered in England and Wales No.523335

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report, the Strategic Report, the Directors' Report (including the Corporate Governance Report), the Board Report on Remuneration and the financial statements in accordance with applicable laws and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Company financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable International Financial Reporting Standards (IFRSs) as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements and the Board Report on Remuneration comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are also responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors consider that the Annual Report and Accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for Shareholders to assess a Company's performance, business model and strategy.

Each of the Directors, whose names and functions are disclosed on page 20, confirms that at the date of this Report and to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and result of the Group;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces;
- there is no relevant audit information of which the Company's auditors are unaware; and
- he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/ herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

The Directors are responsible for preparing the annual report in accordance with applicable law and regulations. Having taken advice from the Audit Committee, the Board considers the Annual Report, taken as a whole, to be fair, balanced and understandable and that it provides the information necessary for shareholders to assess the Company's performance, business model and strategy.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

On behalf of the Board

Paul Moody
Chairman
3rd March 2015

Chris Sander
Chief Executive Officer
3rd March 2015

CORPORATE GOVERNANCE REPORT

"We are committed to high standards of corporate governance which we consider are critical to business integrity and to maintaining investors' trust in us. We expect all our directors, employees and suppliers to act with honesty, integrity and fairness. Our business principles set out the standards we set ourselves to ensure we operate lawfully, with integrity and with respect for others".

All companies with a Premium Listing of equity shares in the UK are required under the Listing Rules to comply with the Financial Reporting Council's UK Corporate Governance Code (the "Code") or, state the areas in which they do not comply.

The Code is a guide to a number of key components of effective board practice, the main principles, or sections, being:

- Leadership
- Effectiveness
- Accountability
- Remuneration
- Relations with Shareholders

A new edition of the Code was issued in September 2014 (the "2014 Code") and applies to reporting periods beginning on or after 1st October 2014. The 2014 Code is intended to enhance the quality of information investors receive about the long-term health and strategy of listed companies, and raises the bar for risk management. Companies with reporting periods beginning before 1st October 2014 should continue to report against the Code issued in September 2012 (the "2012 Code").

As a Company trading on AIM, Johnson Service Group PLC is not required to comply with the 2012 Code, nor will it be required to comply with the 2014 Code. Notwithstanding this, the Board does expect all directors, employees and suppliers to act with honesty, integrity and fairness and our business principles set out the standards we set ourselves to ensure that we operate lawfully, with integrity and with respect for others. The Board is committed to high standards of corporate governance, which it considers are critical to business integrity and to maintaining investors' trust, and as a result has reviewed the procedures to comply with the provisions of the 2012 Code, which are set out below.

Our Governance Structure

Chairman - Paul Moody

Key objectives:
- leadership, operation and governance of the Board
- setting the agenda and direction for the Board

The Board of Johnson Service Group PLC

Membership comprises the Chairman, two Executive Directors and two Non-Executive Directors (including the Senior Independent Director)

Chairman: Paul Moody

Key objectives:
- responsible for the overall conduct of the Group's business
- setting the Group's strategy

Audit Committee

Membership comprises the Chairman and Non-Executive Directors

Chairman: Bill Shannon

Key objectives:
- management of the Group's system of internal control, business risks and related compliance activities
- to review the activity and performance of the internal audit function and external auditors
- to provide effective governance over the Group's financial results

Nomination Committee

Membership comprises the Chairman and Non-Executive Directors

Chairman: Paul Moody

Key objectives:
- to ensure the Board comprises individuals with the necessary skills, knowledge and experience
- to give consideration to succession planning and the leadership needs of the Group

Remuneration Committee

Membership comprises the Chairman and Non-Executive Directors

Chairman: Michael Del Mar

Key objective:
- to assess and make recommendations to the Board on the policy of executive remuneration

Chief Executive

Chris Sander

Key objectives:
- responsible for the overall management of the business
- responsible for the implementation of strategy and policy

Group Management Board

Membership comprises the two Executive Directors, divisional Managing Directors and Group function heads

Chairman: Chris Sander

Key objectives:
- implementation of the Board's strategy
- monitoring financial and competitive performance
- business development and projects
- succession planning across the business

Compliance with the 2012 Code

The Company has complied with the material provisions of the 2012 Code throughout the year ended 31st December 2014, other than the provisions in relation to the following:

Provision Explanation

A.2.1 Division of responsibility of Chairman and Chief Executive
Since the 8th September 2008, John Talbot held the role of Executive Chairman. Chris Sander was appointed Chief Executive Officer on 3rd January 2014. John Talbot retired from the Board on 1st May 2014 and on the same date, Paul Moody commenced as Non-Executive Chairman. The Company did comply with this provision with effect from 3rd January 2014.

E.1.1 Non-attendance by the Senior Non-Executive Independent Director (SID) at meetings with major Shareholders
The Chief Executive Officer, the Chief Financial Officer and, up until his retirement on 1st May 2014, the Executive Chairman regularly meet with the Company's major Shareholders and the Board is of the opinion that additional regular meetings, other than those specifically requested by Shareholders, with the SID would not assist further in dialogue with Shareholders. The SID, and also the Non-Executive Chairman, are available to meet with Shareholders, at their request, and the Board believes this arrangement to be sufficient.

The Company's compliance with the 2012 Code has been reviewed by the auditors and their report is given on pages 42 to 46.

Section A: Leadership

Main principles:

- Every company should be headed by an effective board which is collectively responsible for the long-term success of the company.
- There should be a clear division of responsibilities at the head of the company between the running of the board and the executive responsibility for the running of the company's business. No one individual should have unfettered powers of decision.
- The chairman is responsible for leadership of the board and ensuring its effectiveness on all aspects of its role.
- As part of their role as members of a unitary board, non-executive directors should constructively challenge and help develop proposals on strategy.

Composition of the Board

The Board currently consists of the Non-Executive Chairman (the "Chairman"), two Executive Directors and two Non-Executive Directors. The Chairman and Non-Executive Directors are considered to be independent in character and judgement and are a strong element within the Board, with their views carrying significant weight in the decision making process.

Members of the Board, who are detailed on page 20, all held office throughout the year and to the date of signing this report.

Division of Responsibility of Chairman and Chief Executive Officer

The 2012 Code requires that there is a clear division of responsibility between the Chairman and the Chief Executive Officer, each of which has clearly defined roles. The Chairman should be responsible for the effective running of the Board whilst the Chief Executive Officer is responsible for operating the business and implementing the Board's strategies and policies.

The role of the Chairman is set out in writing and agreed by the Board. The Chairman is responsible for:
- the effective leadership, operation and governance of the Board;
- ensuring the effectiveness of the Board;
- setting the agenda, style and tone of Board discussions; and
- ensuring the Directors receive accurate, timely and clear information.

The role of the Chief Executive Officer is set out in writing and agreed by the Board. The Chief Executive Officer is responsible for:
- management of the Group's business;
- implementation of the Company's strategy and policies;
- maintaining a close working relationship with the Chairman; and
- chairing the Group Management Board meetings.

Note that from 8th September 2008, up until the appointment of Chris Sander as Chief Executive Officer on 3rd January 2014, the roles of Chairman and Chief Executive Officer had been combined.

Responsibilities of the Board

The Board, in addition to routine consideration of both financial and operational matters, determines the strategic direction of the Group. The Board has a formal schedule of matters specifically reserved for its decision which can only be amended by the Board itself.

The specific responsibilities reserved for the Board include:
- approval of the Group's long-term objectives, overall strategy, mission, vision, values and targets;
- approval and monitoring of the annual operating budget;
- approval of major acquisitions, disposals and capital expenditure;
- dividend policy;
- approval of appointments to the Board and of the Company Secretary;
- consideration of succession planning for key members of the management team; and
- determining the terms of reference for the Board committees.

The following responsibilities have been delegated to Executive Management:
- the development of strategic plans that reflect the longer term objectives and priorities established by the Board;
- implementation of strategies and policies as determined by the Board;
- monitoring of operational and financial performance against plans and budgets; and
- developing and implementing risk management systems.

Board Committees

The Committees of the Board are:
- the Audit Committee;
- the Nomination Committee; and
- the Remuneration Committee.

Current membership of each Committee consists wholly of the Chairman and the two Non-Executive Directors. Each Committee has written terms of reference, which are available on the Company's website. Separate reports for each of these Committees are included in this Annual Report.

CORPORATE GOVERNANCE REPORT CONTINUED

Group Management Board

The Group Management Board meets under the chairmanship of the Chief Executive Officer. Topics covered by the Group Management Board include:

- An update by the Chief Executive Officer on the business and business environment;
- divisional Managing Director updates;
- Group function heads' updates;
- substantial business developments and projects;
- talent and succession planning;
- competitor analysis; and
- strategy.

Annually, the Group Management Board conducts a strategy review to identify key strategic issues to be presented to the Board. The agreed strategy is then used as a basis for developing the upcoming budget and three year operating plans.

Section B: Effectiveness

Main principles:

- The board and its committees should have the appropriate balance of skills, experience, independence and knowledge of the company to enable them to discharge their respective duties and responsibilities effectively.
- There should be a formal, rigorous and transparent procedure for the appointment of new directors to the board.
- All directors should be able to allocate sufficient time to the company to discharge their responsibilities effectively.
- All directors should receive induction on joining the board and should regularly update and refresh their skills and knowledge.
- The board should be supplied in a timely manner with information in a form and of a quality appropriate to enable it to discharge its duties.
- The board should undertake a formal and rigorous annual evaluation of its own performance and that of its committees and individual directors.
- All directors should be submitted for re-election at regular intervals, subject to continued satisfactory performance.

Induction, Training & Knowledge

Appropriate training is available to Directors upon appointment and as required on an ongoing basis. Furthermore, on appointment, Directors participate in a customised induction programme to familiarise them with the Group.

The Directors have access to the advice and services of the Company Secretary and it is acknowledged that individual Directors may wish to seek independent professional advice in connection with their responsibilities and duties. The Company will meet reasonable expenses incurred in this regard.

Supply of Information

To assist the Board in performing its responsibilities, information, appropriate in quality and timeliness, is received in an agreed format, for each full Board meeting.

Performance Evaluation

A performance evaluation of the Chairman was conducted in respect of 2014 by the Non-Executive Directors, after taking into account the views of the Executive Directors. The Chairman has conducted an appraisal of each member of the Board, Board composition and the format and effectiveness of the Board meetings in respect of 2014. In addition, the Remuneration Committee regularly reviews Executive Director performance in connection with their performance objectives.

The Board conducted an internal Board evaluation during the year. This process was led by the Chairman and each Director completed an in-depth questionnaire which covered, inter alia:

- performance of the Board (including consideration of how the Board works together as a unit);
- processes which underpin the Board's effectiveness (including consideration of the balance of skills, experience, independence and knowledge of the persons on the Board);
- strategy;
- performance of the Audit, Nomination and Remuneration Committees; and
- individual performance (giving consideration to whether each director continues to contribute effectively and show commitment).

Board Meetings and Attendance

The Board met formally six times during 2014 and, additionally, held a further three unscheduled meetings in relation to, inter alia, the acquisition of Bourne Services Group Limited, the refinancing of the Company's bank facility and the equity raising.

Individual attendance at the meetings, including Audit Committee, Nomination Committee and Remuneration Committee attendance, is set out in the table below. Where n/a appears in the table, the individual is not a Committee member.

	Board (Scheduled)	Board (Unscheduled)	Audit Committee	Nomination Committee *	Remuneration Committee (Scheduled)	Remuneration Committee (Unscheduled)
Paul Moody	6	2	3	–	3	3
Chris Sander	6	3	n/a	n/a	n/a	n/a
Yvonne Monaghan	6	3	n/a	n/a	n/a	n/a
Michael Del Mar	6	1	3	–	3	3
Bill Shannon	6	3	3	1	3	3
Number of Meetings	*6*	*3*	*3*	*1*	*3*	*3*

* The Nomination Committee meeting was held prior to the resignation of John Talbot as Executive Chairman. John Talbot was a member of the Nomination Committee and attended the meeting. The meeting was quorate.

In addition, the Chairman and the Non-Executive Directors have met during the year without the Executive Directors.

The completed questionnaires were reviewed on an individual basis by the Chairman, who then had discussions with each Director. The results of the review (including progress against the previous year's recommended actions) were summarised by the Chairman and considered in detail by the Board. This year's review found that performance of the Board and its Committees continued to be effective in dealing with both day-to-day and ongoing strategic issues and that the Board and Committee structure ensured that the governance requirements of the business were met.

As a result of these reviews, it is considered that the performance of each Director continues to be effective and that each Director demonstrates sufficient commitment to their role.

Re-election of Directors

The Directors comply with the requirements of the 2012 Code and submit themselves for re-election every year, if they wish to continue serving and are considered by the Board to be eligible. Accordingly, the whole Board will be proposed for re-election at this year's AGM.

Service Agreements

The service agreements of the Executive Directors and copies of the letters of appointment of the Chairman and the Non-Executive Directors are available for inspection during business hours on any weekday (excluding Saturdays, Sundays and public holidays) at the registered office of the Company and will be available for inspection for fifteen minutes prior to, and during, the AGM.

External Appointments

The Executive Directors may accept outside appointments provided that such appointments do not in any way prejudice their ability to perform their duties as Executive Directors of the Company. The commitments of each Executive Director are set out on page 20.

The role of a Non-Executive Director requires a time commitment in the order of 15 days per annum plus additional time as necessary to properly discharge their duties. There is no restriction on outside appointments provided that they do not prevent the Directors from discharging their responsibilities effectively.

Section C: Accountability

Main principles:

- The board should present a fair, balanced and understandable assessment of the company's position, performance and prospects.
- The board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems.
- The board should establish formal and transparent arrangements for considering how they should apply the corporate reporting, risk management and internal control principles and for maintaining an appropriate relationship with the company's auditor.

Audit Committee

The Board should present a fair, balanced and understandable assessment of the Company's position, performance and prospects, maintaining sound risk management and internal control systems and managing an appropriate relationship with the Company's auditors. The Board has delegated these responsibilities to the Audit Committee.

The work undertaken by the Audit Committee, supported by the internal audit function, helps to enable the Board to make the below statements relating to internal control and the going concern statement on page 22.

Further information is detailed in the Audit Committee Report on pages 29 to 32.

Internal Control

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness, which has been undertaken during the year. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

There is an on-going process for identifying, evaluating and managing the Group's principal risks that has been in place throughout the year ended 31st December 2014 and up to the date of approval of the financial statements and which complies with the Turnbull guidance. This process has been regularly reviewed by the Board. The Audit Committee receives reports setting out key performance and risk indicators and considers possible control issues brought to its attention through early warning mechanisms which are embedded within the Operating Companies and are reinforced by risk awareness training.

The Audit Committee also receives regular reports from the internal audit function and recommendations for improvement are considered. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control.

The Board's agenda includes a bi-annual consideration of risk and control and it receives reports thereon from the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. The main features of the internal control framework are detailed below.

Financial Reporting

The Board reviews the strategies of the Group and of the Operating Companies. There is a detailed budgeting system with the annual budget both challenged and, ultimately, approved by the Board. Monthly results are reported against the corresponding figures for the budget and the previous year with corrective and/or investigative action initiated by the Board as appropriate.

Treasury Management

The Group's treasury activities are operated within Board approved guidelines. Facilities are approved by the Board and all transactions are controlled and monitored. Monthly summaries of treasury management activities are prepared for the Board. Speculative transactions are not undertaken.

Risk Management

The identification of major business risks is carried out in conjunction with operating management and reviewed by the Audit Committee and the Board. The Board regularly assesses the financial implications and effectiveness of the control process in place to mitigate or eliminate these risks. The Group has insurance cover where it is considered appropriate and cost effective.

Financial Control

Each business maintains financial controls and procedures appropriate to its own operating environment. The Group has a centralised internal audit function, which can second additional resources from Operating

CORPORATE GOVERNANCE REPORT CONTINUED

Companies, and which reviews the systems and procedures in all Operating Companies and reports regularly to the Audit Committee. A review of control procedures is undertaken in respect of all new acquisitions, within the first three months of ownership where possible, and action taken where necessary to bring the controls up to the level required by the Group. The Group has clearly defined guidelines for the review and approval of capital expenditure projects. These include annual budgets and designated levels of authority.

Section D: Remuneration

Main principles:

- Levels of remuneration should be sufficient to attract, retain and motivate directors of the quality required to run the company successfully, but a company should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.
- There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration.

Remuneration Committee

The Remuneration Committee is responsible for overseeing the policy regarding executive remuneration. Further details are outlined in the Board Report on Remuneration.

Section E: Relations with Shareholders

Main principles:

- There should be a dialogue with shareholders based on the mutual understanding of objectives. The board as a whole has responsibility for ensuring that a satisfactory dialogue with shareholders takes place.
- The board should use the AGM to communicate with investors and to encourage their participation.

Investor Relations

We are committed to communicating our strategy and activities clearly to our Shareholders and, to that end, we maintain an active dialogue with investors through a planned programme of investor relations activities. The investor relations programme includes:

- formal presentations of full year and half-year results;
- briefing meetings with major institutional Shareholders after the half-year results and preliminary statement, to ensure that the investor community receives a balanced and complete view of our performance and the issues we face;
- regular meetings between institutional investors and analysts and the Chief Executive Officer and Chief Financial Officer to discuss business performance;
- hosting investors and analysts sessions at which senior management from relevant operating companies deliver presentations which provide an overview of each of the individual businesses and operations; and
- attendance by senior executives across the business at relevant meetings throughout the year.

The Board is of the opinion that additional routine meetings with the Senior Independent Director would not assist further in the dialogue with Shareholders, however, the Senior Independent Director is available to meet with Shareholders, at their request.

Feedback is provided to the Board on any issues raised at these meetings. External brokers' reports are circulated to the Directors. The Shareholders' views of the investor meetings following the interim and final results are obtained by the Group's brokers and circulated to the Board.

The Board welcomes private and Institutional Shareholders to the Annual General Meeting, which is normally attended by all Directors, to discuss appropriate topics during the meeting or with the Directors after the formal proceedings have ended. The Board considers that the Preliminary Statement, the Annual Report, including the Strategic Report contained therein, the Interim Report and trading update statements made during the year present a balanced and clear assessment of the Group's position and prospects.

The Audit Committee Report and the Nomination Committee Report also form part of the Corporate Governance Report.

By order of the Board

Tim Morris
Company Secretary
3rd March 2015

AUDIT COMMITTEE REPORT

Recent years have seen a large number of corporate failures and subsequently, and not surprisingly, a number of regulatory changes which have reinforced the role of the Audit Committee, on behalf of the Board, in ensuring that the Annual Report, taken as a whole, is fair, balanced and understandable.

Section C of the Financial Reporting Council's UK Corporate Governance Code requires that:

- the board should present a fair, balanced and understandable assessment of the company's position, performance and prospects;
- the board is responsible for determining the nature and extent of the significant risks it is willing to take in achieving its strategic objectives. The board should maintain sound risk management and internal control systems; and
- the board should establish formal and transparent arrangements for considering how they should apply the corporate reporting, risk management and internal control principles and for maintaining an appropriate relationship with the company's auditor.

The Board has delegated these responsibilities to the Audit Committee (the "Committee") and this report sets out how the Committee has discharged its responsibilities.

Members of the Committee have continued to take an active role, understanding certain aspects of the business and the risks and challenges it faces, including spending time with the operations teams in the field and also participating in key discussions on areas of financial judgement. These actions have allowed the Committee to have an even greater input, for example in the design of the internal audit programme, and to develop greater awareness of the day-to-day challenges that the business faces and the potential consequences of such challenges.

Set out below are details on the processes we have in place to safeguard the independence and objectivity of our relationship with the external auditors and the role played by internal audit to ensure we have effective control and risk management processes.

Composition of the Committee

The Committee meets at least three times per year and also meets in private with the external auditor. The Committee was chaired during the year by myself, with the Chairman of the Board and the Senior Independent Non-Executive Director both being members of the Committee. Membership of the Committee is, therefore, in accordance with the 2012 Code.

During the year, a formal evaluation of the Committee was conducted by means of a questionnaire being sent to members of the Committee. The responses were reviewed by myself and, where appropriate, actions to improve the effectiveness of the Committee are agreed and implemented accordingly. The results of these reviews were discussed by the Board as a whole, with action taken as appropriate.

By virtue of my former executive and current non-executive roles (full details of which are set out on page 20), together with the results of the questionnaire, the Board considers that I have recent and relevant financial experience and also that all members of the Committee are independent.

Responsibilities of the Committee

The Committee is responsible for:

- ensuring that the interests of Shareholders are protected in relation to financial reporting and internal control;
- monitoring the financial reporting process, the consolidation process and the integrity of the annual and interim financial statements;
- monitoring any formal announcements relating to the Company's financial performance;
- reviewing and challenging, as necessary, the judgements and actions of management in relation to the financial statements;
- monitoring, reviewing and concluding upon the system of internal control, including the work of internal audit;
- ensuring the maintenance of a control environment and the appropriate management of risk;
- recommendation of appointment of and liaison with the external auditor;
- reviewing and setting the terms of engagement and the remuneration of the external auditor;
- annual review and monitoring of external auditor independence and objectivity and the effectiveness of the audit process;
- development and implementation of policy on the engagement of the external auditor to supply non-audit services;
- reviewing the Group's systems and controls for the prevention and detection of fraud or bribery; and
- reviewing of arrangements under which employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters ensuring that arrangements are in place for the proportionate and independent investigation and appropriate follow-up action.

The Committee reports to the Board on how we have discharged our responsibilities.

The full terms of reference are available on the Company's website, or on request to the Company Secretary.

What the Committee did in 2014

In 2014, the Committee discharged its responsibilities by:

- reviewing the Group's draft financial statements, preliminary statement and interim results statement prior to Board approval and reviewing the external auditors' reports thereon;
- reviewing the plan of the external auditor for the audit of the Group accounts, confirmations of auditor independence and proposed audit fee and approving terms of engagement for the audit;
- considering the effectiveness and independence of the external auditor and recommending to the Board the re-appointment of PricewaterhouseCoopers LLP as external auditor;
- considering and agreeing the annual internal audit plan;
- reviewing internal audit's progress and reports on its work during the year;
- considering the review of material business risks, including reviewing internal control processes used to identify and monitor principal risks and uncertainties;
- reviewing the Executive and Non-Executive Directors' expenses;
- monitoring the reporting, and follow up of items reported, on the employee hotline established in line with the Code of Ethics; and
- reviewing the Committee's composition and confirming that there is sufficient expertise and resource for it to fulfil its responsibilities effectively.

The Committee considered the 2014 Annual Report and Accounts in the context of whether they were fair, balanced and understandable and were able to report to the Board that the 2014 Annual Report and Accounts, when taken as a whole, were fair, balanced and understandable on the basis that the description of the business agrees with our own understanding, the risks reflect the issues that concern us, appropriate weight has been given to the 'good and bad' news, the discussion of performance properly reflects the 'story' of the year and

AUDIT COMMITTEE REPORT CONTINUED

that there is a clear and well-articulated link between all areas of disclosure.

Significant Issues Considered in Relation to the Financial Statements

During the year the Committee, management and the external auditor considered and concluded on what the significant risks and issues were in relation to the financial statements and how these would be addressed.

Impairment Reviews

As part of the year end process, the Group tests whether goodwill has suffered any impairment, in accordance with the accounting policy stated within this Annual Report. The impairment test is undertaken at a cash generating unit ("CGU") level – being Textile Rental and Drycleaning. The Committee considered the impairment review process in detail.

It was acknowledged that the pre-tax discount rate used in the 2014 calculation is 4.83%, compared to a prior year rate of 6.87%. The discount rate takes into account, inter alia, the risk free rate of return (derived from a 20 year government bond rate) and a predictive Beta factor for the Group, both of which have reduced in the current year although the decrease in the Beta factor is more noticeable.

The Beta factor used in the 2014 calculation was 0.37 compared to 0.65 in the prior year. The Committee were satisfied that the rate had been obtained from a third party source and is used for both CGUs. The Committee considered whether it was appropriate to use the same Beta factor for both CGUs and, on the basis that the Beta factor at the end of January 2015 was 0.34, which suggests the Drycleaning restructuring announcement in January 2015 had little, if any, impact, concluded that it was appropriate.

The recoverable amount of a CGU is based on value-in-use calculations. The Committee were satisfied that, with regards to the Textile Rental CGU, the discounted net present value of future cash flows provides significant headroom over the goodwill carrying value, and hence no impairment was required.

The Committee also noted that, within the Drycleaning CGU, the recoverable amount exceeded the carrying value by only £1.3 million, and hence a sensitivity analysis had subsequently been performed that showed if the discount rate was to increase by 0.6%, or long term growth reduce by 1.0%, then the recoverable amount would equal the carrying value. Given the low level of headroom and the changes in assumptions required to reduce this headroom to nil, an alternative valuation method had then been considered. Using fair value less costs to dispose, which allows for the benefit of the restructuring announced in January 2015 to be taken into account, the headroom increased to £9.8m. For this headroom to reduce to nil either the discount rate would need to increase to 8.75% or the growth rate reduce to negative 3.25%. As a result of this, the Committee were satisfied that no impairment should be recognised within these financial statements and that appropriate disclosures had been provided.

Property and Environmental Provisions

The restructuring of the Drycleaning segment in 2012 resulted in a total exceptional charge to the Income Statement of £23.9 million, with £22.7 million being recognised in 2012 and the remaining £1.2 million incurred in 2013. The remaining provision as at 31st December 2014 totalled £8.7 million. The Committee considered the movement in the provision during the year together with the level of provision remaining as at the year end and concluded that they were reasonable.

Additionally, there are further provisions for onerous property leases held by the Group. The Committee considered the additional provisioning and utilisation of these provisions during the year, together with the remaining provision as at 31st December 2014, and concluded that they were reasonable.

The Group continues to recognise provisions for remediation costs to be incurred in relation to environmental issues identified at a number of the Group's properties. The Committee considered the movement in the provision during the year together with the level of provision remaining as at the year end and concluded that they were reasonable.

Acquisition Accounting

On 3rd March 2014, the Group acquired 100% of the share capital of Bourne Services Group Limited, along with its subsidiary Bourne Textile Services Limited (together 'Bourne'), for total gross consideration of £26.7 million.

The Committee considered the methodology and assumptions used by management in determining the fair value of the customer contracts and relationships acquired, as this was considered by the Committee to be the area of most significant judgement. The Committee were satisfied that the fair value had been calculated based upon relevant historical and prospective information and financial data specific to the business combination, with an appropriate discount factor applied. The Committee further considered the accounting policy realignment adjustments and, again, considered them to be reasonable.

The Committee also reviewed the disclosures relating to the acquisition included within the Annual Report and were in agreement that the requirements of IFRS 3, 'Business Combinations' had been satisfied.

Post-employment Benefit Obligations

The valuation of pension scheme liabilities is based on statistical and actuarial calculations, using various assumptions including discount rates, inflation, life expectancy of scheme members and cash commutations. The Committee reviewed the actuarial assumptions underpinning the valuation and were satisfied that all assumptions are within ranges considered generally acceptable given the size, demographic and duration of the scheme.

The Committee also considered the effect of the Johnson Group Defined Benefit Scheme ("JGDBS") closing to future accrual, on 31st December 2014. As a result of the closure, benefits for previously active members will now be linked to inflationary increases and this change has resulted in liabilities increasing (as pensionable salaries were frozen in 2010). The impact of the closure has been recorded as a past service cost and has been presented as an exceptional item within the Income Statement. The Committee considered the measurement of the past service cost and the disclosures included within the Annual Report and, having regard to advice from the Group's actuary, were satisfied they were appropriate.

Accounting for Complex Customer Arrangements

As in previous years, the Group offers rebates to certain key customers based on agreed fixed rates relating to the volumes of services provided and goods purchased. The Committee does not consider the Group's rebates to be highly complex as: they are volume related; there are written agreements with customers; and historically rebates estimates have been seen to be accurate. However, following recent FRC guidance this has been highlighted as an area of focus. The Committee has

discussed any judgements made in accruing customer rebates with management and the auditors. The Committee is satisfied that the amounts of expense accrued are appropriate.

Income Taxes

Judgement is required in determining the provision for income taxes as there are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Committee discussed the effective tax rate for the year and noted that it was higher than the standard rate of UK taxation, primarily as a result of adjustments made in respect of prior years and the affect of expenses that were not deductible for tax purposes. The Committee concluded that the judgements made in relation to taxation were reasonable.

Going Concern

The Group has to comply with a number of financial covenants that relate to its financing structure. Reaching a conclusion on the reliability of the budgets prepared by management is considered important to the Committee to ensure that covenants will not be breached and the Group will remain a going concern.

The Committee therefore reviewed, challenged and concluded upon the Group's going concern review including giving due consideration to the appropriateness of key judgements, assumptions and estimates underlying the budgets that underpin the review and a review of compliance with key financial covenants.

Assessment of External Auditor Effectiveness

The Committee reviewed the external auditor's performance and on-going independence, taking into account input from management, consideration of responses to questions from the Committee and the audit findings reported to the Committee.

Based on this information the Committee concluded that the external audit process was operating effectively and PricewaterhouseCoopers LLP continued to prove effective in its role as external auditor.

Appointment of the External Auditor and Approach to how Objectivity and Independence are Safeguarded

The Company has adopted a policy on the independence of auditors which is consistent with the ethical standards published by the Audit Practices Board. A key issue for the Committee that may impair auditor independence, and the auditor's objective opinion on the Group's financial statements, is the engagement of the external auditor for the provision of non-audit services.

Non-Audit Services

The Committee has adopted a policy on the engagement of the external auditor for the provision of non-audit services and reviews this annually. The policy is designed to ensure that such engagements do not result in the creation of a mutuality of interest between the external auditor and the Company, that a transparent process and reporting structure is established to enable the Committee to monitor policy compliance and that unnecessary restrictions on the engagement of auditors for non-audit services is avoided where the provision of advice is commercially sensible and is more cost effective than other providers. The policy categorises the provision of non-audit services into three areas:

- normally performed by the auditor;
- may be performed by the auditor; and
- that normally performed by another provider.

With reference to this policy, the selection of professional service firms for non-audit work is at the discretion of the management, taking into account which firm is best placed to perform such work to meet the interests of the Company and Shareholders and with regard to ensuring that independence is not compromised.

The total fees invoiced by the external auditor during the year under review amounted to £592,000 (2013: £1,299,000), of which £303,000 (2013: £940,000) related to non-audit services. Of these non-audit services, fees of £174,000 (2013: £816,000) related to one-off and non-recurring services, largely in relation to the acquisition of Bourne Services Group Limited in 2014 and, following a competitive tender process, the disposal of the Facilities Management division in 2013, and where it was considered by the Committee to be commercially sensible and more cost effective to use PricewaterhouseCoopers LLP than an alternative provider. Full details are set out in Note 3 to the consolidated financial statements.

Independence Safeguards

In accordance with best practice and professional standards, the external auditor is required to adhere to a rotation policy whereby the Senior Statutory Auditor (audit engagement partner) is rotated after five years. The current Senior Statutory Auditor was appointed in 2010 and will step down later this year. The external auditor is also required to assess periodically whether, in their professional opinion, they are independent and those views are shared with the Committee. The Committee has authority to take independent advice as it determines necessary in order to resolve issues on auditor independence. No such advice was required during the year.

Independence Assessment by the Committee

The Committee is satisfied that the independence of the external auditor is not impaired due to the fact that the audit engagement partner rotation policy has been complied with; the level of fees paid for non-audit services was of a level that does not present any on-going threat to their independence and separate external firms are appointed for certain other advisory services. In addition, the Committee meets with the external auditor during the year without the presence of management and I have had regular contact with the audit engagement partner during the year.

Re-appointment of the External Auditor

The re-appointment of PricewaterhouseCoopers LLP as the Group's external auditor was reviewed during the year. The Committee has assessed the performance, objectivity and independence of the external auditor which underpins its recommendation to the Board, to propose to shareholders, the re-appointment of PricewaterhouseCoopers LLP as auditor until the conclusion of the AGM in 2016. There are no contractual restrictions over choice of auditor.

Role of Internal Audit

Internal audit has a Group-wide remit and is independent of the business operations. It undertakes an on-going programme to provide assurance on the adequacy of internal control and risk management processes across the Group's operations. Internal audit is responsible for reviewing and reporting on the effectiveness of internal controls and risk management systems to the Committee and, ultimately, the Board. Internal audit attend Committee meetings to present the findings of such reviews at regular intervals throughout the year and report on performance against the agreed annual internal audit plan, such plans being agreed during the year by the Committee.

AUDIT COMMITTEE REPORT CONTINUED

Internal Control and Risk Management

The Board is ultimately responsible for the overall system of internal control for the Group and for reviewing its effectiveness. The Board has delegated day to day responsibility for this to the Committee. The Committee carries out a review, at least annually, covering all material controls including financial, operational and compliance controls and risk management systems. The system of internal control is designed to mitigate rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

There is an on-going process for identifying, evaluating and managing the Group's significant risks that has been in place throughout the year ended 31st December 2014 and up to the date of approval of the financial statements. The Committee receives reports setting out key performance and risk indicators and considers possible control issues brought to its attention by early warning mechanisms which are embedded within the operational units and reinforced by risk awareness training.

The key elements of the Group's on-going processes for the provision of effective internal control and risk management systems, in place throughout the year and at the date of this Report, include:

- regular Board meetings to consider matters reserved for Directors' consideration;
- regular management reporting, providing a balanced assessment of key risks and controls;
- an annual Board review of corporate strategy, including a review of material business risks and uncertainties facing the business;
- established organisational structure with clearly defined lines of responsibility and levels of authority;
- an internal audit function which implements the annual internal audit plan and provides independent assurance to executive management, the Committee and the Board on the effectiveness of internal controls and risk management;
- documented policies and procedures;
- regular review by the Board of financial budgets, forecasts and covenants with performance reported to the Board monthly; and
- a detailed investment process for major projects, including capital investment coupled with a post investment appraisal analysis.

In reviewing the effectiveness of the system of internal control the Committee has:

- received six-monthly reports, compiled by the Head of Internal Audit following discussion with key senior managers, that set out the key risks facing the Group and indicate whether controls and risk management processes in each business unit have operated satisfactorily. These returns are reviewed in detail, challenged where appropriate and approved by the Committee for use in the Annual Report;
- regularly reviewed the financial and accounting controls;
- reviewed the internal audit reports;
- monitored management's responsiveness to the findings and recommendations of the Head of Internal Audit; and
- met with internal audit, without management being present, to discuss internal audits remit and any issues arising from internal audits carried out.

No significant issues were identified.

In respect of Group financial reporting, the finance department is responsible for preparing the Group financial statements using a well-established consolidation process and ensuring that accounting policies are in accordance with International Financial Reporting Standards. There is a detailed budgeting system with an annual budget both challenged and approved by the Board. Monthly results are reported against the corresponding figures for the budget and the previous year with corrective action initiated by the Board as appropriate. All financial information published by the Group is subject to approval by the Committee.

The Group's treasury activities are operated within Board approved guidelines. Facilities are approved by the Board and all transactions are controlled and monitored. Monthly summaries of treasury management activities are prepared for the Board. Speculative transactions are not undertaken.

There have been no changes in the Company's internal control over financial reporting during the year under review that have materially affected, or are reasonably likely to materially affect, the Company's control over financial reporting.

The Board, with advice from the Committee, is satisfied that an effective system of internal controls and risk management processes are in place which enable the Company to identify, evaluate and manage key risks. These processes have been in place since the start of the financial year and up to the date of approval of the accounts. Further details of risk management frameworks and specific material risks and uncertainties facing the business can be found on pages 16 to 19.

Bribery Act 2010

The Bribery Act 2010 (the 'Act') came into force on 1st July 2011, and repeals all previous statutory and common law provisions in relation to bribery, instead replacing them with the crimes of bribery, being bribed, the bribery of foreign public officials, and the failure of a commercial organisation to prevent bribery on its behalf. However, a defence to any such corporate failure offence is possible if it can be shown that adequate procedures were in place at the time.

The Group is committed to conducting its business with the highest degree of integrity. This commitment includes a zero tolerance approach towards all forms of bribery, corruption, fraud and theft.

Prior to the above date, the Group conducted a preliminary risk assessment, adopted an appropriate policy and re-enforced its code of ethics. Appropriate Board approved procedures are now in place to prevent employees and other associated persons committing offences under the Act. Engaging in fraud, bribery or corruption is unlawful and any employee, director or officer found to have breached the code of conduct will be liable to disciplinary action which may result in dismissal or other serious sanctions. Breaches of the code of conduct by third parties may result in immediate termination for breach of all contracts with the Group. These procedures are subject to regular monitoring and review.

Whistleblowing

The Group has in place a whistleblowing policy which encourages employees to report any malpractice or illegal facts or omissions or matters of similar concern by other employees or former employees, contractors, suppliers or advisers using internal mechanisms for reporting. The policy acts as a mechanism to report any ethical wrongdoing or malpractice or suspicion which may amount to ethical wrongdoing or malpractice. Examples of ethical wrongdoing or malpractice include bribery, corruption, fraud, dishonesty and illegal practices which may endanger employees or other parties. There have been no material instances of whistleblowing during the year under review.

Bill Shannon
Chairman, Audit Committee
3rd March 2015

NOMINATION COMMITTEE REPORT

The Nomination Committee (the "Committee") is responsible for monitoring the performance, appropriateness and future succession of the Company's executive and Board talent.

Appointments to the Board are recommended, as appropriate, by the Committee. Board appointments are subject to approval by the Board as a whole.

The Committee met once during 2014.

Composition

In compliance with the 2012 Code, the members of the Committee are wholly independent and comprise the Chairman and the Non-Executive Directors. Prior to his retirement as Executive Chairman on 1st May 2014, John Talbot chaired the Committee. Following John's retirement, the Committee was chaired by myself.

Roles and Responsibilities

The principal responsibilities of the Committee are:
- reviewing the Board structure, size and composition;
- identifying and nominating candidates to fill Board vacancies;
- keeping up to date and fully aware of the strategic and commercial changes affecting the Group and the markets in which it operates;
- keeping under review the leadership needs of the business with a view to ensuring the continued ability to compete effectively in the marketplace;
- considering the continuing service of a Director; and
- providing recommendations for reappointment of Directors retiring by rotation.

The Committee undertakes its responsibilities proactively, recognising it is important to plan Board succession well in advance, and to ensure that the Company's Board and executive leadership skills are fully aligned to the Company's long-term strategy. The Committee therefore takes care to ensure that there is a continuous pipeline of high-performing and executive talent beneath Board level.

What the Committee did in 2014

The main focus of the Committee's work in 2014 included:
- selecting suitable candidates to succeed John Talbot, previously Executive Chairman, in the separate roles of Chief Executive Officer and Non-Executive Chairman:
  - the Committee recommended to the Board the appointment of Chris Sander, previously Managing Director of the Textile Services Division, to the role of Chief Executive Officer. The Board approved the recommendation on 3rd January 2014 and Chris was appointed Chief Executive Officer with immediate effect; and
  - the Committee recommended to the Board the appointment of myself, previously a Non-Executive Director of the Group, to the role of Non-Executive Chairman. The Board approved the recommendation on 7th February 2014 and I commenced in my role as Non-Executive Chairman on 1st May 2014;
- reviewing the senior management structure and talent below Board level; and
- reviewing the Committee's terms of reference, and conducting the annual review of the Committee's performance.

Diversity

Whilst we pursue diversity, including gender diversity, throughout the business, and although the Board endorses the aspirations of the Davies Review on Women on Boards, we are not committing to any specific targets. Instead, and when applicable, we will seek to use executive search firms who have signed up to the voluntary code of conduct setting out the seven key principles of best practice to abide by throughout the recruitment process and we will continue to follow a policy of appointing talented people at every level to deliver high performance. We will also ensure that our development in this area is consistent with our own strategic objectives and is enhancing in terms of Board effectiveness.

Paul Moody
Chairman, Nomination Committee
3rd March 2015

BOARD REPORT ON REMUNERATION

Prior to 13th December 2013, Premium Listed companies incorporated in the UK were required to fully apply the Listing Rules of the Financial Conduct Authority (the "Listing Rules") with respect to the disclosure of directors' remuneration. From 13th December 2013, whilst certain aspects of the Listing Rules remain in force with respect to the disclosure of directors' remuneration, most remuneration-related disclosures for Premium Listed companies incorporated in the UK will only need to comply with the new BIS Directors' Remuneration Reporting Regulations (the "Remuneration Regulations") when making disclosures regarding directors' remuneration.

As an AIM listed company, the Company is not required to fully apply either the Listing Rules or the Remuneration Regulations, and hence is not required to present a Board Report on Remuneration in accordance with those rules. Nevertheless, the Board considers it appropriate for the Company to provide Shareholders with information with respect to Executive remuneration.

The information presented within this Board Report on Remuneration has, therefore, been prepared on a consistent basis with that in prior years. This report is unaudited, except where otherwise stated.

Remuneration Committee

The Remuneration Committee (the "Committee") currently consists of the Chairman and the Non-Executive Directors. The Committee is chaired by myself. None of the members of the Committee have or had any personal financial interests in the Company (other than as Shareholders), conflicts of interests arising from cross-directorships or day to day involvement in running the business.

The Committee is responsible for overseeing the policy regarding Executive remuneration and for determining the remuneration packages for the Executive Directors.

Periodically, the Committee engage PricewaterhouseCoopers LLP (PwC) to provide guidance on standard market practice with regard to Executive remuneration. PwC has also provided factual reward surveys, based on a comparator group determined by the Remuneration Committee, which were utilised for benchmarking purposes.

Remuneration Policy

The Committee reviews the Company's remuneration philosophy and structure each year to ensure that the remuneration framework remains effective in supporting the Company's business objectives, in line with best practice, and fairly rewards individuals for the contribution that they make to the business, having regard to the size and complexity of the Group's operations and the need to retain, motivate and attract employees of the highest calibre.

The Committee intends that base salary and total remuneration of Executive Directors should be in line with the market. Remuneration is benchmarked against rewards available for equivalent roles in a suitable comparator group with the aim of paying neither significantly above nor below the median for each element of remuneration. The Committee also considers general pay and employment conditions of all employees within the Group and is sensitive to these, to prevailing market conditions, and to governance trends when assessing the level of salaries and remuneration packages of Executive Directors.

The total remuneration package links corporate and individual performance with an appropriate balance between short and long term elements, and fixed and variable components. The policy is designed to incentivise executives to meet the Company's strategic objectives, such that a significant portion of total remuneration is performance related, based on a mixture of internal targets linked to the Company's strategic business drivers (which can be easily measured, understood and accepted by both executives and Shareholders) and appropriate external comparator groups.

The Committee considers that the targets set for the different elements of performance related remuneration are both appropriate and demanding in the context of the business environment and the challenges with which the Group is faced.

As an AIM listed company, the Company does not require Shareholder approval for the adoption of new employee share plans, however, proposals for new schemes are discussed with major Shareholders to gain their views before being implemented. Full details of all schemes are included within this report, which is subject to approval by Shareholders at the Annual General Meeting.

Malus and Clawback

To reflect emergent best practice and to align with Shareholder interests, the Committee considers it appropriate to introduce malus and clawback provisions in relation to all prospective annual bonus and LTIP schemes (together "Awards").

The provisions, which only apply to Awards granted on or after 1st January 2015 enable the Committee to decide, up until the second anniversary of an Award becoming payable, in circumstances in which the Committee considers it appropriate, to reduce the quantum of an Award, cancel an Award or impose further conditions on an Award. The provisions also enable the Committee to decide, up until the second anniversary of an Award becoming payable that, in the relevant circumstances, the participant must repay to the Company (or any person nominated by the Company) some or all of the cash or shares received under an Award.

The circumstances in which the Committee may apply the "malus" and "clawback" provisions include, but are not limited to, a material misstatement of the Company's audited financial results, a miscalculation of the extent to which a performance target, applying to any Award granted on or after 1st January 2015, has been met, a material failure of risk management by the Company or any group company and serious reputational damage to the Company or any group company.

Personal Shareholding Requirement and Holding Periods

In order that their interests are linked with those of Shareholders, Executive Directors are expected to build up and maintain a personal shareholding in the Company, equal to at least the value of base salary. Non-Executive Directors are encouraged, but are not required, to hold a personal shareholding in the Company.

The Committee has considered whether Executive Directors should be required to hold any shares for a further period after vesting or exercise, subject to the need to finance any costs of acquisition and associated tax liabilities. It was determined, for the present time at least, that a further restriction over the personal shareholding requirement was unnecessary.

Components of Executive Remuneration

The current remuneration of Executive Directors comprises the following five components:

- basic salary;
- annual bonus;
- taxable benefits;

- share options (including the Long-Term Incentive Plan (Approved and Unapproved sections) and the Sharesave Plan); and
- pension arrangements (only basic salary is pensionable).

Details of how the various components of remuneration are delivered are set out below.

Basic Salary

Basic salary represents a value which reflects the Remuneration Committee's assessment of the market rate for relevant positions and the individual Director's experience and value to the business. Annual reviews are considered against published information for similar sized groups and the level of increases awarded to staff throughout the Group.

Annual Bonus

The Group operates a Short Term Incentive Programme (STIP) for senior executives, which provides for a performance related bonus based on the Group's results and, in certain cases, the result of the relevant businesses for which they may be responsible. The individual targets for the Executive Directors are established by the Committee with a view to maximising Shareholder value and meeting other Group objectives. Subject to the achievement of the targets, the annual performance related bonus can represent up to a maximum of 100% of basic salary.

The Chairman and the Non-Executive Directors are not eligible to participate in the STIP.

The Committee reviews, on an annual basis, the performance criteria for each Executive Director to ensure that they remain appropriate.

Taxable Benefits

Taxable benefits, which are not performance related, principally include the provision of a car, private medical insurance and, when necessary, payments for the curtailment of holiday as a result of business requirements.

Share Options

2009 Long-Term Incentive Plan (the 'LTIP')

To incentivise certain employees to maximise Shareholder value and to ensure the employees' services are secured, the Company has adopted the LTIP, which was approved by a resolution of the Board on 7th May 2009. The rules of the LTIP largely mirror the Johnson Service Group Long-Term Growth Plan which was approved by Shareholders on 4th July 2008. All employees (including Executive Directors) of the Group are eligible to participate in the LTIP, although in practice, participants will be limited to Executive Directors and Senior Management. Participants in the LTIP will be selected by the Remuneration Committee.

Eligible participants will be granted awards entitling them to receive Ordinary shares in the Company after a specified vesting period and subject to the achievement of specified performance conditions. Vesting of awards granted under the LTIP will normally occur after a three year performance period.

2011 Award

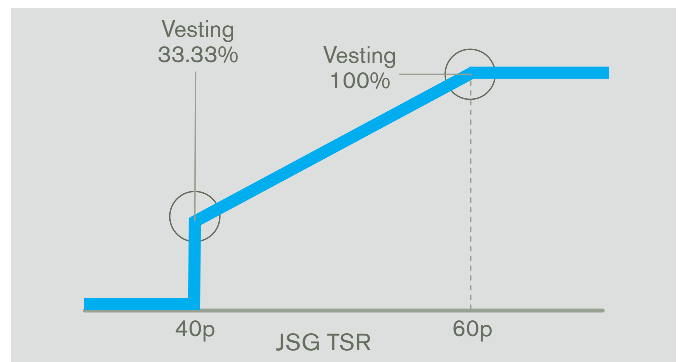
Awards were granted to Executive Directors and certain Senior Management on 6th January 2011 with an exercise price of nil. The performance period ran from the date of grant until the end of the 30 day period following the announcement of the Company's preliminary results for the year ended 31st December 2013. The performance conditions were linked to the Company's Total Shareholder Return ("TSR") which, for the purpose of this 2011 Award only, is defined as the Company's share price plus any dividends paid on or after 16th November 2009 and any other capital distributions over the performance period.

The 2011 Award would vest in two tranches:

- One third of the award would vest if at any time during the performance period, the average TSR was equal to, or exceeded, 40 pence over any consecutive 30 day period (Floating TSR).
- The remaining two thirds of the award would vest by reference to the Company's average TSR for the 30 day period following announcement of the Company's preliminary results for the year ending 31st December 2013 (Final TSR). None of the remaining two thirds of the award would vest if the average Final TSR was equal to or less than 40 pence. The whole of the remaining two thirds of the award would vest if the average Final TSR was equal to or greater than 60 pence. Vesting of the award would be on a straight line basis between these points.

Floating TSR could be tested at any time during the performance period. Final TSR could only be tested once, following the announcement of the Company's preliminary results for the year ending 31st December 2013.

The performance conditions outlined above were selected to incentivise award holders to maximise Shareholder value. The chart below demonstrates the effect on vesting of the above performance conditions:



The Floating TSR condition was achieved in September 2013 and one third of the award vested. The Final TSR condition was tested at the end of the 30 day period following announcement of the Company's preliminary results for the year ending 31st December 2013 and the remaining two thirds of the award vested in full.

With the exception of one member of senior management, all Approved LTIP awards have been exercised or have lapsed as at the date of this report.

2014 Award

Awards were granted to Executive Directors and certain Senior Management on 13th March 2014 with an exercise price of nil. The performance period is the three financial years starting 1st January 2014 and ending 31st December 2016. The performance conditions are linked to the Company's Total Shareholder Return and Earnings per Share.

The 2014 Award will vest in two tranches:

- 50 per cent of the award will vest by reference to the annualised growth in the Company's net return index ("TSR") over the

BOARD REPORT ON REMUNERATION CONTINUED

performance period relative to the annualised growth in the FTSE AIM All-Share Industrial Goods and Services net return index (the "Index") over the performance period. None of the award will vest if the TSR growth is less than the Index growth. One quarter of the award will vest if the TSR growth is equal to the Index growth. The whole of the award will vest if the TSR growth is at least seven per cent above the Index growth. Vesting of the award will be on a straight line basis between these points.

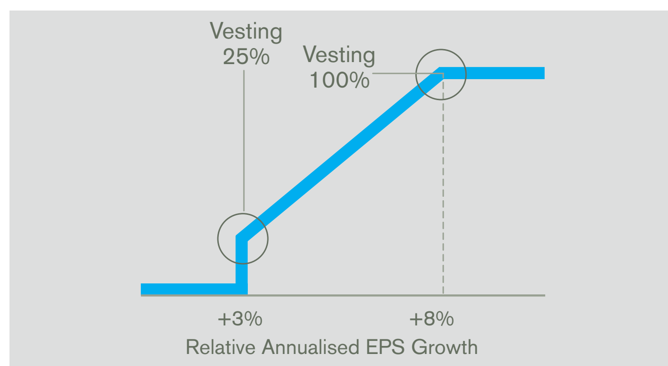
- The remaining 50 per cent of the award will vest by reference to the annualised growth in the Company's adjusted fully diluted earnings per share from continuing operations ("EPS") over the performance period relative to the annualised growth in the retail price index ("RPI") over the performance period. None of the remaining award will vest if the EPS growth is less than three per cent above the RPI growth. One quarter of the remaining award will vest if the EPS growth three per cent above the RPI growth. The whole of the remaining award will vest if the EPS growth is at least eight per cent above the RPI growth. Vesting of the remaining award will be on a straight line basis if EPS growth is between three per cent and eight per cent above the RPI growth.

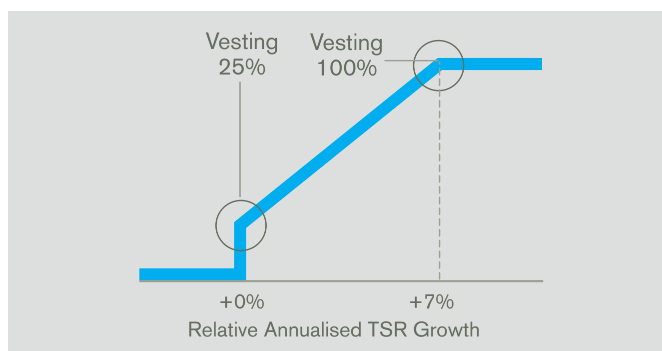
For the purpose of calculating TSR and Index growth, the average of the net return index over the dealing days falling in the period of one month ending on the last day of the performance period will be compared to the average of the net return index over the dealing days falling in the period of one month immediately preceding the first day of the performance period, in each respect of the Company and for the FTSE AIM All-Share Industrial Goods and Services index.

For the purpose of calculating EPS growth, the Company's adjusted fully diluted earnings per share from continuing operations for the final financial year in the performance period will be compared to the Company's adjusted fully diluted earnings per share from continuing operations for the financial year immediately before the start of the performance period.

For the purpose of calculating RPI growth, the retail prices index value for the last month of the final financial year in the performance period will be compared to the retail prices index value for the last month of the financial year immediately before the start of the performance period.

As was the case with the 2011 Award, the performance conditions for the 2014 Award have been selected to incentivise award holders to maximise Shareholder value. The charts below demonstrate the effect on vesting of the above performance conditions:





2009 Long-Term Incentive Plan Approved Section (the 'Approved LTIP')

The Approved LTIP was approved by a resolution of the Board on 7th May 2009, and received approval from HM Revenue & Customs on 25th June 2009. The Approved LTIP is linked to the LTIP award referred to above. The linked awards give the holder the same potential gross gain as if they had just received the LTIP award, however, as the Approved LTIP is tax favoured, in certain circumstances all or part of any gain on the LTIP award will be received through the Approved LTIP and therefore taxed at a lower rate or even zero.

The actual number of shares the award holder will receive when exercising options will depend on the date of exercise, whether the performance conditions of the LTIP are achieved and the extent to which they are achieved, and also on how much of the gain (if any) can be delivered through the Approved LTIP. Part of the total award will be forfeited once the gain is determined, however, this will still leave the holder with the same gross gain that would have been received had only an award been made under the LTIP arrangement.

On 7th January 2011, the Executive Directors (excluding the Executive Chairman) and certain Senior Management were granted awards under the Approved LTIP, linked to the awards granted on 6th January 2011 under the LTIP, at an exercise price of 30.75 pence. With the exception of one member of Senior Management, all Approved LTIP awards have been exercised or have lapsed as at the date of this report.

Sharesave Plan (the 'SAYE Scheme')

The SAYE Scheme is open to all employees, including Executive Directors who have completed two year's service at the date of invitation and who open an approved savings contract.

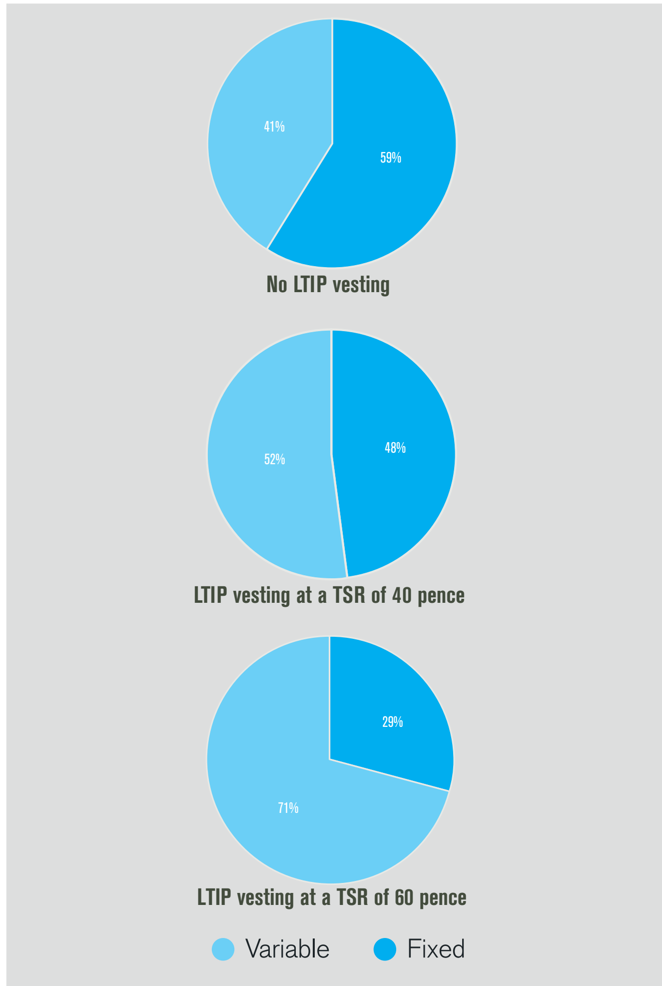
When the savings contract is started, options are granted to acquire the number of shares that the total savings will buy when the savings contract matures. Details of the exercise periods and normal expiry dates are given in note 26 of the consolidated financial statements.

Fixed and Variable Remuneration

As stated above, the Company's policy is to provide a total remuneration package that links corporate and individual performance with an appropriate balance between short and long term elements, and fixed and variable components.

By way of illustration, the balance between the fixed and variable elements for the Executive Directors who were in office at 31st December 2014 is shown in the charts below for varying levels of vesting of the 2009 Long-Term Incentive Plan that was granted in 2011, and subsequently vested partly in 2013 and partly in 2014. Broadly,

there is a 59:41 split between fixed and variable pay if none of the LTIP were to vest and a 29:71 split between fixed and variable pay at maximum performance, showing the high proportion of performance-related pay that is 'at risk' in the total remuneration package.



The above illustration of the current Executive Directors' percentage of fixed and variable remuneration is based on a number of assumptions:

- fixed remuneration includes basic salary only, and represents actual annual salary for 2014;
- variable remuneration includes annual bonus (assumed at actual achievement for 2014 within this illustration) and vested share options (LTIP); and
- the amount included in respect of the LTIP represents:
  - an annualised gross gain over the three year performance period at an assumed TSR of less than 40 pence, at 40 pence and at 60 pence; and
  - exercise at the end of the three year performance period at a share price assumed to be equal to TSR.

Non-Executive Directors

The Chairman and Non-Executive Directors receive fees which are set by the Board and which are commensurate with their experience and contribution to the Group. The Chairman and Non-Executive Directors do not participate in decisions regarding their own remuneration. They do not participate in any of the Group's pension, share option or performance related bonus schemes.

Service Contracts

In the event of termination, without cause, the Company has a contractual obligation to compensate the Director for the unexpired period of his or her notice. The Company will seek to reduce this payment by means of the Director's duty to mitigate this payment wherever possible.

Executive Directors

Chris Sander is employed under a service agreement dated 6th July 2004, as amended by a Variation Letter dated 20th October 2009 and as further amended on the appointment to Chief Executive Officer on 3rd January 2014, which has no fixed expiry date and provides that the Company is required to give twelve months' notice and Chris Sander is required to give six months' notice.

Yvonne Monaghan is employed under a service agreement dated 14th January 2004, as amended with the appointment to Chief Financial Officer on 31st August 2007, which has no fixed expiry date and provides that the Company is required to give twelve months' notice and Yvonne Monaghan is required to give six months' notice.

Chairman and Non-Executive Directors

The Chairman and Non-Executive Directors each have fixed term appointments. Each has a letter of appointment, dated as set out below, which requires the Company to provide three months' notice, the Chairman to provide at least three months' notice and each Non-Executive Director to provide at least one months' notice.

At 31st December 2014, the unexpired terms of the Chairman and Non-Executive Directors letters of appointment were:

	Date of Latest Letter of Appointment	Service Agreement Start Date	Service Agreement End Date	Unexpired Term at 31st December 2014
Paul Moody	30th April 2014	1st May 2014	30th April 2017	2 years 4 months
Michael Del Mar	26th February 2014	1st June 2014	31st May 2015	5 months
Bill Shannon*	28th February 2012	8th May 2012	7th May 2015	4 months

* On 24th February 2015, a new letter of appointment was issued which extended the unexpired term above by 12 months.

BOARD REPORT ON REMUNERATION CONTINUED

Interests in Share Capital

The interests of the Directors who were in office at 31st December 2014, together with the interests of their close family, in the shares of the Company at the commencement, or date of appointment if later, and close of the financial year, were as follows:

	31st December 2014 Ordinary shares of 10p each	31st December 2013 Ordinary shares of 10p each
Beneficial		
Paul Moody	100,000	100,000
Chris Sander	525,930	238,655
Yvonne Monaghan	764,086	143,478
Michael Del Mar	200,000	200,000
Bill Shannon	125,000	125,000
	1,715,016	807,133
Issued share capital *	299,985,593	262,326,451
Directors' share holding	0.6%	0.3%
Non Beneficial		
Yvonne Monaghan, Chris Sander and others	588,452	588,452

* Issued share capital is as at the Balance Sheet date

There have been no changes in the Directors' interests in the shares of the Company during the period 31st December 2014 up until the time of signing this report.

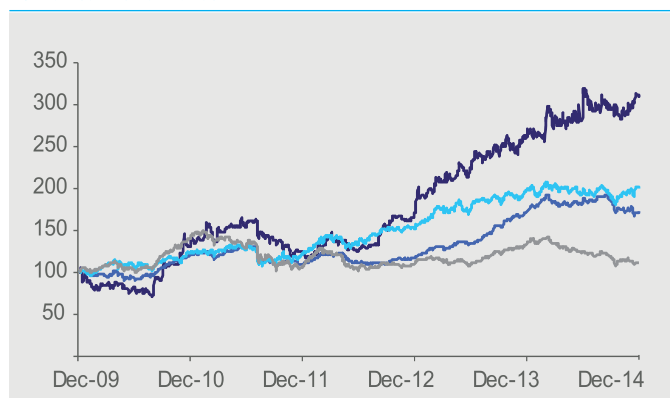
Performance Graph

Over the five years to December 2014 the Company has outperformed the FTSE AIM Industrial Goods and Services Index, the FTSE AIM All-Share Index and the FTSE Support Services Index with a net total shareholder return of 212% against a net total shareholder return of 73%, 12% and 100% respectively.

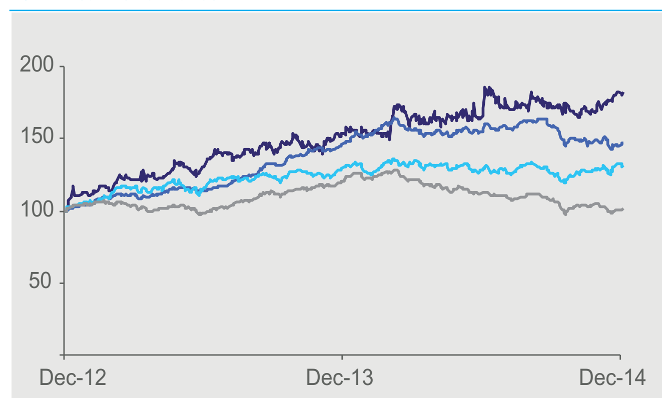
Over the two years to December 2014 the Company has outperformed the FTSE AIM Industrial Goods and Services Index, the FTSE AIM All-Share Index and the FTSE Support Services Index with a net total shareholder return of 82% against a net total shareholder return of 47%, 1% and 31% respectively.

These indices have been selected for this comparison as, in the opinion of the Directors, they represent the general and specific sectors in which the Company operates.

TSR 5 Year Performance



TSR 2 Year Performance



JSG FTSE AIM All-Share FTSE Support Services FTSE AIM Industrial Goods & Services

Directors' Remuneration (Audited)

	Note	Basic Salary/Fees 2014 £000	Bonus/ Allowance 2014 £000	Cash in Lieu of Pension 2014 £000	Taxable Benefits 2014 £000	Total 2014 £000	Total 2013 £000
Executive Directors							
Chris Sander	1	280	194	50	25	549	407
Yvonne Monaghan	1,2	235	163	42	28	468	436
Non-Executive Directors							
Paul Moody	3	67	–	–	–	67	30
Michael Del Mar		36	–	–	–	36	35
Bill Shannon		35	–	–	–	35	34
Former Directors							
John Talbot	4	33	–	–	–	33	275
Kevin Elliott	5	–	–	–	–	–	398
		686	357	92	53	1,188	1,615

Note 1: Details of the amounts included in the table above for Chris Sander and Yvonne Monaghan under 'Cash in Lieu of Pension' are set out on page 41.

Note 2: As set out within the Director biographies on page 20, Yvonne Monaghan is also a Non-Executive Director of NWF Group PLC. For the period 7th August 2013, being her start date with NWF Group PLC, to 31st December 2013 she received, and retained, fees of £17,000 for her services. During 2014, Yvonne Monaghan received, and retained, fees of £36,500 for her services.

Note 3: Paul Moody was appointed Non-Executive Chairman of the Board on 1st May 2014. The figure included in the table above for 2014 reflects the increased amount paid in respect of his additional responsibility in his new role, together with the amount paid prior to that date in his previous role as a Non-Executive Director. The figure included in the table above for 2013 reflects the amount paid in his role as a Non-Executive Director.

Note 4: John Talbot retired as Executive Chairman on 1st May 2014. The figure included in the table above for 2014 reflects the amount paid up until the date of retirement.

Note 5: Kevin Elliott resigned as an Executive Director on 7th August 2013. The figure included in the table above for 2013 reflects the amount paid up until the date of resignation. Full details were provided in the 2013 Annual Report.

No Director waived any emoluments in respect of the years ended 31st December 2014 and 31st December 2013.

BOARD REPORT ON REMUNERATION CONTINUED

Beneficial Interests in Share Options (Audited)

The interests of the Directors, who have served during the year, in share options of the Company at the commencement and close of the financial year (or date of resignation if earlier) were as follows:

	Date of Grant	At 31st December 2013	Options Granted During Year	Options Lapsed During Year	Options Cancelled During Year	Options Exercised During Year	At 31st December 2014	Option Price
Current Directors								
Chris Sander								
Scheme 1	6th January 2011	1,333,334	–	(46,059)	–	(1,287,275)	–	nil
Scheme 2	7th January 2011	97,560	–	–	–	(97,560)	–	30.75p
Scheme 3	1st October 2013	17,526	–	–	–	–	17,526	43.75p
Scheme 1	13th March 2014	–	461,855	–	–	–	461,855	nil
Yvonne Monaghan								
Scheme 1	6th January 2011	1,666,667	–	(46,059)	–	(1,620,608)	–	nil
Scheme 2	7th January 2011	97,560	–	–	–	(97,560)	–	30.75p
Scheme 3	1st October 2013	17,526	–	–	–	–	17,526	43.75p
Scheme 1	13th March 2014	–	387,628	–	–	–	387,628	nil
Previous Directors								
John Talbot								
Scheme 1	6th January 2011	5,000,000	–	–	–	(5,000,000)	–	nil

Scheme 1 – 2009 Long-Term Incentive Plan (the "2009 LTIP")
Scheme 2 – 2009 Long-Term Incentive Plan Approved Section (the "2009 Approved LTIP")
Scheme 3 – Sharesave Plan ("SAYE Scheme")

Details of the 2009 LTIP, the 2009 Approved LTIP and the SAYE Scheme are given on pages 35 and 36 of the Board Report on Remuneration.

Director Gains (Audited)

During the year, certain Directors each exercised options over shares in the Company. Further details are provided in the table below:

Director	Scheme	Date of Exercise	No. of Options Exercised	Option price (p)	Sale Price (p)	Gross Gain (£)
Chris Sander	Scheme 1	3rd April 2014	1,000,000	nil	55.00	550,000
Chris Sander	Scheme 1	3rd April 2014	287,275	nil	Note 1	167,338
Chris Sander	Scheme 2	3rd April 2014	97,560	30.75	55.00	23,658
						740,996
Yvonne Monaghan	Scheme 1	3rd April 2014	1,000,000	Nil	55.00	550,000
Yvonne Monaghan	Scheme 1	3rd April 2014	620,608	Nil	Note 1	361,504
Yvonne Monaghan	Scheme 2	3rd April 2014	97,560	30.75	55.00	23,658
						935,162
John Talbot	Scheme 1	3rd April 2014	3,000,000	nil	55.00	1,650,000
John Talbot	Scheme 1	3rd April 2014	2,000,000	nil	Note 1	1,165,000
						2,815,000

Note 1: On 3rd April 2014, Chris Sander, Yvonne Monaghan and John Talbot each exercised the number of options shown in the table above and elected to retain the shares. The relevant gross gain shown in the table above is based upon the closing mid market price on the date of exercise of 58.25 pence.

Other Details

The mid market price of the Ordinary shares of 10 pence each on 31st December 2014 and 31st December 2013 was 62.00 pence and 53.63 pence respectively. During the year, the mid market price of the Ordinary shares of 10 pence each ranged between 52.00 pence and 64.00 pence (2013: 35.75 pence and 53.63 pence).

None of the terms or conditions of the share options were varied during the year.

There have been no changes in the Directors' interests during the period 31st December 2014 to 3rd March 2015, this being the date of this report.

Pension Benefits of Executive Directors (Audited)

Executive Directors are entitled to receive retirement benefits, which are calculated on basic salary, under one or more of the Group's contributory defined benefit or defined contribution schemes. Details of the schemes are given in note 23 of the consolidated financial statements.

Each Executive Director, who served during the current year has left active pensionable service and is entitled to a preserved benefit under the Johnson Group Defined Benefit Scheme (the "JGDBS"), which is of the defined benefit type. The accrued pension entitlement shown below is the amount that would be paid annually on retirement (at normal retirement age). This pension is calculated based on the total period of pensionable service to the Company, both before and after becoming a Director.

	Accrued pension entitlement at December 2014 £000	Accrued pension entitlement at December 2013 £000
Chris Sander	57	56
Yvonne Monaghan	47	46

From 1st April 2011, Chris Sander opted to become a deferred member of the JGDBS and receive a monthly cash amount equal to 16.0% of his monthly salary. From 1st January 2014, the monthly cash amount increased JGDBS to 17.8% of his monthly salary.

From 1st January 2012, Yvonne Monaghan opted to become a deferred member of the JGDBS and receive a monthly cash amount equal to 17.8% of her monthly salary.

The amounts payable in the year to Chris Sander and Yvonne Monaghan under the above arrangements were £49,840 and £41,830 respectively (2013: £33,913 and £39,008 respectively).

Both Executive Directors took a partial transfer of benefits on 31st March 2012.

Annual General Meeting

A resolution will be proposed at the Annual General Meeting to seek approval of the Board Report on Remuneration.

Michael Del Mar
Chairman, Remuneration Committee
3rd March 2015

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JOHNSON SERVICE GROUP PLC

Report on the Group financial statements

Our opinion

In our opinion, Johnson Service Group PLC's Group financial statements (the "financial statements"):

- give a true and fair view of the state of the Group's affairs as at 31st December 2014 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and article 4 of the IAS Regulation.

What we have audited

Johnson Service Group PLC's financial statements comprise:

- the Consolidated Balance Sheet as at 31st December 2014;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Statement of Cash Flows for the year then ended;
- the Consolidated Statement of Changes in Shareholders' Equity for the year then ended;
- the Statement of Significant Accounting Policies; and
- the notes to the financial statements, which include other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report and Accounts (the "Annual Report"), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

Our audit approach

Overview

- Overall group materiality: £1.1 million which represents 5% of Adjusted Operating Profit.
- Within the Textile Rental segment, we focused our work on Johnsons Apparelmaster, Johnson Stalbridge Linen Services and the Bourne Services Group, which account for 100% of the segmental revenue, and more than 95% of the segmental Adjusted Operating Profit.
- Within the Drycleaning segment, we focused our work on Johnson Cleaners, which accounts for more than 90% of the segmental revenue and 75% of the segmental Adjusted Operating Profit.
- Our work described above together with additional procedures performed on three head office companies and the consolidation accounted for more than 95% of Adjusted Operating Profit.
- Provisions for restructuring of the Drycleaning segment.
- Goodwill impairment assessment.
- Accounting for the acquisition of the Bourne Services Group.
- Accounting for complex customer arrangements.

The scope of our audit and our areas of focus

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)").

We designed our audit by determining materiality and assessing the risks of material misstatement in the financial statements. In particular, we looked at where the Directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the Directors that represented a risk of material misstatement due to fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are identified as "areas of focus" in the table below. We have also set out how we tailored our audit to address these specific areas in order to provide an opinion on the financial statements as a whole, and any comments we make on the results of our procedures should be read in this context. This is not a complete list of all risks identified by our audit.

Area of focus	How our audit addressed the area of focus
Provisions for restructuring of the Drycleaning division Refer to page 30 of the Audit Committee Report, page 56 of the Statement of Significant Accounting Policies and Note 22 of the consolidated financial statements. In 2012, the restructuring of the Drycleaning division gave rise to an exceptional charge in the Income Statement of £22.7 million, with an additional charge of £1.2 million recognised in 2013, and £11.2 million remaining as a provision as at 31st December 2013. The provision continued to be utilised in 2014, with £8.7 million remaining as at 31st December 2014, which represents the costs to be incurred including rent, rates, dilapidations and other costs of exiting the remaining stores identified for closure.	We tested the Directors' key assumptions and estimates in determining the required level of provision by: - agreeing rent and rate costs provided for to lease agreements, invoices and rent review documentation without identifying any exceptions; - challenging the assumptions in relation to whether a sublease can be achieved at a vacant store, and if so, the value of a sublease, by using our understanding of the factors impacting each individual store, for example its location and lease end date to develop our own expectations, which we confirmed were consistent with the Directors' assumptions;

Area of focus

We focused on this area because it is material in the context of the financial statements and estimating the extent of the remaining provision necessary involves subjective judgements, in particular estimates on future expected property costs on a store by store basis in relation to dilapidations costs and sublease assumptions. Therefore, there is a risk that the provision is incorrectly valued.

How our audit addressed the area of focus

- testing changes in the dilapidations estimates through understanding the condition of stores on a store by store basis, including visiting a number of stores to corroborate the Directors' assessment; and
- assessing the other associated costs of exit, in relation to insurance and legal costs where we identified no material exceptions.

In addition, we assessed the Directors' historical forecasting accuracy with respect to the cost of store closures by comparing provisions previously recognised with actual costs incurred following store closures, and did not find any material inaccuracies.

We tested whether the costs allocated to the provision in 2014 were consistent with the purpose of the provision, by tracing expenditure to source documentation. Our testing did not identify any costs that were inappropriately allocated against the provision.

Goodwill impairment assessment

Refer to page 30 of the Audit Committee Report, page 54 of the Statement of Significant Accounting Policies and Note 12 of the consolidated financial statements.

The goodwill balance of £56.2 million relates to both the Textile Rental and Drycleaning segments, which are tested annually for impairment. No impairment charge has been recognised against these balances in the current financial year. The risk we focused on is that goodwill balances may be overstated and that an impairment charge may be required.

Of the £56.2 million goodwill balance, £47.1 million relates to the Textile Rental segment with £9.1 million relating to the Drycleaning segment. Given the trading performance of the Textile Rental business in the current and prior years and the significant headroom in the Directors' impairment review, we focused our risk on the Drycleaning segment, due to the reduced level of headroom in the value in use impairment model and the historical trading performance of the segment. As headroom based on a value in use model was not significant, the Directors have also determined the recoverable amount of the Drycleaning segment on a fair value less costs of disposal basis. The fair value less costs of disposal valuation increased headroom to £9.8 million as this valuation took into account the benefits of the restructuring announced during January 2015.

We evaluated and challenged the Group's future cash flow forecasts, and the process by which they were prepared, including comparing them to the latest Board approved budgets, and testing the underlying calculations. In doing so, we:

- challenged the Board approved budget, including assessing the revenue and costs included in those forecasts based on our understanding of the Group, and through considering historical like for like sales growth, customer contracts wins and losses, new sales initiatives and assumed profit margins, finding the assumptions underpinning the budget to be consistent with our evidence;
- tested the Directors' historical budgeting accuracy by evaluating whether previous budgets had been achieved and found that past material adverse variances from budgets were because of events that could not have reasonably been foreseen;
- tested the Directors' key assumptions for long-term growth rates outside the forecast period, by comparing them to and finding them consistent with forecast inflation rates in the UK; and
- considered the discount rate by successfully testing the inputs into the calculation, including the cost of debt, equity risk premium and the beta factor.

We obtained the Directors' sensitivity analysis and also performed our own sensitivities over the key drivers of the cash flow forecasts being revenue and margin growth, and the discount rate used. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for the goodwill to be impaired, we considered whether such a movement in those key assumptions arising was reasonably likely, and concluded that, after considering the Director's fair value less costs to sell model, no reasonably likely change would result in the goodwill being impaired. We determined that the disclosure detailed within Note 12 is consistent with the requirements of IAS 36 'Impairment of assets'.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JOHNSON SERVICE GROUP PLC CONTINUED

Area of focus	How our audit addressed the area of focus
Accounting for the acquisition of Bourne Services Group Refer to page 30 of the Audit Committee Report, page 52 of the Statement of Significant Accounting Policies and Note 31 of the consolidated financial statements. On 3rd March 2014 the Group completed the acquisition of the Bourne Services Group for cash consideration of £26.7 million. We focused on this area because the accounting for the acquisition involved management judgements and estimates that have a material impact on the amounts recognised in the consolidated financial statements, including: ➔ determining the fair value of the customer list acquired which the directors valued at £10.2 million, and the useful economic life of those contracts, which was assessed as 8 years; and ➔ the recognition of goodwill, the determination of what goodwill represents, and consideration as to whether any other intangible assets should have been recognised.	To test the acquisition accounting, we obtained and read the relevant terms of the purchase agreement to inform our further audit procedures to test the accounting for the acquisition. We then tested the recognition in the Group's financial statements of the fair value of the assets and liabilities acquired (and residual goodwill). In doing so, we: ➔ assessed the Directors' valuation of the acquired customer list through determining whether the assumptions used in the calculation were consistent with our understanding of the acquisition and previous acquisitions made by the Group in this industry, including estimated customer renewal rates, attrition rates and the discount rate applied, and found that they were; ➔ considered whether any other intangible assets should have been identified by the Directors, based on our understanding of the transaction and the purchase agreement and discussions with the Directors; we did not identify any.
Accounting for complex customer arrangements Refer to page 30 of the Audit Committee Report, page 53 of the Statement of Significant Accounting Policies. The Group, primarily through the Textile Rental division, gives rebates to certain key customers. These are contractual and vary by customer, but largely relate to volume based rebates on sales made throughout the financial year, with the value being determined by the level of spend. We focused on this area because the amount of the customer rebates payable in respect of the year is determined by the contract terms for each customer, which are negotiated separately and, as a result, differ from one another. This means that the calculation of the rebates recognised in the income statement and as a payable at the year-end relies on a manual process, which are inherently more prone to error than systems-based processes.	To test customer rebates, we: ➔ recalculated the total customer rebates recognised within the Income Statement in the year, and provided for at the balance sheet date; ➔ used sales recorded in the year (which we agreed through to our detailed revenue testing) and the contractual arrangements agreed with each customer and compared this to the Directors' calculation, finding it to be not materially different; ➔ performed a 'look-back' test, comparing the provision made at the prior year end to the amounts paid in 2014 in respect of those provisions, with no material differences identified; ➔ tested whether any rebate arrangements had been omitted from the amounts charged in the year and liabilities held at the balance sheet date, by checking the contractual arrangements with the Group's most significant customers by sales volume to make sure that all rebate arrangements had been identified by the Directors and did not identify any that had been omitted; and ➔ agreed amounts paid to customers post period end to source documentation to check that it has been accounted for in the right accounting period, and found no instances of amounts recorded in the wrong period.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industries in which the Group operates.

The Group is structured along two operating segments being Textile Rental and Drycleaning. For the Textile Rental segment, we performed an audit of the complete financial information of Johnsons Apparelmaster, Johnson Stalbridge Linen Services and the Bourne Services Group, which together make up 100% of the revenue and more than 95% of Adjusted Operating Profit for the segment. For the Drycleaning segment, which comprises Johnson Cleaners and Jeeves, we focused our audit procedures on Johnson Cleaners (which makes up more than 90% of the segment's revenue and 75% of its Adjusted Operating Profit), and performed an audit of its complete financial information. Audits at the segmental level, together with procedures performed over three head office companies and the consolidation entries, gave us the evidence we needed to form our opinion on the consolidated financial statements as a whole and accounted for over 95% of Group revenue and Adjusted Operating Profit.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	£1.1 million (2013: £0.85 million).
How we determined it	5% of Adjusted Operating Profit, consistent with 2013.
Rationale for benchmark applied	Adjusted Operating Profit is the key measure used both internally by the Board and, we believe, through reading Directors' presentations to analysts, externally by shareholders in evaluating the performance of the Group. This measure excludes interest, tax, amortisation of intangible assets (excluding software), exceptional items and discontinued operations.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £54,000 (2013: £50,000) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Other required reporting

Consistency of other information

Companies Act 2006 opinions

In our opinion:
- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the information given in the Corporate Governance Report set out on pages 24 to 28 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

ISAs (UK & Ireland) reporting

The Directors have chosen to voluntarily comply with the UK Corporate Governance Code ("the Code") as if the company were a premium listed company. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

information in the Annual Report is: — materially inconsistent with the information in the audited financial statements; or — apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or — otherwise misleading.	We have no exceptions to report arising from this responsibility.
the statement given by the Directors on page 23, in accordance with provision C.1.1 of the Code, that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit.	We have no exceptions to report arising from this responsibility.
the section of the Annual Report on page 29, as required by provision C.3.8 of the Code, describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.	We have no exceptions to report arising from this responsibility.

Adequacy of information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion, we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of Directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Other voluntary reporting

Opinion on additional disclosures

Corporate Governance Statement

The Company voluntarily prepares a corporate governance statement that includes the information with respect to internal control and risk management systems and about share capital structures required by the Disclosure Rules and Transparency Rules of the Financial Conduct Authority. The Directors have requested that we report on the consistency of that information with the financial statements.

In our opinion the information given in the Corporate Governance Report set out on pages 24 to 28 with respect to internal control and risk management systems and about share capital structures is consistent with the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JOHNSON SERVICE GROUP PLC CONTINUED

Matter on which we have agreed to report by exception

Corporate governance statement

The Company's voluntary Corporate Governance Statement includes details of the company's compliance with the UK Corporate Governance Code. The directors have requested that we review the parts of the Corporate Governance Statement relating to the company's compliance with the ten provisions of the UK Corporate Governance Code specified for auditor review by the Listing Rules of the Financial Conduct Authority as if the company were a premium listed company. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 23, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What an audit of financial statements involves

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the group's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the Directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the Company financial statements of Johnson Service Group PLC for the year ended 31st December 2014 and on the information in the Directors' Remuneration Report that is described as having been audited.

Nicholas Boden (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
3rd March 2015

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Revenue from continuing operations	1	210.4	193.6
Operating profit	2	13.4	15.8
Operating profit before amortisation and impairment of intangible assets (excluding software amortisation) and exceptional items	1	21.8	17.0
Amortisation and impairment of intangible assets (excluding software amortisation)		(1.6)	(0.6)
Exceptional items	6		
– Restructuring and other costs		(1.3)	(1.2)
– Costs in relation to business acquisition activity		(0.6)	–
– Pension costs and credits		(4.9)	0.6
Operating profit	2	13.4	15.8
Finance cost		(1.6)	(2.8)
Notional interest	23	(0.2)	(0.8)
Total finance cost	7	(1.8)	(3.6)
Profit before taxation		11.6	12.2
Taxation charge*	9	(3.0)	(2.4)
Profit for the year from continuing operations		8.6	9.8
Result/(loss) for the year from discontinued operations	32	–	(9.1)
Profit for the year attributable to equity holders		8.6	0.7
Earnings per share	11		
Basic earnings per share			
From continuing operations		2.9p	3.8p
From discontinued operations		–	(3.6p)
From continuing and discontinued operations		2.9p	0.2p
Fully diluted earnings per share			
From continuing operations		2.9p	3.6p
From discontinued operations		–	(3.4p)
From continuing and discontinued operations		2.9p	0.2p
Adjusted basic earnings per share			
From continuing operations		5.3p	4.0p
From discontinued operations		–	0.6p
From continuing and discontinued operations		5.3p	4.6p
Adjusted fully diluted earnings per share			
From continuing operations		5.2p	3.8p
From discontinued operations		–	0.5p
From continuing and discontinued operations		5.2p	4.3p

The notes on pages 59 to 90 are an integral part of these financial statements.

* Including £0.4 million credit (2013: £0.1 million credit) relating to amortisation and impairment of intangible assets (excluding software amortisation) and £1.1 million credit (2013: £0.4 million credit) in relation to exceptional items of which £0.2 million charge (2013: £0.3 million credit) relates to prior year adjustments.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Profit for the year		8.6	0.7
Items that will not be subsequently reclassified to profit or loss			
Re-measurement and experience (losses)/gains on post-employment benefit obligations	23	(11.5)	11.7
Taxation in respect of re-measurement and experience losses/(gains)		2.3	(2.3)
Change in deferred tax due to change in tax rate		–	(0.6)
Items that may be subsequently reclassified to profit or loss			
Cash flow hedges (net of taxation) – fair value (loss)/gain		(0.4)	0.1
– transfers to finance cost		0.3	0.7
Other comprehensive (loss)/income for the year		(9.3)	9.6
Total comprehensive (loss)/income for the year		(0.7)	10.3

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 1st January 2013	25.6	13.9	1.6	0.6	(1.1)	20.4	61.0
Profit for the period	–	–	–	–	–	0.7	0.7
Other comprehensive income	–	–	–	–	0.8	8.8	9.6
Total comprehensive income for the year	–	–	–	–	0.8	9.5	10.3
Share options (value of employee services)	–	–	–	–	–	0.5	0.5
Purchase of shares by EBT*	–	–	–	–	–	(0.4)	(0.4)
Current tax on share options	–	–	–	–	–	0.2	0.2
Deferred tax on share options	–	–	–	–	–	1.0	1.0
Issue of share capital	0.6	0.2	–	–	–	–	0.8
Dividend paid	–	–	–	–	–	(2.9)	(2.9)
Transactions with Shareholders recognised directly in Shareholders' equity	0.6	0.2	–	–	–	(1.6)	(0.8)
Balance at 31st December 2013	26.2	14.1	1.6	0.6	(0.3)	28.3	70.5
Balance at 1st January 2014	26.2	14.1	1.6	0.6	(0.3)	28.3	70.5
Profit for the period	–	–	–	–	–	8.6	8.6
Other comprehensive loss	–	–	–	–	(0.1)	(9.2)	(9.3)
Total comprehensive loss for the year	–	–	–	–	(0.1)	(0.6)	(0.7)
Share options (value of employee services)	–	–	–	–	–	0.4	0.4
Purchase of shares by EBT*	–	–	–	–	–	(0.9)	(0.9)
Current tax on share options	–	–	–	–	–	1.2	1.2
Deferred tax on share options	–	–	–	–	–	(1.0)	(1.0)
Issue of share capital	3.8	0.4	–	–	–	10.2	14.4
Dividend paid	–	–	–	–	–	(3.9)	(3.9)
Transactions with Shareholders recognised directly in Shareholders' equity	3.8	0.4	–	–	–	6.0	10.2
Balance at 31st December 2014	30.0	14.5	1.6	0.6	(0.4)	33.7	80.0

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

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2014 £m	As at 31 December 2013 £m
Assets			
Non-current assets			
Goodwill	12	56.2	52.4
Intangible assets	13	11.7	3.0
Property, plant and equipment	14	51.3	36.0
Textile rental items	15	30.5	26.0
Trade and other receivables	17	3.3	3.4
Deferred income tax assets	21	4.6	4.5
		157.6	125.3
Current assets			
Inventories	16	2.1	2.0
Trade and other receivables	17	30.3	28.8
Cash and cash equivalents		0.2	3.4
		32.6	34.2
Liabilities			
Current liabilities			
Trade and other payables	18	43.7	37.6
Current income tax liabilities		1.5	0.3
Borrowings	20	6.9	0.8
Provisions	22	4.6	4.2
		56.7	42.9
Net current liabilities		(24.1)	(8.7)
Non-current liabilities			
Post-employment benefit obligations	23	18.5	4.3
Deferred income tax liabilities	21	1.8	–
Other non-current liabilities	19	0.9	0.9
Borrowings	20	21.8	27.1
Derivative financial liabilities	24	0.4	0.3
Provisions	22	10.1	13.5
		53.5	46.1
Net assets		80.0	70.5
Equity			
Capital and reserves attributable to the company's shareholders			
Share capital	26	30.0	26.2
Share premium	28	14.5	14.1
Merger reserve		1.6	1.6
Capital redemption reserve		0.6	0.6
Hedge reserve		(0.4)	(0.3)
Retained earnings		33.7	28.3
Total Shareholders' equity		80.0	70.5

The notes on pages 59 to 90 are an integral part of these financial statements.

The financial statements on pages 47 to 90 were approved by the Board of Directors on 3rd March 2015 and signed on its behalf by:

Yvonne Monaghan
Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Cash flows from operating activities			
Profit for the year		8.6	0.7
Adjustments for:			
Income tax charge/(credit) – continuing operations	9	3.0	2.4
– discontinued operations	32	(0.7)	0.3
Total finance cost – continuing operations	7	1.8	3.6
– discontinued operations	32	–	0.7
Depreciation		28.3	24.9
Amortisation		1.6	2.0
Decrease in inventories		0.2	0.2
Decrease in trade and other receivables		0.6	2.5
Increase in trade and other payables		1.6	0.5
Loss on sale of property, plant and equipment		–	0.2
Loss/(profit) on disposal of business	32	0.4	(1.1)
Impairment of assets held for resale	32	–	9.0
Costs in relation to business acquisition activity	6	0.6	–
Deficit recovery payments in respect of post-employment benefit obligations		(2.0)	(1.9)
Share-based payments	27	0.4	0.5
Post-employment benefit obligations	23	4.6	(1.1)
Decrease in provisions		(3.1)	(6.8)
Cash generated from operations		45.9	36.6
Interest paid		(2.0)	(3.0)
Taxation paid		(0.1)	(1.3)
Net cash generated from operating activities		43.8	32.3
Cash flows from investing activities			
Acquisition of business (net of cash acquired)	31	(22.4)	–
Proceeds from sale of business (net of cash disposed)	32	0.1	26.7
Purchase of property, plant and equipment		(11.6)	(4.8)
Proceeds from sale of property, plant and equipment		0.1	0.4
Purchase of intangible assets		(0.1)	(0.2)
Purchase of textile rental items		(24.9)	(19.1)
Proceeds received in respect of special charges		1.9	2.2
Net cash (used in)/generated from investing activities		(56.9)	5.2
Cash flows from financing activities			
Proceeds from borrowings		66.0	12.0
Repayments of borrowings		(70.0)	(43.0)
Capital element of finance leases		(0.8)	(0.7)
Purchase of own shares by EBT		(0.9)	(0.4)
Net proceeds from issue of Ordinary shares		14.4	0.8
Dividend paid		(3.9)	(2.9)
Net cash generated from/(used in) financing activities		4.8	(34.2)
Net (decrease)/increase in cash and cash equivalents		(8.3)	3.3
Cash and cash equivalents at beginning of period		3.4	0.1
Cash and cash equivalents at end of period	33	(4.9)	3.4

The notes on pages 59 to 90 are an integral part of these financial statements.

Cash and cash equivalents at the end of the period include cash of £0.2 million and an overdraft of £5.1 million (2013: £3.4 million and £nil respectively).

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

Johnson Service Group PLC ('the Company') and its subsidiaries (together 'the Group") provide Textile Services to both businesses and the consumer. The two services are textile rental and laundry and retail drycleaning.

The Company is incorporated and domiciled in the UK. The Company's registered number is 523335. The address of its registered office is Johnson House, Abbots Park, Monks Way, Preston Brook, Cheshire, WA7 3GH.

The Company is a public limited company and has its primary listing on the AIM division of the London Stock Exchange.

The Group consolidated financial statements were authorised for issue by the Board on 3rd March 2015.

Basis of Preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the information presented, unless otherwise stated.

The consolidated financial statements of the Group have been prepared on a going concern basis in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS), IFRS Interpretation Committee (IFRS IC) interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed below in the section entitled 'Critical accounting estimates and assumptions'.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group and/or Company

The following standards have been adopted by the Group for the first time for the financial year beginning on 1st January 2014:

- IFRS 10, 'Consolidated financial statements' (effective 1st January 2013) (endorsed 1st January 2014)
- IFRS 11, 'Joint arrangements' (effective 1st January 2013) (endorsed 1st January 2014)
- IFRS 12, 'Disclosures of interests in other entities' (effective 1st January 2013) (endorsed 1st January 2014)
- IAS 27 (revised 2011) 'Separate financial statements' (effective 1st January 2013) (endorsed 1st January 2014)
- IAS 28 (revised 2011) 'Associates and joint ventures' (effective 1st January 2013) (endorsed 1st January 2014)
- Amendments to IFRS 10,11 and 12 on transition guidance (effective 1st January 2013) (endorsed 1st January 2014)
- Amendments to IFRS 10, 12 and IAS 27 on consolidation for investment entities (effective 1st January 2014)
- Amendments to IAS 32 on Financial instruments asset and liability offsetting (effective 1st January 2014)
- Amendment to IAS 36, 'Impairment of assets' on recoverable amount disclosures (effective 1st January 2014)
- Amendment to IAS 39 'Financial instruments: Recognition and measurement', on novation of derivatives and hedge accounting (effective 1st January 2014)
- IFRIC 21, 'Levies' (effective 1st January 2014) (endorsed 17th June 2014)

The adoption of these standards has had no material impact on the Group's financial statements

(b) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group and/or Company.

The following standards have been published and are mandatory for accounting periods beginning after 1st January 2014 but have not been early adopted by the Group or Company and could have a material impact on the Group and Company financial statements:

- IFRS 9, 'Financial instruments' (effective 1st January 2018)
- IFRS 15, 'Revenue from contracts with customers' (effective 1st January 2017)

At the time of preparing this report the Group continues to assess the possible impact of the adoption of these standards in future periods and updates will be provided in a future annual report.

A number of other new standards and amendments to standards and interpretations are effective for annual periods beginning after 1st January 2014, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

Critical accounting estimates and assumptions

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(a) Estimated impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated on page 54. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations or, where considered it is necessary, fair value less costs to dispose. These calculations require the use of estimates. For further information see note 12 of these consolidated financial statements.

(b) Other intangible assets

Other intangible assets comprise brands, customer contracts and relationships. The cost of the intangible asset is based upon management's assessments of projected cash flows. These calculations require the use of estimates.

(c) Income taxes

The Group is subject to income taxes. Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(d) Post-employment benefit obligations

The Group operates two post retirement defined benefit arrangements (note 23). Asset valuations are based on the fair value of the assets. The valuations of the liabilities of the schemes are based on statistical and actuarial calculations, using various assumptions including discount rates, future inflation rates and pension increases, life expectancy of scheme members and cash commutations. The actuarial assumptions may differ materially from actual experience due to changes in economic and market conditions, variations in actual mortality, higher or lower cash withdrawal rates and other changes in factors assessed. Any of these differences could impact the assets or liabilities recognised in the Balance Sheet in future periods.

(e) Onerous leases, dilapidations and environmental costs

The Group makes provision for the anticipated net costs of onerous leases, dilapidations and environmental remediation costs. The timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites. The timing and value of such payments are based on management estimates.

Forward looking statements

The terms 'expect', 'should be', 'will be', 'is likely to' and similar expressions identify forward looking statements.

Although the Board believes that the expectations reflected in these forward looking statements are reasonable, such statements are subject to a number of risks and uncertainties and actual results and events could differ materially from those currently expressed or implied in such forward looking statements.

Factors which may cause future outcomes to differ from those foreseen in forward looking statements include, but are not limited to: general economic conditions and business conditions in the Group's markets; exchange and interest rate fluctuations; customers' acceptance of its products and services; the actions of competitors; and legislative, fiscal and regulatory developments.

Consolidation

The Group controls an entity when the Group has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases. The Group has applied IFRS 10 retrospectively in accordance with transition provisions of IFRS 10.

The accounting periods of subsidiary undertakings are co-terminous with those of the Company. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Subsidiaries' accounting policies have been changed, where necessary, to ensure consistency with the policies adopted by the Group.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the Income Statement. Costs directly attributable to the cost of the acquisition are expensed to the Income Statement as an exceptional item.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

Revenue recognition

Revenue represents the fair value of consideration received or receivable for the sale of goods and services supplied in the ordinary course of the Group's activities, and is stated exclusive of VAT and similar taxes, but inclusive of discounts and rebates and after eliminating sales within the Group. The Group recognises monies received from customers as at the balance sheet date, relating to services to be provided in future periods, as deferred income which forms part of trade and other receivables. Interest receivable on bank deposits and other items is not classed as revenue but included within finance income.

Rendering of services

Revenue is recognised on a per item basis for delivery of laundered textiles for hotels, restaurants and events. Revenue for the supply and laundering of workwear is recognised on a regular basis in accordance with the terms of the contract. Drycleaning revenue is recognised at the time items are processed.

Sale of goods

Revenue is recognised when goods are sold from retail outlets or delivered to customers.

Rebates

Rebates payable to customers and receivable from suppliers, are recognised in line with relevant contractual terms. Rebates payable to customers are charged directly to the Income Statement over the period to which they relate and are recognised as a deduction from revenue. Rebates receivable from suppliers are either recognised directly in the Income Statement, or as a reduction in the value of acquired textile rental items, dependant on the nature of goods acquired from suppliers. Supplier rebates recognised in the Income Statement are recognised within cost of sales.

Exceptional items

Items that are material in size and non-operating or non-recurring in nature are presented as exceptional items in the Income Statement, within the relevant account heading. The Directors are of the opinion that the separate recording of exceptional items provides helpful information about the Group's underlying business performance. Events which may give rise to the classification of items as exceptional include, but are not restricted to, restructuring of businesses, gains or losses on the disposal of Textile Rental or industrial properties, one off gains or losses relating to pension liabilities and expenses incurred in relation to business acquisitions.

Employee benefits

(i) Post-employment benefits

Group companies operate various pension schemes. The schemes are funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the Balance Sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date, less the fair value of plan assets. The defined benefit obligation is calculated periodically by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Current and past service costs are recognised immediately in the Income Statement. Interest cost on plan liabilities and interest income on plan assets are recognised in finance costs. Curtailment gains arising from amendments to the terms of a defined benefit plan such that a significant element of future service by current employees will no longer qualify for benefits, or will only qualify for reduced benefits, are recognised in the Income Statement. Re-measurement gains and losses arising from experience adjustments and changes in actuarial and demographic assumptions are charged or credited to the Consolidated Statement of Comprehensive Income in the period in which they arise.

For defined contribution plans, contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(ii) Other post-employment benefit obligations

Some Group companies provide unfunded post-retirement healthcare benefits to some retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The liability is recognised on the Balance Sheet within 'Post-employment benefit obligations'. Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the Consolidated Statement of Comprehensive Income in the period in which they arise.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

(iii) Share-based compensation

The Group operates a number of equity-settled, share-based compensation plans. The economic cost of awarding shares and share options to employees is recognised as an expense in the Income Statement equivalent to the fair value of the benefit awarded. The fair value is determined by reference to option pricing models, principally Binomial and Monte Carlo models. The fair value of the award is recognised in the Income Statement over the vesting period of the award. At each balance sheet date, the Group revises its estimate of the number of options that are expected to become exercisable. Any revision to the original estimate is reflected in the Income Statement with a corresponding adjustment to equity, immediately, to the extent it relates to past service and the remainder over the rest of the vesting period. All options cancelled are fully expensed to the Income Statement upon cancellation.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Any amount charged or credited to the Income Statement by any of the Group's subsidiaries is reflected in the books of the Company via an increase or decrease in investments, with a corresponding increase or decrease to equity. These entries are eliminated within the consolidated financial statements.

(iv) Bonus plans

The Group recognises an expense and a liability for bonuses based on the profit attributable to the Group or Business as appropriate and other pre-determined performance criteria. The Group recognises a provision where it is contractually obliged or where there is a past practice that has created a constructive obligation.

(v) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy. The Group recognises termination benefits when it is demonstrably committed to the termination of the employment of current employees according to a detailed formal plan without possibility of withdrawal.

Discontinued operations and assets held for sale

Business components that represent separate major lines of business or geographical areas of operations are recognised as discontinued if the operations have been disposed of, or meet the criteria to be classified as held for sale under IFRS 5. Assets and disposal groups are classified as held for sale if their carrying amount will be principally recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, expected to be completed within one year and the asset (or disposal group) is available for immediate sale in its present condition. Disposal groups or assets held for sale are held at the lower of their carrying amount on the date they are classified as held for sale and fair value less costs to sell.

Impairment of non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to dispose and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. Value in use calculations are first considered followed by fair value less costs to dispose if it is deemed necessary. See note 12 for further information.

Intangible assets

Goodwill

For acquisitions since 28th December 2003, goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired business at the date of acquisition. For acquisitions prior to this date, goodwill is included at the amount recorded previously under UK GAAP. For acquisitions prior to 1st January 2010, the cost of an acquisition includes related expenses but such costs are excluded for acquisitions after this date.

Goodwill on business acquisitions is included in non-current assets. Negative goodwill arising on acquisition is recognised directly in the Income Statement.

Gains and losses on the disposal of a business include the carrying amount of goodwill relating to the business sold. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Where an impairment is identified, it is charged to the Income Statement within amortisation and impairment of intangible assets (excluding software). Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

Capitalised software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software, and are included on the Balance Sheet within intangible assets. Costs are amortised, once commissioned, over their estimated useful lives (4 – 10 years).

Costs associated with the general development and maintenance of computer software programs are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that are expected to generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. Direct costs include the costs of employees involved in software development and an appropriate portion of relevant overheads.

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding 10 years). Amortisation of computer software is charged to operating profit before amortisation and impairment of intangible assets (excluding software) and exceptional items.

Other intangible assets

Other intangible assets comprise brands and customer contracts and relationships, recognised at cost or fair value. They have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of the intangible assets over their estimated useful lives (4 – 10 years).

Property, plant and equipment

Property, plant and equipment is stated at cost, less depreciation, which is calculated to write off these assets, by equal annual instalments, over their estimated useful lives. Cost includes expenditure which is directly attributable to the acquisition of the asset. The estimated life of plant and fixtures is two to fifteen years and of vehicles (included within plant and equipment) four to five years. Improvements to short leasehold properties are amortised over the shorter of the terms of the leases and their useful life. The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date.

Freehold and long leasehold buildings are depreciated over their estimated remaining useful life not exceeding 50 years commencing on 26th December 1999 or, if later, date of purchase. Land is not depreciated. The Group has not adopted a policy of revaluation but the carrying amounts of freehold and long leasehold properties reflect previous valuations. In the event of an impairment in property value the deficit below cost is charged to the Income Statement.

The fit out costs of new freehold or long leasehold industrial buildings are depreciated, in equal annual instalments, over their expected useful lives which range from ten to twenty five years from the date on which the assets are fully commissioned.

Subsequent costs are included in the asset's carrying amount, or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are charged to the Income Statement during the financial period in which they are incurred.

No depreciation is provided for assets under the course of construction until they are completed and put in use as management intended.

Up until 31st December 2012, property, plant and equipment bought through acquisition of other businesses were accounted for as if they had been owned by the Group since new. From 1st January 2013, the Group's policy was amended such that for future acquisitions the fair value of assets acquired will be the deemed cost of these assets.

Gains and losses on disposals are determined by comparing the net proceeds with the carrying amount and are recognised within the Income Statement.

Textile rental items

Textile rental items, which principally comprise workwear garments, cabinet towels, linen and dust mats, are initially treated as stock. On issue to customers or into pool stock, rental items are transferred to non current assets and are stated at invoiced cost. Depreciation is calculated on a straight line basis over the estimated lives of the items in circulation, which range from two to five years. Up until 31st December 2012, issued rental items bought through acquisition of other businesses were accounted for as if they had been owned by the Group since new. From 1st January 2013, the Group's policy was amended such that for future acquisitions the fair value of issued rental items acquired will be the deemed cost of these items.

Charges are levied in respect of lost or damaged items or where a customer terminates the service before the end of the contracted period. Such charges are referred to as 'special charges'. Where proceeds are received in respect of these special charges the amounts received are deducted from the carrying value of those items.

Where proceeds are received in respect of textile rental items withdrawn from circulation these are deducted from the carrying value of those amounts.

Leased assets

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable in respect of operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight line basis over the lease term.

Where assets are financed by leasing or hire purchase arrangements, which give rights approximating to ownership, the assets are treated as if they had been purchased outright and are capitalised at their fair value at the date of inception of the lease. The capital element of outstanding lease or

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

hire purchase commitments is treated as a liability and disclosed as obligations under finance agreements. Interest is allocated to the Income Statement over the period of the lease or hire purchase agreement and represents a constant proportion of the outstanding commitment.

Inventories

Stocks of materials, stores, goods for resale and new rental items are valued at the lower of cost and net realisable value. Cost is stated on either a first in, first out basis or average cost basis and comprises invoiced cost in respect of the purchase of finished goods and materials, direct labour and direct transportation costs in respect of garments for sale. It excludes borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges of purchases of goods. Provision is made for obsolete, defective and slow moving stock.

Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows of the asset, discounted, where material, at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Income Statement within 'administrative costs'. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'administrative costs' in the Income Statement.

Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand.

Where bank accounts have a right of set off the net position is shown as either a bank overdraft or a cash balance as appropriate. Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

For the purpose of the Consolidated Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Trade payables

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade payables are non interest bearing.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are amortised, as a finance cost, over the expected term of the facility, using the effective interest method. Borrowings are classified on the Balance Sheet as either current or non-current liabilities, dependent upon the maturity date of the loan.

Net debt

Net debt is defined as borrowings, less cash and cash equivalents but excluding balances relating to lifecycle funds up until the disposal of the Facilities Management division on 7th August 2013. Lifecycle funds are excluded as these balances can only be used for certain contracted expenditure and cannot be used to repay bank borrowings.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provision is not made for future operating losses.

Property

Provision is made for the anticipated net costs of onerous leases on non-trading properties and for dilapidations and environmental remediation costs. Liabilities for environmental costs are recognised as a property provision when environmental assessments or remediation are probable and the associated costs can be reliably estimated. Generally, the timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites. The provision will be utilised by the payment of annual costs, shortfalls on sub-tenanted property, expenses of early termination, environmental remediation operations and dilapidations.

Where management have identified a loss making trading property that is uneconomic to close at the present time, and it is unlikely to be restored to profitability, a provision has been recognised for the least net cost of exiting these stores.

Self insurance
Provision is made for the expected costs of uninsured incidents arising prior to the balance sheet date and for the anticipated cost of benefits due to existing claimants under the, now discontinued, self-insured incapacity payroll scheme.

Taxation
Current tax
Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Deferred tax
Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and that are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Foreign currency translation
The financial statements are presented in sterling, which is the functional and presentational currency of the Company.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Income Statement, except where deferred in equity as qualifying cash flow hedges, or where hedge accounting is applied, as explained below.

Derivative financial instruments and hedging activities
Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as hedges of the variability of cash flows (cash flow hedge). Further information is shown in note 24 of the consolidated financial statements.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in the cash flows of hedged items.

Cash flow hedges
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in the Income Statement.

Amounts accumulated in equity are recycled in the Income Statement in the periods when the hedged item will affect profit or loss (for example, when the forecast transaction that is hedged takes place). However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory) or a liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the Income Statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the Income Statement.

Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Such derivatives are classified as at fair value through profit or loss, and changes in their fair value are recognised immediately in the Income Statement.

Investment in own shares
Ordinary shares in the Company held by the Trustee of the Employee Benefit Trust (EBT) are recorded in the Balance Sheet as a reduction in Shareholders' funds.

Dividend distribution
Dividends to holders of equity instruments declared after the balance sheet date are not recognised as a liability as at the balance sheet date. Final dividend distributions to the Company's Shareholders are recognised in the Group's financial statements in the period in which the dividends are approved by the Company's Shareholders. Interim dividends are recognised when paid.

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Financial risk management

1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group uses derivative financial instruments to hedge certain risk exposures.

Risk management is carried out by a central treasury department (Group Treasury) under policies approved by the Board. Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity.

(a) Market risk

(i) Currency risk

The Group is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the US dollar and the Euro. Foreign exchange risk arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the entity's functional currency.

As further detailed in note 24, of these consolidated financial statements the Group, exposure to currency risk is minimal.

(ii) Cash flow and fair value interest rate risk

As the Group has no significant interest-bearing assets, the Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest rate risk arises from its borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. Borrowings issued at fixed rates expose the Group to fair value interest rate risk.

Further details are provided in the Principal Risks and Uncertainties section. Note 24 to the consolidated financial statements provides additional disclosures regarding cash flow and fair value interest rate risk.

(b) Credit risk

Credit risk is managed on a Group basis. Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions.

For banks and financial institutions, only independently rated parties with a minimum rating of 'A-2' are accepted. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, Management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored. Sales to retail customers are generally settled in cash or using major credit cards.

Note 24 provides both numerical and narrative disclosures regarding credit risk.

(c) Liquidity risk

Prudent liquidity risk management involves maintaining sufficient cash reserves and maintaining the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses Group Treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Group's liquidity reserve (comprising an undrawn borrowing facility (note 20) and cash and cash equivalents (note 24)) on the basis of expected cash flow.

2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for Shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

Further details are provided in note 24.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Segment analysis

Segment information is presented in respect of the Group's operating segments, which are based on the Group's management and internal reporting structure as at 31st December 2014.

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

The Board assesses the performance of the operating segments based on a measure of operating profit, both including and excluding the effects of non-recurring items from the operating segments, such as restructuring costs and impairments when the impairment is the result of an isolated, non-recurring event. Interest income and expenditure are not included in the result for each operating segment that is reviewed by the Board. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis, for example rental income received by Johnson Group Properties PLC 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 with the prior year.

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

The exceptional items have been included within the appropriate operating segment as shown on pages 60 to 61.

Textile Rental

Supply and laundering of workwear garments, premium linen to the hotel, catering and corporate hospitality markets, linen to the volume hotel market and sale of ancillary items.

- Apparelmaster
- Stalbridge
- Bourne

Drycleaning

Provision of drycleaning, laundry and ironing services, carpet cleaning, upholstery cleaning, wedding dress cleaning and suede and leather cleaning.

- Johnsons Cleaners
- Jeeves

All Other Segments

Comprising of central and head office costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

1 Segment analysis continued

Year ended 31st December 2014	Textile Rental £m	Drycleaning £m	All Other Segments £m	Total £m
Revenue				
Continuing	155.0	55.4	–	210.4
Total revenue				210.4
Result				
Operating profit before amortisation and impairment of intangible assets (excluding software amortisation) and exceptional items	23.8	1.6	(3.6)	21.8
Amortisation and impairment of intangible assets (excluding software amortisation)	(1.6)	–	–	(1.6)
Exceptional items:				
– Restructuring and other costs	(1.3)	–	–	(1.3)
– Costs in relation to business acquisition activity	(0.6)	–	–	(0.6)
– Pension costs	–	–	(4.9)	(4.9)
Operating profit/(loss)	20.3	1.6	(8.5)	13.4
Total finance cost				(1.8)
Profit before taxation				11.6
Taxation				(3.0)
Profit for the period – continuing operations				8.6
Result for the period – discontinued operations (note 32)				–
Profit for the period				8.6

	Discontinued Operations £m	Textile Rental £m	Drycleaning £m	All Other Segments £m	Total £m
Other information					
Fixed asset additions					
– Property, plant and equipment	–	13.7	1.0	–	14.7
– Textile rental items	–	24.9	–	–	24.9
– Intangible software	–	–	0.1	–	0.1
Depreciation and amortisation expense					
– Property, plant and equipment	–	6.0	2.0	0.2	8.2
– Textile rental items	–	20.1	–	–	20.1
– Customer contracts	–	1.6	–	–	1.6
Balance sheet information					
Segment assets	1.1	148.5	20.9	14.9	185.4
Unallocated assets: Deferred income tax assets					4.6
Cash and cash equivalents					0.2
Total assets					190.2
Segment liabilities	(4.1)	(37.2)	(17.7)	(3.4)	(62.4)
Unallocated liabilities: Deferred income tax liabilities					(1.8)
Bank borrowings					(25.6)
Current income tax liabilities					(1.5)
Derivative financial liabilities					(0.4)
Post-employment benefit obligations					(18.5)
Total liabilities					(110.2)
Return on Capital Employed		42.0%	33.7%		

The results, assets and liabilities of all segments arise in the Group's Country of domicile, being the United Kingdom.

1 Segment analysis continued

Year ended 31st December 2013	Textile Rental £m	Drycleaning £m	All Other Segments £m	Total £m
Revenue				
Continuing	136.2	57.4	–	193.6
Discontinued (note 32)				29.0
Total revenue				222.6
Result				
Operating profit before amortisation and impairment of intangible assets (excluding software amortisation) and exceptional items	18.9	1.6	(3.5)	17.0
Amortisation and impairment of intangible assets (excluding software amortisation)	(0.6)	–	–	(0.6)
Exceptional items:				
– Restructuring and other costs	–	(1.2)	–	(1.2)
– Pension credit	–	–	0.6	0.6
Operating profit/(loss)	18.3	0.4	(2.9)	15.8
Total finance cost				(3.6)
Profit before taxation				12.2
Taxation				(2.4)
Profit for the period – continuing operations				9.8
Loss for the period – discontinued operations (note 32)				(9.1)
Profit for the period				0.7

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

The results, assets and liabilities of all segments arise in the Group's country of domicile, being the United Kingdom.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

2 Expenses by function

	Continuing 2014 £m	Discontinued 2014 £m	Total 2014 £m	Continuing 2013 £m	Discontinued 2013 £m	Total 2013 £m
Revenue						
Rendering of services	205.4	–	205.4	189.0	29.0	218.0
Sale of goods	5.0	–	5.0	4.6	–	4.6
Total revenue	210.4	–	210.4	193.6	29.0	222.6
Costs recharged to customers	–	–	–	–	(2.5)	(2.5)
Cost of sales	(134.7)	–	(134.7)	(127.6)	(20.6)	(148.2)
Administrative costs	(27.8)	(0.3)	(28.1)	(25.6)	(3.6)	(29.2)
Distribution costs	(26.1)	–	(26.1)	(23.4)	–	(23.4)
Operating profit/(loss) before amortisation and impairment of intangible assets (excluding software amortisation) and exceptional items	21.8	(0.3)	21.5	17.0	2.3	19.3
Amortisation and impairment of intangible assets (excluding software amortisation)	(1.6)	–	(1.6)	(0.6)	(1.2)	(1.8)
Exceptional items	(6.8)	–	(6.8)	(0.6)	(1.3)	(1.9)
Operating profit/(loss)	13.4	(0.3)	13.1	15.8	(0.2)	15.6

The costs outlined below have been charged to the Income Statement in deriving operating profit/(loss):

	Continuing 2014 £m	Discontinued 2014 £m	Total 2014 £m	Continuing 2013 £m	Discontinued 2013 £m	Total 2013 £m
Employee benefit expense (Note 4)	91.9	–	91.9	86.2	7.9	94.1
Costs recharged to customers	–	–	–	–	2.5	2.5
Auditors' remuneration (Note 3)	0.6	–	0.6	0.5	0.8	1.3
Amortisation of intangible assets:						
– Software	–	–	–	–	0.2	0.2
– Other intangible assets	1.6	–	1.6	0.6	1.2	1.8
Depreciation and impairment of tangible fixed assets:						
– Property, plant and equipment held under finance agreements	0.9	–	0.9	0.7	–	0.7
– Owned property, plant and equipment	7.3	–	7.3	5.8	0.2	6.0
– Textile rental items	20.1	–	20.1	18.2	–	18.2
Operating leases:						
– Land and buildings	12.5	0.5	13.0	13.5	0.8	14.3
– Sublet rental income	(1.6)	(0.1)	(1.7)	(1.7)	(0.3)	(2.0)
– Plant and equipment	2.7	–	2.7	2.9	0.1	3.0

3 Auditors' remuneration

	2014 £m	2013 £m
Auditors' remuneration		
Fees payable for the audit of the Company	0.1	0.2
Fees payable for the audit of the Company's subsidiaries and pension schemes	0.2	0.2
Fees payable for services relating to tax compliance	0.1	0.1
Fees payable for services relating to corporate finance transactions and transaction services	0.2	0.8
	0.6	1.3

Included within the above is an amount of £53,600 (2013: £nil) in respect of fees payable to the Company's auditors for services relating to the audit of the Company's pension schemes.

Fees payable for services relating to corporate finance transactions and transaction services are largely in relation to the acquisition of Bourne Services Group Limited in 2014 and the disposal of the Facilities Management division in 2013.

4 Employee benefit expense

Continuing operations	2014 £m	2013 £m
Wages and salaries	82.6	76.1
Social security costs	6.3	6.7
Redundancy costs	0.2	0.7
Cost of employee share schemes (Note 27)	0.4	0.5
Private healthcare costs	0.5	0.5
Pension costs – defined benefit plans current service cost (Note 23)	0.3	0.5
Pension costs – defined contribution plans (Note 23)	1.6	1.2
Total	91.9	86.2

Employee benefit expenses relating to discontinued operations were £nil (2013: £7.9 million).

Redundancy costs of £nil (2013: £0.6 million) have been included within exceptional costs.

The monthly average number of persons (including Executive Directors) employed by the Group during the year was:

Continuing operations	2014	2013
Textile Rental	2,959	2,667
Drycleaning	1,747	1,903
All other segments	17	18
Total	4,723	4,588

The monthly average number of persons (including Executive Directors) employed by the Group relating to discontinued operations was nil (2013: 537).

5 Directors' emoluments

Detailed disclosures that form part of these financial statements are given in the Board Report on Remuneration on pages 34 to 41.

6 Exceptional items

	2014 £m	2013 £m
Restructuring and other costs – Textile Rental	(1.3)	–
– Drycleaning	–	(1.2)
	(1.3)	(1.2)
Costs in relation to business acquisition activity	(0.6)	–
Pension (costs)/credits	(4.9)	0.6
Total exceptional items	(6.8)	(0.6)

Exceptional items in relation to discontinued operations have been included within the result from discontinued operations (see note 32).

Current year exceptional items

Restructuring and other costs – Textile Rental

A new processing facility has been constructed to replace an existing Textile Rental plant in Leeds. The total cost of this relocation excluding the capital investment is expected to be £2.3 million, of which, £1.3 million has been charged to exceptional items in the year. Of the total cost, £0.7 million was non-cash relating to the impairment of property, plant and equipment. A further cost of £1.0 million is expected to be charged to exceptional items in 2015.

Costs in relation to business acquisition activity

During the year costs relating to business acquisition activity of £0.6 million have been recognised. Professional fees of £0.4 million and stamp duty of £0.1 million were paid relating to the acquisition of Bourne. The remainder of the cost relates to fees and expenses incurred during negotiations with undisclosed targets.

Pension costs and credits

During the year, the Group closed its defined benefit pension scheme, the Johnson Group Defined Benefit Scheme (JGDBS) to future accrual. The resulting past service cost of £4.7 million has been recognised as an exceptional cost together with £0.2 million of associated fees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

6 Exceptional items continued

Prior year exceptional items

Restructuring and other costs – Drycleaning

In July 2012, the Group announced a review of the Drycleaning business. This review resulted in a total exceptional charge to the Income Statement of £23.9 million; of this amount £22.7 million was charged in 2012, with the remaining £1.2 million charged during 2013.

Pension costs and credits

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

7 Total finance cost

	2014 £m	2013 £m
Finance cost:		
– Interest payable on bank loans and overdrafts	(1.2)	(2.1)
– Amortisation of bank facility fees	(0.2)	(0.5)
– Provision discount unwind	(0.1)	(0.1)
– Interest payable on obligations under finance leases	(0.1)	(0.1)
Total finance cost before notional interest on post-employment benefit obligations	(1.6)	(2.8)
Notional interest on post-employment benefit obligations:		
– Pension scheme liability	(0.1)	(0.7)
– Private healthcare	(0.1)	(0.1)
	(0.2)	(0.8)
Total finance cost	(1.8)	(3.6)

In addition, interest of £nil (2013: £0.7 million) has been charged to discontinued operations (see note 32).

8 Adjusted profit before and after taxation

Continuing operations	2014 £m	2013 £m
Profit before taxation	11.6	12.2
Amortisation and impairment of intangible assets (excluding software amortisation)	1.6	0.6
Restructuring and other costs	1.3	1.2
Costs in relation to business acquisition activity	0.6	–
Pension costs/(credits)	4.9	(0.6)
Adjusted profit before taxation	20.0	13.4
Taxation on adjusted profit	(4.5)	(2.9)
Adjusted profit after taxation	15.5	10.5

9 Taxation

	2014 £m	2013 £m
Current tax		
UK corporation tax charge for the year	2.9	1.4
Adjustment in relation to previous years	(0.4)	(0.1)
Current tax charge for the year	2.5	1.3
Deferred tax		
Origination and reversal of temporary differences	(0.1)	1.5
Changes in statutory tax rate	–	0.3
Adjustment in relation to previous years	0.6	(0.7)
Deferred tax charge for the year	0.5	1.1
Total charge for taxation included in the Income Statement for continuing operations	3.0	2.4

9 Taxation continued

The tax charge for the period is higher (2013: lower) than the effective rate of Corporation Tax in the UK of 21.50% (2013: 23.25%). The differences are explained below:

	2014 £m	2013 £m
Profit before taxation per the Income Statement	11.6	12.2
Profit before taxation multiplied by the effective rate of UK Corporation Tax	2.5	2.8
Factors affecting taxation charge for the year:		
Tax effect of expenses not deductible for tax purposes	0.3	0.2
Changes in statutory tax rate	–	0.2
Adjustments to tax in respect of prior periods	0.2	(0.8)
Total charge for taxation included in the Income Statement for continuing operations	3.0	2.4

Taxation in relation to amortisation and impairment of intangible assets (excluding software amortisation) has reduced the charge by £0.4 million (2013: reduced charge by £0.1 million). Taxation on exceptional items in the current year has reduced the charge for taxation relating to continuing operations by £1.1 million (2013: reduced charge by £0.4 million) of which £0.2 million charge (2013: £0.3 million credit) relates to the prior year.

The tax charge for the year is based on the effective rate of UK Corporation Tax for the period of 21.50% (2013: 23.25%). The statutory rate of Corporation Tax reduced from 23% to 21% on 1st April 2014 and will reduce to 20% on 1st April 2015. The impact of these changes was reflected in the opening tax balances and these changes have therefore had no impact on the tax recognised in the Income Statement, Statement of Comprehensive Income or recognised directly in Shareholders' Equity in the year.

During the year, a £1.2 million credit relating to current taxation (2013: £0.2 million) and a debit of £1.0 million relating to deferred taxation (2013: credit of £1.0 million) have been recognised directly in Shareholders' equity.

10 Dividends

Ordinary dividends paid and proposed	2014	2013
Dividends per share		
Final dividend proposed	1.20p	–
Interim dividend paid	0.50p	0.40p
Final dividend paid	–	0.81p

Shareholders' funds utilised	2014 £m	2013 £m
Final dividend proposed	3.6	–
Interim dividend paid	1.5	1.0
Final dividend paid	–	2.4

The Directors propose the payment of a final dividend in respect of the year ended 31st December 2014 of 1.20 pence per share. This will utilise Shareholders' equity of £3.6 million and will be paid, subject to Shareholder approval, on 15th May 2015 to Shareholders on the register of members on 17th April 2015. The trustee of the EBT has waived the entitlement to receive dividends on the Ordinary shares held by the trust. In accordance with IAS 10 there is no payable recognised at 31st December 2014 in respect of this proposed dividend.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

11 Earnings per share

	2014 £m	2013 £m
Profit for the financial year from continuing operations attributable to Shareholders	8.6	9.8
Result/(loss) for the financial year from discontinued operations attributable to Shareholders	–	(9.1)
Amortisation and impairment of intangible assets from continuing operations (net of taxation)	1.2	0.5
Amortisation and impairment of intangible assets from discontinued operations (net of taxation)	–	0.9
Exceptional costs from continuing operations (net of taxation)	5.7	0.2
Exceptional (credit)/costs from discontinued operations (net of taxation)	(0.2)	9.2
Exceptional finance costs from discontinued operations (net of taxation)	–	0.5
Adjusted profit attributable to Shareholders relating to continuing operations	15.5	10.5
Adjusted (loss)/profit attributable to Shareholders relating to discontinued operations	(0.2)	1.5
Adjusted profit attributable to Shareholders	15.3	12.0
Weighted average number of Ordinary shares	291,829,363	258,032,874
Dilutive potential Ordinary shares*	5,001,228	16,455,525
Fully diluted number of Ordinary shares	296,830,591	274,488,399
Basic earnings per share		
From continuing operations	2.9p	3.8p
From discontinued operations	–	(3.6p)
From continuing and discontinued operations	2.9p	0.2p
Adjustments for amortisation and impairment of intangible assets (continuing operations)	0.4p	0.2p
Adjustments for amortisation and impairment of intangible assets (discontinued operations)	–	0.4p
Adjustment for exceptional items (continuing operations)	2.0p	–
Adjustment for exceptional items (discontinued operations)	–	3.6p
Adjustment for exceptional finance costs (discontinued operations)	–	0.2p
Adjusted basic earnings per share (continuing operations)	5.3p	4.0p
Adjusted basic earnings per share (discontinued operations)	–	0.6p
Adjusted basic earnings per share from continuing and discontinued operations	5.3p	4.6p
Diluted earnings per share		
From continuing operations	2.9p	3.6p
From discontinued operations	–	(3.4p)
From continuing and discontinued operations	2.9p	0.2p
Adjustments for amortisation and impairment of intangible assets (continuing operations)	0.4p	0.2p
Adjustments for amortisation and impairment of intangible assets (discontinued operations)	–	0.3p
Adjustment for exceptional items (continuing operations)	1.9p	–
Adjustment for exceptional items (discontinued operations)	–	3.4p
Adjustment for exceptional finance costs (discontinued operations)	–	0.2p
Adjusted diluted earnings per share (continuing operations)	5.2p	3.8p
Adjusted diluted earnings per share (discontinued operations)	–	0.5p
Adjusted diluted earnings per share from continuing and discontinued operations	5.2p	4.3p

* Includes outstanding share options granted to employees.

Basic earnings per share is calculated using the weighted average number of ordinary shares in issue during the year, excluding those held by the EBT, based on the profit for the year attributable to shareholders.

Adjusted earnings per share figures are given to exclude the effects of amortisation and impairment of intangible assets (excluding software amortisation), exceptional items and exceptional finance costs, all net of taxation, and are considered to show the underlying 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 dilutive potential Ordinary shares. The Company has dilutive potential Ordinary shares arising from share options granted to employees where the exercise price is less than the average market price of the Company's Ordinary shares during the year.

11 Earnings per share continued

Potential 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 from continuing operations. For the years ended 31st December 2014 and 31st December 2013, potential Ordinary shares have been treated as dilutive, as their inclusion in the diluted earnings per share calculation decreases 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 dilutive potential Ordinary shares outstanding at the balance sheet date if those transactions had occurred before the end of the reporting period.

12 Goodwill

	2014 £m	2013 £m
Cost		
Brought forward	54.0	92.3
Business acquisitions (see note 31)	3.8	–
Transfer to assets held for resale	–	(38.3)
Carried forward	57.8	54.0
Accumulated impairment losses		
Brought forward	1.6	8.1
Transfer to assets held for resale	–	(6.5)
Carried forward	1.6	1.6
Carrying amount		
Opening	52.4	84.2
Closing	56.2	52.4

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

Impairment tests for goodwill

The allocation of goodwill to Cash Generating Units (CGUs) has been based upon operating segments as this is the level at which the Board monitors goodwill, and is allocated as follows:

	2014 £m	2013 £m
Textile Rental	47.1	43.3
Drycleaning	9.1	9.1
	56.2	52.4

The recoverable amount of a CGU is primarily determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets, covering three years, which are approved by the Board. Income and costs within the budgets are derived on a detailed, 'bottom up' basis – all income streams and cost lines are considered and appropriate growth, or decline, rates are assumed for each, all of which are then reviewed and challenged, firstly by senior management and ultimately by the Board. Income and cost growth forecasts are risk adjusted to reflect specific risks facing each CGU and take into account the markets in which they operate. Cash flows beyond the budgeted period are extrapolated using the estimated growth rate stated below. Anticipated cash flows beyond a period of 20 years have been ignored. Within the Drycleaning operating segment, the benefit of the changes announced after the year end and disclosed in note 36, Events after the reporting period, have not been included in the value-in-use calculations. The growth rate does not exceed the long-term average growth rate for the markets in which the CGU operates. Further, it is assumed that there are no material adverse changes in legislation that would affect the forecast cashflows.

The pre-tax discount rate used within the recoverable amount calculations was 4.83% (2013: 6.87%) and is based upon the weighted average cost of capital reflecting specific principal risks and uncertainties applicable to each CGU. The discount rate takes into account, amongst other things, the risk free rate of return (derived from a 20 year government bond price), the market risk premium and a predictive Beta factor for the Group (from the Barra Beta Book) which are used in deriving the cost of equity, and the cost of debt.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

12 Goodwill continued

The same discount rate has been used for each CGU as the principal risks associated with the Group, as highlighted on pages 16 to 19 of this report, as being the highest likelihood or impact, would also impact each CGU in a similar manner. The Board acknowledge that there are additional factors that could impact the risk profile of each CGU given the difference in operations, customer base and trading performance over recent years. These additional factors were considered by way of sensitivity analysis performed as part of the annual impairment tests. The level of impairment recognised is predominantly dependent upon judgements used in arriving at future growth rates and the discount rate applied to cash flow projections. Key drivers to future growth rates are dependent on the Group's ability to maintain and grow income streams whilst effectively managing operating costs. The level of headroom may change if different growth rate assumptions or if a different pre-tax discount rate was used in the cash flow projections.

Where the value-in-use calculations suggest an impairment, the Board consider alternative use values prior to realising any impairment. Alternative use values may include, inter alia, fair value less costs to dispose.

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

	2014	2013
Growth rate (after budget period)	2.50%	2.50%
Risk free rate of return	2.91%	3.50%
Market risk premium	6.00%	6.00%
Beta factor	0.37	0.65
Cost of debt	3.02%	4.10%

Textile Rental

Having completed the 2014 impairment review no impairment has been recognised in relation to the Textile Rental operating segment (2013: No impairment). Sensitivity analysis has been performed in assessing the recoverable amounts of goodwill. There are no changes to the key assumptions of growth rate or discount rate that are considered by management to be reasonably possible, which give rise to an impairment of goodwill relating to the Textile Rental operating segment.

Drycleaning

Having completed the 2014 impairment review no impairment has been recognised in relation to the Drycleaning operating segment (2013: No impairment). Sensitivity analysis has been performed in assessing the recoverable amounts of goodwill. The excess valuation of the recoverable amount over the carrying value within the Drycleaning operating segment is £1.3 million. If either the discount rate was to increase by 0.6%, or the growth rate (after the budgeted period) was to reduce by 1.0% then the recoverable amount would equal the carrying value.

Given the low level of headroom, and the relatively modest changes in assumptions required to reduce this headroom to nil, alternative valuation methods have also been considered. Using a fair value less costs to dispose approach, which includes the benefit, and associated costs, of the restructuring announced January 2015, the headroom is £9.8 million. For this headroom to reduce to nil either the discount rate would need to increase to 8.75% or the growth rate reduce to a negative 3.25%. Neither of these changes are considered to be reasonably possible.

13 Intangible assets

	Capitalised Software £m	Customer contracts £m	Total £m
Cost			
At 31st December 2012	2.5	31.8	34.3
Additions	0.2	–	0.2
Disposals	(0.1)	–	(0.1)
Transferred to assets held for resale	(2.1)	(20.6)	(22.7)
At 31st December 2013	0.5	11.2	11.7
Business acquisitions (see note 31)	–	10.2	10.2
Additions	0.1	–	0.1
At 31st December 2014	0.6	21.4	22.0
Accumulated amortisation			
At 31st December 2012	1.9	22.3	24.2
Charged during the year	0.2	1.8	2.0
Disposals	(0.1)	–	(0.1)
Transferred to assets held for resale	(1.5)	(15.9)	(17.4)
At 31st December 2013	0.5	8.2	8.7
Charged during the year	–	1.6	1.6
At 31st December 2014	0.5	9.8	10.3

13 Intangible assets continued

	Capitalised Software £m	Customer contracts £m	Total £m
Carrying amount			
At 31st December 2012	0.6	9.5	10.1
At 31st December 2013	–	3.0	3.0
At 31st December 2014	0.1	11.6	11.7

Amortisation of capitalised software is included within administrative costs in the Income Statement in determining operating profit before exceptional items. Amortisation and impairment of other intangible assets is shown separately on the face of the Income Statement.

Other intangible assets comprise of brands and customer contracts and relationships, as a result of business combinations. For assets resulting from a business combination fair value is calculated based upon historical and prospective information and financial data specific to each business combination, with an appropriate discount factor applied based upon weighted average cost of capital for the Group.

Other intangible assets have a finite useful life and are carried at cost less accumulated amortisation. Amortisation of other intangible assets is calculated using the straight-line method to allocate the cost of the assets over their estimated useful lives (4 – 10 years). The longest estimated useful life remaining at 31st December 2014 is 7 years.

14 Property, plant and equipment

	Properties				
	Freehold £m	Long Leasehold £m	Short Leasehold £m	Plant and Equipment £m	Total £m
Cost					
At 31st December 2012	10.8	5.1	3.0	91.4	110.3
Additions	–	–	–	6.2	6.2
Disposals	–	(0.3)	–	(14.6)	(14.9)
Transfer	0.4	–	–	(0.4)	–
Transferred to assets held for resale	–	–	–	(3.9)	(3.9)
At 31st December 2013	11.2	4.8	3.0	78.7	97.7
Business acquisitions (see note 31)	3.9	–	–	5.0	8.9
Additions	0.2	–	1.4	13.1	14.7
Disposals	–	–	–	(1.9)	(1.9)
At 31st December 2014	15.3	4.8	4.4	94.9	119.4
Accumulated depreciation and impairment					
At 31st December 2012	4.5	1.8	1.9	63.8	72.0
Charged during the year	0.1	–	0.1	6.5	6.7
Eliminated on disposals	–	(0.1)	–	(14.2)	(14.3)
Transfer	0.2	–	–	(0.2)	–
Transferred to assets held for resale	–	–	–	(2.7)	(2.7)
At 31st December 2013	4.8	1.7	2.0	53.2	61.7
Charged during the year	0.6	–	0.1	7.5	8.2
Eliminated on disposals	–	–	–	(1.8)	(1.8)
At 31st December 2014	5.4	1.7	2.1	58.9	68.1
Carrying amount					
At 31st December 2012	6.3	3.3	1.1	27.6	38.3
At 31st December 2013	6.4	3.1	1.0	25.5	36.0
At 31st December 2014	9.9	3.1	2.3	36.0	51.3

The value of assets under construction at 31st December 2014 was £1.5 million (2013: £0.2 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

14 Property, plant and equipment continued

The net book value of plant and equipment held under finance leases is as follows:

	2014 £m	2013 £m
Plant and equipment	3.5	2.9

15 Textile rental items

	2014 £m	2013 £m
Cost		
Brought forward	46.0	46.8
Additions	24.9	19.5
Business acquisition (see note 31)	1.6	–
Disposals	(17.0)	(15.9)
Special charges	(3.8)	(4.4)
Carried forward	51.7	46.0
Accumulated depreciation		
Brought forward	20.0	19.9
Charged during the year	20.1	18.2
Disposals	(17.0)	(15.9)
Special charges	(1.9)	(2.2)
Carried forward	21.2	20.0
Carrying amount		
Opening	26.0	26.9
Closing	30.5	26.0

16 Inventories

	2014 £m	2013 £m
New textile rental items	0.8	0.7
Goods for resale	0.4	0.4
Raw materials and stores	0.9	0.9
	2.1	2.0

The movement in the carrying value of inventories during the year is as follows:

	2014 £m	2013 £m
Opening inventories	2.0	2.3
Purchases	35.2	26.2
Business acquisition (see note 31)	0.3	–
Amounts transferred to textile rental items	(24.9)	(19.5)
Amounts transferred to cost of sales	(10.4)	(7.0)
Amounts written off during the year	(0.1)	(0.1)
Provision utilised during the year	–	0.1
	2.1	2.0

17 Trade and other receivables

	2014 £m	2013 £m
Amounts falling due within one year:		
Trade receivables	24.2	22.1
Less: provision for impairment of receivables	(1.6)	(1.7)
Trade receivables – net	22.6	20.4
Other receivables	2.3	2.6
Prepayments	3.1	2.1
Accrued income	2.3	3.7
	30.3	28.8
Amounts falling due after more than one year:		
Other receivables	3.3	3.4
	33.6	32.2

During the year, the Group recognised a bad debt provision expense relating to continuing operations of £0.5 million (2013: £0.8 million).

The ageing of trade receivables, other receivables and accrued income is analysed below:

	2014 Gross £m	2014 Provision £m	2014 Net £m	2013 Gross £m	2013 Provision £m	2013 Net £m
Trade receivables, other receivables and accrued income						
– Not yet due and up to 3 months overdue	30.7	(0.8)	29.9	30.7	(1.1)	29.6
– 3 to 6 months past due	0.7	(0.1)	0.6	0.6	(0.1)	0.5
– 6 to 12 months past due	0.2	(0.2)	–	0.1	(0.1)	–
– Over 12 months past due	0.5	(0.5)	–	0.4	(0.4)	–
	32.1	(1.6)	30.5	31.8	(1.7)	30.1

Trade and other receivables which are less than three months past due are not considered impaired unless specific information indicates otherwise. Trade and other receivables greater than three months past due are considered for recoverability, and where appropriate, a provision is recognised.

All trade and other receivable balances at the balance sheet date are denominated in Sterling (2013: Sterling), and are held at amortised cost. Given the short term nature there is deemed to be no difference between this and fair value.

There is limited concentration of credit risk with respect to trade receivables due to the diverse and unrelated nature of the Group's customers. Accordingly, the Directors believe that no further credit provision is required in excess of the provision for impairment of trade receivables.

The movement in the provision for trade and other receivables is analysed below:

	2014 £m	2013 £m
At 1st January	(1.7)	(1.6)
Provisions for receivables impairment	(0.7)	(1.0)
Amounts unused reversed	0.2	0.2
Receivables written off during the year as uncollectable	0.6	0.7
At 31st December	(1.6)	(1.7)

The creation and release of the provision for impaired receivables has been included in 'administrative costs' in the Income Statement when related to continuing activities. Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. The figures in the table above reflect both continuing and discontinued operations.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable detailed within this note. The Group does not hold any collateral as security.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

18 Trade and other payables

	2014 £m	2013 £m
Trade payables	13.4	10.7
Other payables	2.7	2.7
Other taxation and social security liabilities	6.4	5.9
Deferred income	1.7	1.3
Accruals	19.5	17.0
	43.7	37.6

All trade and other payables balances at the balance sheet date are denominated in Sterling (2013: Sterling), and are held at amortised cost. Given the short term nature there is deemed to be no difference between this and fair value.

19 Other non-current liabilities

	2014 £m	2013 £m
Deferred income	–	0.1
Accruals	0.9	0.8
	0.9	0.9

20 Borrowings

	2014 £m	2013 £m
Current		
Overdraft	5.1	–
Bank loans	0.8	–
Obligations under finance lease agreements	1.0	0.8
	6.9	0.8
Non-current		
Bank loans	19.7	25.0
Obligations under finance lease agreements	2.1	2.1
	21.8	27.1
	28.7	27.9
The maturity of non-current bank loans is as follows:		
– Between one and two years	–	25.0
– Between two and five years	20.0	–
– Unamortised issue costs of bank loans	(0.3)	–
	19.7	25.0

At the 31st December 2014, the bank loan was drawn under the facility entered into on 21st February 2014. This facility comprises a £60.0 million revolving credit facility, including an overdraft, which runs to May 2018 together with an additional short term facility which was due to expire on 20th February 2015. The additional short term facility was, however, cancelled on 13th November 2014 such that available facilities at 31st December 2014 were £60.0 million (2013: available facility of £50.0 million).

The Group has two overdraft facilities for £5.0 million and £3.0 million with two of its principal bankers (2013: £5.0 million and £nil).

Prior to 21st February 2014 loans were drawn under the £50.0 million facility dated 7th August 2013.

Individual tranches were drawn down, in sterling, for periods of up to six months at LIBOR rates of interest prevailing at the time of drawdown, plus the applicable margin which for the facility dated 21st February 2014 ranges from 1.50% to 2.25%. For the facility dated 7th August 2013 the applicable margin ranged from 2.50% to 3.00%.

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.

20 Borrowings continued

The secured bank loans are stated net of unamortised issue costs of £0.5 million (2013: £nil). Details of the security are provided in note 25 of the consolidated financial statements.

Finance leases

Obligations under finance lease agreements are as follows:

	2014 £m	2013 £m
Not more than one year		
Minimum lease payments	1.1	0.9
Interest element	(0.1)	(0.1)
Present value of minimum lease payments	1.0	0.8
Between one and five years		
Minimum lease payments	2.2	2.2
Interest element	(0.1)	(0.1)
Present value of minimum lease payments	2.1	2.1

Finance lease obligations are secured on the assets to which they relate. Under the terms of the lease agreements, no contingent rents are payable.

21 Deferred taxation

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Deferred Income Tax Assets		Deferred Income Tax Liabilities	
Deferred income tax balances in respect of:	2014 £m	2013 £m	2014 £m	2013 £m
Depreciation in excess of capital allowances	0.3	2.4	–	–
Employee share schemes	0.1	1.0	–	–
Post-employment benefit obligations	3.7	0.9	–	–
Derivative financial liabilities	0.1	0.1	–	–
Other short term timing differences	0.4	0.1	–	–
Separately identifiable intangible assets	–	–	1.8	–
	4.6	4.5	1.8	–

The deferred income tax assets disclosed above are deemed to be recoverable.

Tax losses of approximately £23.7 million were acquired as part of the acquisition of Sketchley Limited in May 2004. The method of utilisation of the losses has been formally agreed with HM Revenue & Customs; however there is no certainly that the tax relating to these losses will be recovered in the future. Accordingly, no deferred income tax asset has been recognised within these financial statements in respect of the unutilised losses. At 31st December 2014, £1.4 million of these losses have been utilised, leaving future tax losses available of £22.3 million. Should the Group receive relief for the losses at a future date, this will give rise to a liability to the vendor of Sketchley Limited of up to £2.6 million (assuming a corporation tax rate of 20%), offsetting, in part, the tax benefit of the losses. Any payments due to the vendor are only payable when the Group has first received the cash benefit of the losses. During 2014 none of these tax losses have been utilised (2013: £0.4 million).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

21 Deferred taxation continued

The following provides a reconciliation of the movement in each of the deferred income tax assets and liabilities:

	Depreciation in excess of Capital Allowances £m	Employee Share Schemes £m	Post-employment Benefit Obligations £m	Derivative Financial Instruments £m	Other Short Term Timing Differences £m	Intangible Assets £m	Total £m
At 31st December 2012	4.1	0.5	4.2	0.3	0.4	(0.2)	9.3
(Charge)/credit to income	(0.4)	(0.5)	(0.4)	–	(0.3)	0.2	(1.4)
Deferred income tax assets disposed of	(1.3)	–	–	–	–	–	(1.3)
Charge to other comprehensive income	–	–	(2.9)	(0.2)	–	–	(3.1)
Credit to Shareholders' equity	–	1.0	–	–	–	–	1.0
At 31st December 2013	2.4	1.0	0.9	0.1	0.1	–	4.5
(Charge)/credit to income	(1.3)	0.1	0.5	–	0.3	0.2	(0.2)
Deferred income tax liabilities acquired	(0.8)	–	–	–	–	(2.0)	(2.8)
Credit to other comprehensive income	–	–	2.3	–	–	–	2.3
Charge to Shareholders' equity	–	(1.0)	–	–	–	–	(1.0)
At 31st December 2014	0.3	0.1	3.7	0.1	0.4	(1.8)	2.8

The deferred income tax charge to income in 2014 includes a credit of £0.3 million in respect of discontinued activities (2013: £0.3 million charge).

The rate of corporation tax in the UK reduced from 23% to 21% on 1st April 2014 and will reduce to 20% on 1st April 2015. As these changes were reflected in the opening deferred income tax balances, this has had nil effect on the Income Statement, the Statement of Comprehensive Income or taxation recognised directly in Shareholders' equity.

22 Provisions

	Property £m	Self Insurance £m	Total £m
At 31st December 2012	23.6	0.8	24.4
Additional provision in the year	0.4	–	0.4
Provision discount unwind	0.1	–	0.1
Utilised during the year	(7.0)	(0.1)	(7.1)
Released during the year	(0.1)	–	(0.1)
At 31st December 2013	17.0	0.7	17.7
Additional provision in the year	0.7	0.1	0.8
Provision discount unwind	0.1	–	0.1
Utilised during the year	(3.8)	(0.1)	(3.9)
At 31st December 2014	14.0	0.7	14.7

	2014 £m	2013 £m
Analysis of total provisions		
Current	4.6	4.2
Non-current	10.1	13.5
	14.7	17.7

Property

The property provision includes the present value of onerous leases, expected lease dilapidation costs and the estimated remediation costs of property where an environmental problem has been identified and the costs to rectify can be reliably measured. The estimates and judgements used in determining the value of provisioning are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Self insurance

The self insurance provision is in respect of the estimated payments due to existing claimants under the self funded incapacity scheme over a period of 16 years. This scheme is now closed.

23 Post-employment benefit obligations

The Group operates pension schemes of both the funded defined benefit and the defined contribution type for a substantial number of employees. In addition, the Group also operates an unfunded defined benefit private healthcare scheme for eligible retirees. The disclosures below are in respect of all of the Group schemes.

Pensions – defined contribution

The JSG Pension Plan is a defined contribution scheme. The total cost of employer contributions for the year for continuing operations was £1.6 million (2013: £1.3 million of which £0.1 million relates to discontinued operations).

The SGP Property Services Group Pension Plan is a defined contribution scheme. This scheme left the Group with the disposal of the Facilities Management division in August 2013, therefore the cost of employer contributions for the year was £nil (2013: £0.1 million).

Pensions – defined benefit

During the prior year the Company established a new pension scheme, the Johnson Group Defined Benefit Scheme ("JGDBS") and on 6th April 2013 transferred the assets and liabilities of the Johnson Group Staff Pension Scheme, the Semara Augmented Pension Plan and the WML Final Salary Pension Scheme to this new scheme.

A full actuarial valuation of the JGDBS was carried out at 5th October 2013 and has been updated to 31st December 2014 by an independent qualified actuary. The JGDBS was closed to future accrual on 31st December 2014.

Johnson Group Defined Benefit Scheme ("JGDBS")

The updated actuarial valuation at 31st December 2014 showed a deficit of £17.2 million (2013: £3.0 million). During the year, employer contributions in respect of current service cost to the scheme were 9.4% of Pensionable Salaries, which equates to £0.5 million (2013: £0.3 million).

Deficit recovery payments of £2.0 million (period from 6th April 2013: £0.4 million) were made to the Scheme during the year. Further deficit recovery payments of £1.9 million are expected to be made in 2015.

Johnson Group Staff Pension Scheme ("Staff Scheme")

During the prior year the assets and liabilities of the Staff Scheme were transferred to the new JGDBS scheme effective 6th April 2013. In the period to 5th April 2013 employer contributions were 9.4% of Pensionable Salaries. No deficit recovery payments were paid during 2014 (2013: £1.3 million).

Semara Augmented Pension Plan ("SAPP Scheme")

During the prior year the assets and liabilities of the SAPP Scheme were transferred to the new JGDBS scheme effective 6th April 2013. From April 2011 there were no longer any active members of this scheme. No deficit recovery payments were paid during 2014 (2013: £nil).

WML Final Salary Pension Scheme ("WML Scheme")

During the prior year the assets and liabilities of the WML Scheme were transferred to the new JGDBS scheme effective 6th April 2013. The last remaining active member left the WML scheme on 31st December 2012. No deficit recovery payments were paid during 2014 (2013: £0.2 million).

Actuarial assumptions

Considerations when calculating the IAS 19 liability

IAS19(R) sets out prescribed (qualitative) conditions for selecting the actuarial assumptions used to calculate the pension liabilities and pension costs. A key assumption is the discount rate which is used to determine the value of pension liabilities at the balance sheet date. The selection of the price inflation assumptions (both RPI and CPI) is also critical as these are relevant for the pre-retirement revaluation and pension increases in payment assumptions.

These assumptions are based on market yields at the balance sheet date, and may not be borne out in practice due to the long-term expected duration of the Schemes. The weighted average duration of the defined benefit obligation is approximately is 15 years (2013: 16 years). Within the prescribed conditions however, assumptions must be mutually compatible and lead to the best estimate of the future cash flows in respect of pension liabilities.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

23 Post-employment benefit obligations continued

A summary of relevant considerations is set out below:

Assumption for valuing pension liabilities	Comments on prescribed conditions
Discount rate (pre and post retirement)	Based on yields on "high quality" corporate bonds of appropriate duration and currency, or a suitable proxy. Our approach is to value sample pensioner and non-pensioner cash flows with different durations using a yield curve approach and to calculate the single equivalent discount rate for each set of cash flows
Retail Price inflation (RPI)	Based on the yield differential between index-linked bonds and fixed-interest bonds of appropriate duration and of a similar credit standing (for example, using spot yields derived from the inflation yield curve published by the Bank of England) with the allowance for an inflation premium to reflect market conditions
Consumer Price Inflation (CPI)	Based on the RPI assumption with an adjustment to reflect the historic differences between the RPI and CPI indices
Salary inflation	Assumed to be zero following the Pensionable Salary freeze introduced with effect from 6th April 2010 and closure to future accrual with effect from 31st December 2014
Pension increases	Based on the rate of price inflation below taking into account the effects of scheme rules and valid expectations of discretionary increases based on past practice
Demographic assumptions (e.g. rates of mortality and early retirement)	Based on assumptions that lead to a best estimate of future cash flows

Considerations when calculating the IAS19 expected return on Scheme assets

Under IAS19(R), the expected return on scheme assets (Interest income), is deemed to be the same as the rate used to discount scheme liabilities.

Assumptions used	2014	2013
Rate used to discount scheme liabilities	3.65%	4.60%
Retail price inflation	2.95%	3.30%
Consumer price inflation	1.65%	2.30%
Rate of increase of pensions in payment (5.0% RPI linked)	2.85%	3.20%
Rate of increase of pensions in payment (2.5% RPI linked)	2.00%	2.15%
Rate of increase of pensions in payment (2.5% CPI linked)	1.50%	1.85%
Rate of increase of pensions in deferment (JGDBS Scheme)	1.65%	2.30%
Rate of increase in pensionable salaries	0.00%	0.00%
Future service pension increases	n/a	2.15%

Life expectancy at age 60 for current male pensioners is assumed to be 26.7 years (2013: 26.1 years). Life expectancy at age 60 for future male pensioners is assumed to be 27.4 years (2013: 26.5 years). "S1NXA CMI 2014 with a 1.0% long term trend rate" has been used to derive these mortality rates (2013: "S1NXA CMI 2010 with a 0.5% long term trend rate" used).

It is assumed that 100% of non-retired members of the JGDBS will commute 25% of their pension at retirement (2013: 100% of members will commute 25% of pension).

It has been assumed that 50% (2013: 33%) of future pensioners at retirement will exchange their non-statutory pension increases at retirement for a higher, but non-increasing pension.

23 Post-employment benefit obligations continued

Sensitivity of key assumptions

The table below gives an approximation of the impact on the IAS19(R) pension scheme liabilities to changes in assumptions and experience. Note that all figures are before allowing for deferred tax.

Item	Approximate increase/(decrease) on post-employment benefit obligation
Increase/reduce discount rate by 0.1%	(£3.1 million)/£3.1 million
Increase/reduce price inflation assumption by 0.1%	£1.3 million/(£1.2 million)
Increase/drop in equity markets by 5.0%	(£3.3 million)/£3.3 million

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the Balance Sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Private healthcare

The Group operates an unfunded defined benefit private healthcare scheme for eligible retirees. At 31st December 2014, the deficit of the scheme was £1.3 million (2013: £1.3 million). The Group accounted for a current service cost of £nil and a notional interest cost of £0.1 million in the Income Statement (2013: £nil and £0.1 million respectively). Following the latest formal review, current service cost in 2015 is expected to be £2,000 with a notional interest cost of £45,000.

The scheme is subject to a periodic independent actuarial review which assesses the cost of providing benefits for current and future eligible retirees. The latest formal review was undertaken as at 31st December 2014, with the previous review being as at 31st December 2009.

The latest review was performed using the projected unit credit method, and a discount rate of 3.75% (2009: 5.80%). The main long term actuarial assumptions used in the review were that the retirement age of eligible employees will be 60 for females and males and the rate of increase in medical costs is to be 5.5% throughout (2009: 9.5% for 2010, reducing over the next 4 years to 4.5%). There have been no material changes in circumstances since the last formal review.

An increase of 1% in the medical cost trend would increase the scheme liabilities by £0.1 million and the aggregate of the service cost and interest cost by £4,000 per annum. A decrease of 1% in the medical cost trend would reduce the scheme liabilities by £0.1 million and the aggregate of the service cost and interest cost by £4,000 per annum.

Post-employment benefit obligations disclosures

The amounts charged to the Income Statement are set out below:

	2014 £m	2013 £m
Current service costs – charged to administrative costs	0.3	0.5
Past service costs (including associated expenses) – charged as an exceptional item	4.9	–
Settlement gain (net of associated expenses) – credited as an exceptional item	–	(0.6)
Net interest on defined benefit net liability	0.2	0.8
Total amounts charged to the Income Statement	5.4	0.7

Current service costs are charged or credited to the Income Statement in arriving at operating profit before amortisation and impairment of intangible assets (excluding software amortisation) and exceptional items. Past service costs or credits and settlement gains or losses are charged or credited to exceptional items.

Past service costs of £4.7 million, along with associated costs of £0.2 million, arose as a result of the closure of the JGDBS to future accrual as at 31st December 2014.

The prior year settlement gain (net of associated expenses) arose as a result of the winding up of the three pension schemes. Members with small benefits were offered the option of taking their benefits as a 'winding up lump sum'. The difference between the payments of £3.9 million and the liabilities extinguished of £5.1 million was reflected in the Income Statement, net of £0.6 million of associated fees.

The interest income on scheme assets and the interest cost on scheme liabilities are included within total finance costs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

23 Post-employment benefit obligations continued

In addition, the following amounts have been recognised in the Statement of Comprehensive Income:

	2014 £m	2013 £m
Return on scheme assets (excluding interest income)	12.5	14.8
Re-measurement losses arising from changes in demographic assumptions	(2.0)	–
Re-measurement losses arising from changes in financial assumptions	(17.0)	(3.1)
Experience losses on liabilities	(5.0)	–
Total amounts recognised in the Statement of Comprehensive Income	(11.5)	11.7

Amounts recognised in the Balance Sheet are as follows:

	2014 £m	2013 £m
Present value of funded obligations	(215.5)	(188.0)
Fair value of scheme assets	198.3	185.0
Net defined benefit pension obligations	(17.2)	(3.0)
Post-retirement healthcare obligations	(1.3)	(1.3)
Net post-employment benefit obligations	(18.5)	(4.3)

Movements in the fair value of scheme assets were as follows:

	2014 £m	2013 £m
Fair value of scheme assets at beginning of the year	185.0	174.3
Interest income	8.2	7.5
Return on scheme assets (excluding interest income)	12.5	14.8
Employer contributions (including benefits paid and reimbursed)	2.5	2.2
Members' contributions	0.3	0.3
Assets distributed on settlements	–	(3.9)
Benefits paid	(10.2)	(10.2)
Fair value of scheme assets at end of the year	198.3	185.0

Movements in the fair value of scheme liabilities were as follows:

	2014 £m	2013 £m
Fair value of scheme liabilities at beginning of the year	(189.3)	(192.5)
Current service cost	(0.3)	(0.5)
Members' contributions	(0.3)	(0.3)
Interest expense	(8.4)	(8.3)
Re-measurement losses from changes in demographic assumptions	(2.0)	–
Re-measurement losses from changes in financial assumptions	(17.0)	(3.1)
Experience losses on liabilities	(5.0)	–
Liabilities extinguished on settlements	–	5.1
Past service cost	(4.7)	–
Utilisation of healthcare provision	–	0.1
Benefits paid	10.2	10.2
Fair value of scheme liabilities at the end of the year	(216.8)	(189.3)

23 Post-employment benefit obligations continued

Movements in post-employment benefit obligations were as follows:

	2014 £m	2013 £m
Opening post-employment benefit obligation	(4.3)	(18.2)
Current service cost	(0.3)	(0.5)
Assets distributed on settlements	–	(3.9)
Liabilities extinguished on settlements	–	5.1
Past service cost	(4.7)	–
Notional interest	(0.2)	(0.8)
Employer contributions	2.5	2.2
Re-measurement and experience (losses)/gains	(11.5)	11.7
Utilisation of healthcare provision	–	0.1
Closing post-employment benefit obligation	(18.5)	(4.3)

The major categories of scheme assets were as follows:

	Quoted Market Price Active Market £m	No Quoted Market Price Active Market £m	2014 Total Scheme £m	Quoted Market Price Active Market £m	No Quoted Market Price Active Market £m	2013 Total Scheme £m
Equities	66.2	–	66.2	92.2	–	92.2
Bonds	38.0	–	38.0	33.1	24.6	57.7
Liability driven investments	31.6	–	31.6	–	–	–
Real return funds	26.8	–	26.8	–	–	–
Alternative return seeking assets	3.9	29.5	33.4	4.8	28.1	32.9
Cash and cash equivalents	2.3	–	2.3	2.2	–	2.2
Total market value of assets	168.8	29.5	198.3	132.3	52.7	185.0

24 Financial instruments

Policies and strategies

Details of the Group's policies and strategies in relation to financial instruments are given within this note and on page 58.

IAS 32, Financial Instruments: Presentation, IAS 39, Financial Instruments: Recognition and Measurement and IFRS 7, Financial Instruments: Disclosures, also require numerical disclosures in respect of financial assets and liabilities and these are set out below and in note 17. Financial assets and liabilities are stated at either amortised cost or fair value. Where stated at amortised cost, this is not materially different to the fair value unless otherwise stated due to their short term nature.

Financial assets

	2014 £m	2013 £m
Cash at bank and in hand		
– Sterling	0.2	3.4
– Euros	–	–
– US Dollars	–	–
At 31st December	0.2	3.4

For interest purposes cash is offset against overdrafts through a pooling arrangement with each of the Group's principal bankers. Surplus cash is placed on Treasury Deposit with one or more of the Group's principal bankers.

The cash balance as at 31st December 2014 is not subject to offset.

The cash balance as at 31st December 2013 of £3.4 million includes net balances subject to offset of £1.1 million. The balance comprises £2.8 million of cash balances and £1.7 million of overdraft balances. The remaining £2.3 million of cash balances are not subject to offset.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

24 Financial instruments continued

At the balance sheet date, cash was held with the following institutions:

	Rating	2014 £m	2013 £m
Cash at bank and in hand			
– Royal Bank of Scotland	A-2	0.2	3.4
– Lloyds Bank	A-1	–	–
Total cash and cash equivalents		0.2	3.4

The Group refers to Standard and Poor's short-term issue credit ratings when determining with which financial institutions to deposit its surplus cash balances. A short-term obligation rated 'A-2' indicates the obligor's capacity to meet its financial commitment on the obligation is satisfactory. A short-term obligation rated 'A-1 indicates the obligor's capacity to meet its financial commitment on the obligation is strong and is rated in the highest Standard and Poor category.

Cash balances held with the Group's principal bankers are used for working capital purposes. The Directors do not consider deposits at these institutions to be at risk.

Financial liabilities

	As per Balance Sheet £m	Future Interest Cost £m	2014 Total Cash Flows £m	As per Balance Sheet £m	Future Interest Cost £m	2013 Total Cash Flows £m
Overdraft	5.1	–	5.1	–	–	–
Bank loans*	20.5	–	20.5	25.0	1.1	26.1
Finance leases	3.1	0.2	3.3	2.9	0.2	3.1
Provisions	14.7	0.4	15.1	17.7	0.5	18.2
Derivative financial instruments	0.4	–	0.4	0.3	–	0.3
	43.8	0.6	44.4	45.9	1.8	47.7

The overdraft of £5.1 million (2013: £nil) comprises cash balances of £2.6 million and overdraft balances of £7.7 million which are subject to offset.

* IFRS 7 requires the contractual future interest cost of a financial liability to be included within the above table. As disclosed in note 20 of these consolidated financial statements, all the bank loans are currently drawn under an RCF arrangement and as such there is no contractual future interest cost. Interest paid in the year in relation to bank loans drawn down amounted to £1.2 million, however interest is payable at a rate of LIBOR prevailing at the time of drawdown plus the applicable margin, which ranges from 1.50% and 2.25%.

Liquidity risk

The maturity of financial liabilities based on contracted cash flows is shown in the table below.

This table has been drawn up using the undiscounted cash flows of financial liabilities based on the earliest date on which the Group is obliged to pay. The table includes both interest and principal cash flows. Floating rate interest payments have been calculated using the relevant interest rates prevailing at the year end.

	Overdrafts £m	Bank Loans £m	Finance Leases £m	Provisions £m	Derivative Financial Instruments £m	Total £m
As at 31st December 2014						
Due within one year	5.1	0.8	1.1	4.7	0.4	12.1
Due within one to two years	–	–	0.8	5.5	–	6.3
Due within two to five years	–	19.7	1.1	3.5	–	24.3
Due after more than five years	–	–	0.3	1.4	–	1.7
	5.1	20.5	3.3	15.1	0.4	44.4
As at 31st December 2013						
Due within one year	–	0.8	0.9	4.3	0.1	6.1
Due within one to two years	–	25.3	0.9	3.8	0.2	30.2
Due within two to five years	–	–	0.6	8.6	–	9.2
Due after more than five years	–	–	0.7	1.5	–	2.2
	–	26.1	3.1	18.2	0.3	47.7

24 Financial instruments continued

Interest rate risk profile

	Fixed Rate Financial Liabilities £m	Floating Rate Financial Liabilities £m	Financial Liabilities on which no Interest is paid £m	Total £m
As at 31st December 2014				
Sterling	23.1	14.7	6.0	43.8
As at 31st December 2013				
Sterling	22.9	16.4	6.6	45.9

The Group's creditors falling due within one year (other than bank and other borrowings) are excluded from the above tables either due to the exclusion of short term items or because they do not meet the definition of a financial liability.

Fixed rate financial liabilities

At 31st December 2014 the Group's fixed rate financial liabilities related to bank borrowings that are covered by interest rate swaps and assets held under finance leases (2013: Interest rate swaps and assets held under finance leases).

For assets held under finance leases the average interest rate incurred is 3.6% (2013: 4.2%) and the weighted average period remaining is 46 months (2013: 45 months).

The Group has entered into a number of interest rate swaps, the effect of which is to classify £20.0 million (2013: £20.0 million) of the Group's borrowings as fixed rate. The details of current outstanding swaps are as follows:

- Interest swaps classifying £20.0 million of debt as fixed rate from 8th January 2013 to 8th January 2016. The rate, excluding margin is 1.79%.

Gains and losses recognised in the hedging reserve in equity on interest rate swap contracts as of 31st December 2014 will be continuously released to the Income Statement within finance costs until the end of the hedged period.

Floating rate financial liabilities

Floating rate financial liabilities bear interest at rates based on relevant LIBOR equivalents. Loans are drawn and interest rates fixed for periods of between one and six months. The weighted average period remaining for floating rate financial liabilities is 27 months (2013: 27 months).

The variation in the interest rate of floating rate financial liabilities (with all other variables held constant) required to increase post-tax profit for the year by £0.1 million is 100 basis points (2013: 100 basis points). The variation in the interest rate of floating rate financial liabilities (with all other variables held constant) required to decrease post-tax profit for the year by £0.1 million is 100 basis points (2013: 100 basis points).

Fair values of financial liabilities

Bank loans are drawn down and interest set for no more than a six month period (2013: six month period). In view of this the fair value of bank loans is not materially different from the book value. The fair value of other financial liabilities was not materially different from the book value.

The Group recognises financial instruments that are held at fair value. Financial instruments have been classified as Level 1, Level 2 or Level 3 dependant on the valuation method applied in determining their fair value.

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The only financial instruments held at fair value by the Group relate to interest rate swaps on a portion of the Group's long term borrowings and commodity swaps.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

24 Financial instruments continued

For both the years ended 31st December 2014 and 31st December 2013 the liabilities arising from these instruments have been classified as Level 2. The fair value of these instruments at each of the year ends was:

	Fair Value 2014 £m	Fair Value 2013 £m
Derivative financial instruments held to manage the interest rate profile:		
– Interest rate products	(0.2)	(0.3)
– Commodity products	(0.2)	–

Further information regarding interest rate products is provided in the fixed rate financial liabilities section above. Commodity products relate to fuel derivatives in place to hedge against movements in the price of diesel used in the Group's operations. The fuel derivatives hedge the underlying commodity price risk.

The Group has hedged 2.4 million litres of diesel in the period to 31st December 2015 representing approximately 50% of its expected diesel consumption. The hedged price is 41.55 pence per litre.

Where available, market rates have been used to determine fair value.

All financial instruments are Level 2 financial instruments for all years and there have been no transfers between either Level 1 and 2 or Level 2 and 3 in any year.

The fair value of the following financial assets and liabilities approximate their carrying amount:
- Trade receivables and other receivables
- Cash and cash equivalents
- Trade and other payables

Valuation techniques used to derive Level 2 fair values

Level 2 trading and hedging derivatives comprise interest rate swaps and commodity swaps. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves. Commodity swaps are valued using mark to market valuations at the balance sheet date. The effects of discounting are generally insignificant for Level 2 derivatives.

Group's valuation processes

The Group's finance function includes a treasury team that performs the valuations of financial assets required for financial reporting purposes, including Level 3 fair values (as required). This team reports directly to the Chief Financial Officer (CFO). Discussions of valuation processes and results are held between the CFO and the treasury team at least once every six months, in line with the Group's reporting dates.

Foreign currency risk

The Group purchases such a small proportion in currencies other than Sterling that there is no reasonable change in exchanges rates that would have a material effect on the Company.

Capital risk management

The Group's objectives when managing its capital structure are to safeguard the Group's ability to continue as a going concern in order to provide appropriate returns to Shareholders and benefits to other stakeholders.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares or take other steps to increase share capital and reduce or increase debt facilities.

The Group manages its capital structure using a number of measures and taking into account future strategic plans. Such measures include its interest cover and gearing ratios which are included in its banking covenants. The Group remains compliant with its banking covenants.

25 Contingent liabilities

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

The Group has granted its Bankers and Trustee of the Pension Scheme security over the assets of the Group. The priority of security is as follows: for the first £56.0 million the Bankers and Trustee rank pari passu; for the next £62.0 million in excess of £56.0 million the Bankers have priority and for anything over £118.0 million the Bankers and Trustee rank pari passu.

25 Contingent liabilities continued

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

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

26 Called-up share capital

	2014 £m	2013 £m
Authorised		
383,025,739 (2013: 383,025,739) Ordinary shares of 10p each	38.3	38.3

Issued and Fully Paid	Shares	2014 £m	Shares	2013 £m
Ordinary shares of 10p each:				
– At start of period	262,326,451	26.2	255,749,805	25.6
– New shares issued	37,659,142	3.8	6,576,646	0.6
– At end of period	299,985,593	30.0	262,326,451	26.2

Issue of Ordinary shares of 10p each

An analysis of the new shares issued in each period is shown below:

Issued and Fully Paid		Shares	2014 £	Shares	2013 £
Ordinary shares of 10p each:					
– Placing	note 1	26,253,940	2,625,394	–	–
– EBT	note 2	9,090,000	909,000	3,977,800	397,780
– Approved LTIP	note 3	1,140,281	114,028	–	–
– SAYE	note 4	1,174,921	117,492	2,382,369	238,237
– Warrants	note 5	–	–	216,477	21,648
New shares issued		37,659,142	3,765,914	6,576,646	657,665

Note 1: During the period the Group placed 26,253,940 Ordinary shares with existing and new institutional investors raising net proceeds of £12.8 million of which £2.6 million was credited to share capital. The placing was undertaken using a cash box structure. As a result, the Company was able to take relief under section 612 of the Companies Act 2006 from crediting share premium and instead transfer the net proceeds in excess of the nominal value to retained earnings.

Note 2: During the year, 9,090,000 (2013: 3,977,800) Ordinary shares were allotted to the EBT at nominal value to be used in relation to employee share option exercises. The total nominal value received was £909,000 (2013: £397,780). At the time of allotment, the EBT already held 31,000 (2013: 1,286,531) Ordinary shares of 10 pence each which, together with the 9,090,000 (2013: 3,977,800) newly allotted Ordinary shares of 10 pence each, were part used to satisfy the exercise of 9,100,261 (2013: 5,233,331) LTIP options.

Note 3: 1,140,281 (2013: nil) Approved LTIP options were exercised with a total nominal value of £114,028 (2013: £nil).

Note 4: 1,174,921 (2013: 2,382,369) SAYE Scheme options were exercised with a total nominal value of £117,492 (2013: £238,237).

Note 5: In 2013, 216,477 warrant instruments were exercised with a total nominal value of £21,648. These were the last remaining warrant instruments to be exercised. Further information on the warrant instruments is set out below.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

26 Called-up share capital continued

The total proceeds received on allotment in respect of all of the above transactions were £14.4 million (2013: £0.8 million) and were credited as follows:

	2014 £m	2013 £m
Share capital	3.8	0.6
Share premium	0.4	0.2
Retained earnings	10.2	–
	14.4	0.8

Potential issues of Ordinary shares of 10 pence each

As at the balance sheet date, certain senior executives hold options in respect of potential issues of Ordinary shares of 10 pence each granted pursuant to the 2009 Long-Term Incentive Plan (the 'LTIP') and the 2009 Long-Term Incentive Plan Approved Section (the 'Approved LTIP') (together referred to as 'Executive Schemes') at prices ranging from nil to 30.75 pence.

Certain Group employees also hold options in respect of potential issues of Ordinary shares of 10 pence each granted pursuant to the Johnson Service Group Sharesave Plan (hereinafter referred to as the 'SAYE Scheme') at prices ranging from 18.00 pence to 43.75 pence.

Options granted under the SAYE Scheme are normally exercisable within six months from the date exercisable as shown below. Options under the Executive Schemes are normally exercisable, subject to the achievement of performance conditions, three years after the date of grant and within seven years from the date exercisable as shown below. Upon exercise, all options are generally settled in equity.

The number of shares subject to option under each scheme which were outstanding at 31st December 2014, the date on which they were granted and the date from which they may be exercised are given below:

Scheme	Date Options Granted	Number of Shares	Date Exercisable	Exercise Price per Share
LTIP	6th January 2011	46,500	note 1	Nil
Approved LTIP	7th January 2011	97,560	note 2	30.75p
LTIP	13th March 2014	1,089,483	note 3	Nil
		1,233,543		
SAYE Scheme	1st April 2010	468,893	1st June 2015	18.00p
SAYE Scheme	6th October 2011	137,913	1st December 2014	28.50p
SAYE Scheme	6th October 2011	484,618	1st December 2016	28.50p
SAYE Scheme	1st October 2013	1,481,021	1st December 2016	43.75p
SAYE Scheme	1st October 2013	436,098	1st December 2018	43.75p
		3,008,543		
		4,242,086		

Note 1: Details of the performance conditions attached to the LTIP are set out within the Board Report on Remuneration. One third of the award vested in September 2013 and became immediately exercisable. The remaining two thirds of the award vested in April 2014 and also became immediately exercisable. As set out set out within the Board Report on Remuneration, the LTIP (granted on 6th January 2011 only) is linked to the Approved LTIP. The Approved LTIP is tax favoured, such that in certain circumstances all or part of any gain on the LTIP will be received through the Approved LTIP and taxed at a lower rate or even zero. The linked awards give the holder the same potential gross gain as if they had just received the LTIP. The actual number of shares the award holder will receive when exercising options will depend on the date of exercise, whether the performance conditions of the LTIP are achieved and the extent to which they are achieved, and also on how much of the gain (if any) can be delivered through the Approved LTIP. Part of the total award will be forfeited once the gain is determined, however, this will still leave the holder with the same gross gain that would have been received had only an award been made under the LTIP arrangement.

Note 2: Subject to meeting the performance conditions of any linked LTIP award, the Approved LTIP is ordinarily exercisable three years following the date of grant.

Note 3: The LTIP options granted are subject to performance conditions linked to the Company's Earnings Per Share and Total Shareholder Return and will ordinarily vest three years from grant. Further details are set out within the Board Report on Remuneration.

26 Called-up share capital continued

Warrant Instruments

On 11th April 2008, the Company executed a warrant instrument pursuant to which it issued Warrants to its lending banks over 2,957,636 Ordinary shares. The Warrants were originally exercisable from 11th April 2008 until 31st December 2011 at an exercise price of 10 pence per Ordinary share, which represents the par value of an Ordinary share. On 18th December 2009 the exercise period of certain warrants was lengthened so that it ended on 30th April 2013 rather than 31st December 2011.

On issue of the Warrants, the difference between the fair value of the Company's Ordinary shares and the exercise price of the Warrant is deemed as a cost to the Company under the provisions of IFRS 2, 'Share-based Payment'; this cost was amortised over the term of the Bank Facility dated 11th April 2008. A warrant reserve for the total cost was recognised and was amortised as a finance cost through the Income Statement, with a corresponding reserve transfer between the Warrant Reserve and retained earnings.

Movement in the number of Warrants is shown below:

	2014	2013
Exercisable at beginning of period	–	216,477
Exercised during the period	–	(216,477)
Lapsed during the period	–	–
Exercisable at end of period	–	–

27 Share based payments

Executive Schemes

The 2009 Long-Term Incentive Plan (the 'LTIP') provides for a grant price of nil. The 2009 Long-Term Incentive Plan Approved Section (the 'Approved LTIP') provides for a grant price equal to the quoted closing mid-market price of the Company shares on the business day immediately preceding the date of grant. The exercise price is determined by the Remuneration Committee. The vesting period is generally three years. Both market based and non-market based performance conditions are generally attached to the options, for which an appropriate adjustment is made when calculating the fair value of an option. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before the options vest, unless under exceptional circumstances.

SAYE Schemes

The Johnson Service Group Sharesave Plan provides for an exercise price equal to the average of the quoted mid-market price of the Company shares on the business days immediately preceding the date of grant, less a discount of up to ten per cent. The vesting period under the scheme is either three or five years and no performance conditions, other than remaining a Group employee, are attached to the options.

Disclosures

Movements in the current and prior period in respect of all share schemes are summarised below:

	2014 Number of Options	2014 Weighted Average Exercise Price (p)	2013 Number of Options	2013 Weighted Average Exercise Price (p)
Executive schemes				
Outstanding at beginning of the period	11,048,675	4p	18,189,964	4p
Granted during the period	1,089,483	–	–	–
Exercised during the period	(10,240,542)	3p	(5,233,331)	–
Lapsed during the period	(664,073)	6p	(1,907,958)	20p
Outstanding at the end of the period	1,233,543	2p	11,048,675	4p
Exercisable at the end of the period	144,060	21p	139,500	–
SAYE schemes				
Outstanding at beginning of the period	4,381,284	33p	5,460,409	23p
Granted during the period	–	–	1,994,024	44p
Exercised during the period	(1,174,921)	26p	(2,382,369)	17p
Lapsed during the period	(197,820)	25p	(690,780)	36p
Outstanding at the end of the period	3,008,543	37p	4,381,284	33p
Exercisable at the end of the period	137,913	29p	353,835	16p

For options outstanding at 31st December 2014, the exercise date and the exercise price are disclosed within note 26.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

27 Share based payments continued

During the year the Group recognised total expenses of £0.4 million (2013: £0.5 million) in relation to equity-settled share based payment transactions.

The average share price of Johnson Service Group PLC during the period was 57.8 pence (2013: 46.6 pence).

The aggregate gain made by Directors on the exercise of share options during the period was £4,491,158 (2013: £2,174,209). Further details are disclosed within the Board Report on Remuneration on pages 34 to 41.

The fair value of options awarded to employees is determined by reference to option pricing models, principally Binomial models for SAYE schemes and Monte Carlo models for all other schemes. The inputs into the Binomial and Monte Carlo models are as follows:

	Options Granted During 2014	Options Granted During 2013
Weighted average share price (pence)	61	49
Weighted average exercise price (pence)	–	44
Weighted average fair value (pence)	43	10
Expected volatility (%)	23.3	25.6
Expected life (years)	3.0	3.7
Risk free interest rate (%)	1.1	1.1
Expected dividend yield (%)	2.8	2.5

Expected volatility and expected dividend yield were determined by calculating the historical volatility of the Company's share price and the historical dividend yield for a period akin to the expected life of each option scheme. The risk free rate of return is based on the rate for UK government gilts on the date of grant, for a period akin to the expected life of the option.

28 Share premium

	2014 £m	2013 £m
Balance brought forward	14.1	13.9
Received on allotment of shares	0.4	0.2
Balance carried forward	14.5	14.1

29 Own shares

	2014 £m	2013 £m
Balance brought forward and carried forward	–	–

Own shares represent the cost of shares in Johnson Service Group PLC purchased in the market and held by the Trustee of the EBT, to satisfy options under the Group's share option schemes (see Note 26).

The number of shares and the market value at the balance sheet date are as follows:

	2014	2013
Number of shares held	20,739	31,000
Market value £m	–	–

30 Reconciliation of movements in Shareholders' funds

	2014 £m	2013 £m
Profit for the period	8.6	0.7
Dividends	(3.9)	(2.9)
	4.7	(2.2)
Other recognised gains and losses relating to the year:		
Issue of share capital	14.4	0.8
Share options (value of employee service)	0.4	0.5
Purchase of shares by Employee Benefit Trust	(0.9)	(0.4)
Re-measurement and experience (losses)/gains (net of taxation)	(9.2)	9.4
Change in deferred tax due to change in tax rate	–	(0.6)
Current tax on share options	1.2	0.2
Deferred tax on share options	(1.0)	1.0
Cash flow hedges movement	(0.1)	0.8
Net addition to Shareholders' equity	9.5	9.5
Opening Shareholders' equity	70.5	61.0
Closing Shareholders' equity	80.0	70.5

31 Business combinations

On 2nd March 2014 the Group acquired the entire share capital of Bourne Services Group Limited along with its subsidiary Bourne Textile Services Limited (together "Bourne") for gross consideration of £26.7 million plus fees.

Bourne's operations are focused on the volume hotel linen market. Bourne operates from purpose built freehold premises which cover four acres and have a total of 90,000 sq ft of production capacity located in Bourne, Lincolnshire. Bourne services hotel customers in the Midlands, South Yorkshire, East Anglia, North London and the Home Counties.

The Bourne business has been included in the Textile Rental operating segment.

Since acquisition Bourne has generated a profit of £2.4 million on revenue of £16.1 million. Had the business been acquired at the start of the period it is estimated that profit of £2.5 million would have been generated on revenue of £18.6 million.

The fair values of the assets and liabilities acquired are as follows:

	Net Assets Acquired £m	Fair Value Adjustments £m	Accounting Policy Realignment £m	Fair Value of Assets Acquired £m
Intangible assets – Goodwill	–	3.8	–	3.8
Intangible assets – Customer lists and contracts	–	10.2	–	10.2
Property, plant and equipment	9.1	–	(0.2)	8.9
Textile rental items	1.8	–	(0.2)	1.6
Inventories	0.3	–	–	0.3
Trade and other receivables	2.5	–	–	2.5
Cash	4.9	–	–	4.9
Trade and other payables	(2.3)	–	–	(2.3)
Current income tax liability	(0.4)	–	–	(0.4)
Deferred income tax liability	(0.2)	(2.6)	–	(2.8)
	15.7	11.4	(0.4)	26.7

Goodwill represents the deferred income tax liability arising on the recognition of the customer lists and contracts plus the expected benefits to the wider Group arising from the acquisition. None of the acquired goodwill is expected to be deductible for tax purposes.

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

Trade and other receivables includes gross contractual amounts for trade receivables of £2.2 million of which £nil is expected to be uncollectable.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

31 Business combinations continued

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

	2014 £m	2013 £m
Consideration paid	26.7	–
Cash acquired	(4.9)	–
Cost in relation to business acquisition activity	0.6	–
	22.4	–

There were no business combinations during 2013.

32 Disposals and discontinued operations

There were no business disposals in the year.

On 30th June 2013 the assets and liabilities of the Facilities Management division were classed as a disposal group and, as a result, the value of the assets held for resale was impaired by £9.0 million. On the 7th August 2013 the Facilities Management division was disposed of for total consideration of £37.7 million (including £1.5 million of deferred and contingent consideration), of which £36.2 million was received at completion, resulting in a profit on disposal of £1.1 million. Full details of the assets and liabilities disposed of are provided in the 2013 Annual Report.

At the point of acquisition, the deferred and contingent consideration of £1.5 million represented £0.8 million of deferred consideration and £1.4 million of contingent consideration less a provision of £0.7 million representing the Group's best estimate of the contingent consideration to be received.

The deferred consideration of £0.8 million, together with £0.2 million of the contingent consideration, is expected to be received in 2015.

Contingent consideration of £0.1 million has been received in the period. A further £0.4 million of provision against contingent consideration has been recognised in the year.

Of the total disposal costs of £2.2 million, payments totalling £1.9 million were made in 2013. As at 31st December 2014 there is an outstanding creditor in relation to the costs of disposal of £0.3 million. This is expected to be paid in 2015.

In 2014 discontinued operations includes the following items:

- Additional provisions of £0.3 million relating to future lease commitments on properties, along with the related taxation credit.
- A revision of the best estimate of the contingent consideration receivable which has resulted in a loss of £0.4 million.
- A tax credit relating to the disposal of the Facilities Management division in 2013.

In 2013 discontinued operations includes the following items:

- The results for the Facilities Management division up to the point of disposal, including taxation thereon.
- Exceptional finance costs of £0.1 million of unamortised fees written off on the prepayment of bank loans.
- Exceptional finance costs of £0.6 million relating to the cost of settling interest rate hedge arrangements as a result of the disposal.
- The impairment of assets held for resale prior to the sale of the Facilities Management division.
- The profit on disposal of the Facilities Management division.

The total result/(loss) relating to discontinued operations is as follows:

	2014 £m	2013 £m
Revenue from discontinued operations	–	29.0
Operating (loss)/profit before amortisation and impairment of intangible assets (excluding software amortisation) and exceptional items	(0.3)	2.3
Amortisation and impairment of intangible assets (excluding software amortisation)	–	(1.2)
Exceptional items	–	(1.3)
Loss before exceptional finance costs and taxation from discontinued operations	(0.3)	(0.2)
Exceptional finance costs	–	(0.7)
Taxation credit/(charge)	0.1	(0.3)
Loss for the period	(0.2)	(1.2)

32 Disposals and discontinued operations continued

	2014 £m	2013 £m
Pre-tax (loss)/profit on disposal	(0.4)	1.1
Impairment of assets held for resale	–	(9.0)
Taxation credit	0.6	–
Gain/(loss) on disposal	0.2	(7.9)
Retained result/(loss) from discontinued operations	–	(9.1)

Cash flow from discontinued operations

The cash flows from discontinued operations included within the Consolidated Statement of Cash Flows are as follows:

	2014 £m	2013 £m
Proceeds from disposal	0.1	36.2
Payment of costs relating to disposals	–	(1.9)
Cash disposed of	–	(7.6)
Net proceeds from sale of business	0.1	26.7
Net cash (used in)/generated from operating activities	(0.8)	2.1
Interest paid	–	(0.6)
Net cash flow	(0.7)	28.2

33 Analysis of net debt

Net debt is calculated as total borrowings less cash and cash equivalents (excluding lifecycle funds prior to the disposal of the Facilities Management division on 7th August 2013), less unamortised bank facility fees. Non-cash changes represent the effects of the recognition and subsequent amortisation of fees relating to the bank facility, changing maturity profiles and new finance leases entered into during the year.

December 2014

	At 1st January 2014 £m	Cash Flow £m	Non-cash Changes £m	At 31st December 2014 £m
Cash and cash equivalents (per Consolidated Statement of Cash Flows)	3.4	(8.3)	–	(4.9)
Debt due within one year	–	(1.0)	0.2	(0.8)
Debt due after more than one year	(25.0)	5.0	0.3	(19.7)
Finance leases	(2.9)	0.8	(1.0)	(3.1)
	(24.5)	(3.5)	(0.5)	(28.5)

December 2013

	At 1st January 2013 £m	Cash Flow £m	Non-cash Changes £m	At 31st December 2013 £m
Cash and cash equivalents (per Consolidated Statement of Cash Flows)	0.1	3.3	–	3.4
Less: lifecycle funds	(1.3)	1.3	–	–
Cash and cash equivalents (excluding lifecycle funds)	(1.2)	4.6	–	3.4
Debt due within one year	(8.1)	8.5	(0.4)	–
Debt due after more than one year	(47.3)	22.5	(0.2)	(25.0)
Finance leases	(1.9)	0.7	(1.7)	(2.9)
	(58.5)	36.3	(2.3)	(24.5)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

34 Reconciliation of net cash flow to movement in net debt

	2014 £m	2013 £m
(Decrease)/increase in cash (per the Consolidated Statement of Cash Flows)	(8.3)	3.3
Movement in lifecycle funds	–	1.3
(Decrease)/increase in cash excluding lifecycle funds	(8.3)	4.6
Cash outflow on change in debt and lease financing	4.8	31.7
Change in net debt resulting from cash flows	(3.5)	36.3
Movement in unamortised bank facility fees	0.5	(0.6)
New finance leases	(1.0)	(1.7)
Movement in net debt	(4.0)	34.0
Opening net debt	(24.5)	(58.5)
Closing net debt	(28.5)	(24.5)

35 Financial commitments

Capital expenditure

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

	2014 £m	2013 £m
Property, plant and equipment	1.5	1.0
	1.5	1.0

Revenue expenditure

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2014 £m	2013 £m
Land and buildings		
– within one year	10.0	11.5
– between two and five years	25.4	28.9
– in five years or more	24.8	23.0
	60.2	63.4
Plant and machinery		
– within one year	1.9	2.2
– between two and five years	2.3	2.9
	4.2	5.1

The total of future minimum sublease payments to be received under non-cancellable leases at the balance sheet date is £3.2 million (2013: £3.0 million).

36 Events after the reporting period

The following events occurring after the balance sheet date have been disclosed in accordance with IAS 10, 'Events after the reporting period'.

Drycleaning Restructuring

As previously announced on 6th January 2015, the Drycleaning business continues to operate in a difficult high street environment and, despite several initiatives to reach new customers, like for like sales increase achieved in 2013 has not been maintained in 2014.

In parallel with the strategy to develop alternative, more convenient collection and delivery locations, the lease profile of our existing estate was reviewed and 109 branches were identified, the majority of which have leases expiring within the next two years, where renewal will not be financially viable. A consultation exercise with affected employees is underway and it is anticipated that the affected branches will close during the first half of 2015.

The estimated charge to the Group's Income Statement for the planned restructuring of the Drycleaning business and associated property provisions is, in aggregate, approximately £6.5 million net, and will be treated as an exceptional item in the first half of 2015.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JOHNSON SERVICE GROUP PLC

Report on the company financial statements

Our opinion

In our opinion, Johnson Service Group PLC's company financial statements (the "financial statements"):

- give a true and fair view of the state of the company's affairs as at 31st December 2014 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

What we have audited

Johnson Service Group PLC's financial statements comprise:

- the Company Balance Sheet as at 31st December 2014;
- the Company Statement of Comprehensive Income for the year then ended;
- the Company Statement of Cash Flows for the year then ended;
- the Company Statement of Changes in Shareholders' Equity for the year then ended;
- the Statement of Significant Accounting Policies; and
- the notes to the financial statements, which include other explanatory information.

Certain required disclosures have been presented elsewhere in the Annual Report and Accounts (the "Annual Report"), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and IFRSs as adopted by the European Union.

Other required reporting

Consistency of other information

Companies Act 2006 opinion

In our opinion, the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

ISAs (UK & Ireland) reporting

The directors have chosen to voluntarily comply with the UK Corporate Governance Code ("the Code") as if the company were a premium listed company. Under International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)") we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the company acquired in the course of performing our audit; or
- otherwise misleading.

We have no exceptions to report arising from this responsibility.

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 23, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and ISAs (UK & Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF JOHNSON SERVICE GROUP PLC CONTINUED

What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Other matter

We have reported separately on the group financial statements of Johnson Service Group PLC for the year ended 31st December 2014.

Nicholas Boden (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
3rd March 2015

COMPANY BALANCE SHEET

	Note	As at 31 December 2014 £m	As at 31 December 2013 £m
Assets			
Non-current assets			
Property, plant and equipment	2	–	0.1
Trade and other receivables	5	45.1	47.3
Deferred income tax assets	3	4.3	2.1
Investments	4	436.0	470.0
		485.4	519.5
Current assets			
Trade and other receivables	5	0.9	0.8
Current income tax assets		1.2	1.3
Cash and cash equivalents		–	0.5
		2.1	2.6
Liabilities			
Current liabilities			
Trade and other payables	6	4.1	4.8
Borrowings	7	7.9	–
		12.0	4.8
Net current liabilities		(9.9)	(2.2)
Non-current liabilities			
Post-employment benefit obligations	8	18.5	4.3
Other non-current liabilities	9	343.2	408.6
Borrowings	7	19.7	25.0
Derivative financial liabilities	10	0.4	0.3
		381.8	438.2
Net assets		93.7	79.1
Equity			
Capital and reserves attributable to the company's Shareholders			
Share capital	12	30.0	26.2
Share premium	13	14.5	14.1
Merger reserve		3.5	3.5
Capital redemption reserve		0.6	0.6
Hedge reserve		(0.4)	(0.3)
Retained earnings		45.5	35.0
Total Shareholders' equity		93.7	79.1

The financial statements on pages 93 to 102 were approved by the Board of Directors on 3rd March 2015 and signed on its behalf by:

Yvonne Monaghan
Chief Financial Officer

COMPANY STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Profit/(loss) for the year	13.7	(10.5)
Items that will not be subsequently reclassified to profit or loss		
Re-measurement and experience (losses)/gains on post-employment benefit obligations	(11.5)	11.7
Taxation in respect of re-measurement and experience losses/(gains)	2.3	(2.3)
Change in deferred tax due to change in tax rate	–	(0.6)
Items that may be subsequently reclassified to profit or loss		
Cash flow hedges (net of taxation) – fair value (gains)/losses	(0.4)	0.1
– transfers to finance cost	0.3	0.7
Other comprehensive (loss)/income for the year	(9.3)	9.6
Total comprehensive income/(loss) for the year	4.4	(0.9)

COMPANY STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital £m	Share Premium £m	Merger Reserve £m	Capital Redemption Reserve £m	Hedge Reserve £m	Capital Reserve £m	Retained Earnings £m	Total Equity £m
Balance at 1st January 2013	25.6	13.9	3.5	0.6	(1.1)	11.3	27.2	81.0
Loss for the year	–	–	–	–	–	–	(10.5)	(10.5)
Other comprehensive income	–	–	–	–	0.8	–	8.8	9.6
Total comprehensive income/(loss) for the year	–	–	–	–	0.8	–	(1.7)	(0.9)
Share options (value of employee services)	–	–	–	–	–	–	0.5	0.5
Purchase of shares by Employee Benefit Trust	–	–	–	–	–	–	(0.4)	(0.4)
Reserve transfer	–	–	–	–	–	(11.3)	11.3	–
Current tax on share options	–	–	–	–	–	–	0.1	0.1
Deferred tax on share options	–	–	–	–	–	–	0.9	0.9
Issue of share capital	0.6	0.2	–	–	–	–	–	0.8
Dividends paid	–	–	–	–	–	–	(2.9)	(2.9)
Transactions with Shareholders recognised directly in Shareholders' Equity	0.6	0.2	–	–	–	(11.3)	9.5	(1.0)
Balance at 31st December 2013	26.2	14.1	3.5	0.6	(0.3)	–	35.0	79.1
Balance at 1st January 2014	26.2	14.1	3.5	0.6	(0.3)	–	35.0	79.1
Profit for the year	–	–	–	–	–	–	13.7	13.7
Other comprehensive loss	–	–	–	–	(0.1)	–	(9.2)	(9.3)
Total comprehensive (loss)/income for the year	–	–	–	–	(0.1)	–	4.5	4.4
Share options (value of employee services)	–	–	–	–	–	–	0.4	0.4
Purchase of shares by Employee Benefit Trust	–	–	–	–	–	–	(0.9)	(0.9)
Current tax on share options	–	–	–	–	–	–	1.1	1.1
Deferred tax on share options	–	–	–	–	–	–	(0.9)	(0.9)
Issue of share capital	3.8	0.4	–	–	–	–	10.2	14.4
Dividends paid	–	–	–	–	–	–	(3.9)	(3.9)
Transactions with Shareholders recognised directly in Shareholders' Equity	3.8	0.4	–	–	–	–	6.0	10.2
Balance at 31st December 2014	30.0	14.5	3.5	0.6	(0.4)	–	45.5	93.7

Following a review in 2013 the Capital Reserve was reclassified to Retained Earnings.

All of the Retained Earnings reserve is considered to be distributable as at 31st December 2014 subject to the offset of the Hedge Reserve (2013: all distributable subject to the offset of the hedge reserve).

COMPANY STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2014 £m	Year ended 31 December 2013 £m
Cash flows from operating activities			
Profit/(loss) for the year		13.7	(10.5)
Adjustments for:			
Income tax charge		(2.7)	(1.1)
Total finance cost		2.8	5.1
Dividend income		(31.3)	(8.0)
Decrease/(increase) in trade and other receivables		–	(0.9)
(Decrease)/increase in trade and other payables		(0.7)	2.1
(Increase)/decrease in amounts due from subsidiary companies		(0.2)	0.1
Investment impairment		60.8	–
Intercompany loan waived		(52.6)	–
Loss on disposal of investments		0.4	11.3
Costs in relation to business acquisition activity		0.6	–
Deficit recovery payments in respect of post-employment benefit obligations		(2.0)	(1.9)
Share-based payments		0.3	0.7
Post-employment benefit obligations		4.6	(2.6)
Cash used in operations		(6.3)	(6.1)
Interest paid		(2.3)	(3.3)
Taxation received/(paid)		0.1	(1.3)
Net cash used in operating activities		(8.5)	(10.7)
Cash flows from investing activities			
Acquisition of business (net of cash acquired)		(27.3)	–
Proceeds from sale of subsidiary		0.1	34.3
Dividends received		31.3	8.0
Interest received		1.1	1.2
Loans advanced to subsidiary companies		(29.2)	(12.8)
Net cash (used in)/generated from investing activities		(24.0)	30.7
Cash flows from financing activities			
Loans received from subsidiary companies		19.3	19.4
Proceeds from borrowings		66.0	12.0
Repayments of borrowings		(70.0)	(43.0)
Net proceeds from issue of Ordinary shares		14.4	0.8
Purchase of own shares by EBT		(0.9)	(0.4)
Dividend paid		(3.9)	(2.9)
Net cash generated from/(used in) financing activities		24.9	(13.7)
Net (decrease)/increase in cash and cash equivalents		(7.6)	6.3
Cash and cash equivalents at beginning of period		0.5	(5.8)
Cash and cash equivalents at end of period	15	(7.1)	0.5

Cash and cash equivalents at the end of the period include cash of £nil and an overdraft of £7.1 million (2013: £0.5 million and £nil respectively).

STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The Company is incorporated and domiciled in the UK. The Company's registered number is 523335. The address of its registered office is Johnson House, Abbots Park, Monks Way, Preston Brook, Cheshire, WA7 3GH.

The Company is a public limited company and has its primary listing on the AIM division of the London Stock Exchange.

The Company financial statements were authorised for issue by the Board on 3rd March 2015.

Basis of preparation

The principal accounting policies applied in the preparation of the Company Financial Statements are the same as those used in the Consolidated Financial Statements as set out on pages 51 to 58 with the addition of the policies set out below. These policies have been consistently applied to the information presented, unless otherwise stated.

Investments

Investments in Group Undertakings are recorded at cost, which is the fair value of the consideration paid. Investments are tested for impairment and carried at cost less accumulated impairment losses. Where an impairment is identified, it is charged to the Income Statement within intangibles amortisation and impairment (excluding software). Investments that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Share based compensation

The Company operates a number of equity-settled, share based compensation plans. The economic cost of awarding shares and share options to employees is recognised as an expense in the employing company's Income Statement equivalent to the fair value of the benefit awarded. The fair value is determined by reference to option pricing models, principally Binomial and Monte Carlo models. The fair value of the award is recognised in the employing company's Income Statement over the vesting period of the award. The grant by the Company of options over its equity instruments to the employees of the subsidiary undertakings is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to the investment in that subsidiary undertaking, with a corresponding credit to equity in the Company's accounts.

NOTES TO THE COMPANY FINANCIAL STATEMENTS

1 Company income statement

As permitted by Section 408(3) of the Companies Act 2006, the Income Statement of the Company is not presented with these financial statements. The retained profit of the Company is shown in note 14 of the Company financial statements. Details of dividends paid are included in note 10 of the consolidated financial statements.

2 Property, plant and equipment

	Plant And Equipment £m
Cost	
At 31st December 2012, 2013 & 2014	0.3
Accumulated depreciation and impairment	
At 31st December 2012 & 2013	0.2
Charged in the year	0.1
At 31st December 2014	0.3
Carrying Amount	
At 31st December 2012 & 2013	0.1
At 31st December 2014	–

There were £nil assets under construction at 31st December 2014 (2013: £nil).

3 Deferred income tax assets

Deferred income tax assets attributable to the Company are as follows:

Deferred income tax balances in respect of:	2014 £m	2013 £m
Depreciation in excess of capital allowances	0.2	0.2
Post-employment benefit obligations	3.7	0.9
Derivative financial instruments	0.1	0.1
Employee Share Schemes	–	0.9
Other short term timing differences	0.3	–
	4.3	2.1

The following provides a reconciliation of the movement in each of the deferred income tax assets:

	Depreciation in excess of Capital Allowances £m	Post-employment Benefit Obligations £m	Derivative Financial Instruments £m	Employee Share Schemes £m	Other Short Term Timing Differences £m	Total £m
At 31st December 2012	0.3	4.5	0.3	0.4	–	5.5
(Charge)/credit to income	(0.1)	(0.7)	–	(0.4)	–	(1.2)
Charge to other comprehensive income	–	(2.9)	(0.2)	–	–	(3.1)
Credit to equity	–	–	–	0.9	–	0.9
At 31st December 2013	0.2	0.9	0.1	0.9	–	2.1
(Charge)/credit to income	–	0.5	–	–	0.3	0.8
Credit to other comprehensive income	–	2.3	–	–	–	2.3
Charge to equity	–	–	–	(0.9)	–	(0.9)
At 31st December 2014	0.2	3.7	0.1	–	0.3	4.3

The rate of corporation tax in the UK reduced from 23% to 21% on 1st April 2014 and will reduce to 20% on 1st April 2015. As these changes were reflected in the opening deferred tax balances, this has had nil effect on the Income Statement, the Statement of Comprehensive Income or taxation recognised directly in Shareholders' Equity.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

4 Investments

Investment in subsidiary undertakings	2014 £m	2013 £m
Cost		
Brought forward	480.1	507.0
Additions	26.7	–
Movement relating to share options	0.1	(0.2)
Disposal of subsidiaries	–	(26.7)
Carried forward	506.9	480.1
Accumulated impairment		
Brought forward	10.1	10.1
Impairment	60.8	–
Carried forward	70.9	10.1
Carrying amount		
Opening	470.0	496.9
Closing	436.0	470.0

Particulars of principal subsidiary undertakings are shown in note 20 of the Company financial statements.

During the year the Company acquired Bourne Services Group Limited for a cost of £26.7 million. Details of this acquisition are shown in note 31 of the consolidated financial statements. In addition, investments in a number of non-trading companies were impaired following the cancellation of the intercompany payable, due from the Company, relating to those companies, with a net impact on the Income Statement of £nil.

During 2013 the Company sold its investment in Johnson Workplace Management Limited, the parent company of the Facilities Management division.

5 Trade and other receivables

	2014 £m	2013 £m
Amounts falling due within one year:		
Receivables from subsidiaries	0.1	–
Other receivables	0.7	0.7
Prepayments and accrued income	0.1	0.1
	0.9	0.8
Amounts falling due after more than one year:		
Other receivables	2.6	1.6
Receivables from subsidiaries	42.5	45.7
	45.1	47.3

Amounts owed by subsidiaries due within one year relate to invoiced services and are due according to the invoice terms.

Amounts owed by subsidiaries due after more than one year, are unsecured and have no fixed date of repayment.

Other receivables which are less than three months past due are not considered impaired unless specific information indicates otherwise. Trade and other receivables greater than three months past due are considered for recoverability, and where appropriate, a provision against bad debt is recognised.

All Company receivables (including those from related parties) are not yet due or impaired.

All receivable balances at the balance sheet date are denominated in Sterling (2013: Sterling), and are held at amortised cost. Given their short term nature there is deemed to be no difference between this and their fair value.

6 Trade and other payables

	2014 £m	2013 £m
Trade payables	0.5	0.2
Other payables	1.8	2.1
Other taxation and social security liabilities	0.2	0.8
Accruals	1.6	1.7
	4.1	4.8

All trade and other payable balances at the balance sheet date are denominated in Sterling (2013: Sterling), and are held at amortised cost. Given their short term nature there is deemed to be no difference between this and their fair value.

7 Borrowings

	2014 £m	2013 £m
Current		
Overdraft	7.1	–
Bank loans	0.8	–
	7.9	–
Non-current		
Bank loans	19.7	25.0
	27.6	25.0
The maturity of non-current bank loans is as follows:		
– Between one and two years	–	25.0
– Between two and five years	20.0	–
– Unamortised issue costs of bank loans	(0.3)	–
	19.7	25.0

All Group bank loans are held by the Company. Full details of Group facilities are provided in note 20 of the consolidated financial statements.

The Group has two overdraft facilities for £5.0 million and £3.0 million with two if its principal bankers (2013: £5.0 million and £nil). Certain cash balances in certain Group bank accounts can be offset with overdrawn balances in those bank accounts. The maximum amount any individual Company may be overdrawn is £10.0 million and £5.0 million respectively (2013: £10.0 million and £nil).

8 Post-employment benefit obligations

Details of the Group's pension schemes are provided in note 23 of the consolidated financial statements.

As at the 31st December 2014 and 31st December 2013 the entire Group liabilities under defined benefit schemes relate to the Company.

During the year the Company's cost of defined contribution pension schemes was £0.1 million (2013: £0.1 million).

9 Other non-current liabilities

	2014 £m	2013 £m
Payables to subsidiaries	343.2	408.6
	343.2	408.6

Amounts payable to subsidiaries are unsecured and have no fixed date of repayment.

10 Derivative financial liabilities

Details of derivative financial liabilities are shown in note 24 of the consolidated financial statements. All of the Group's derivative financial liabilities are held by the Company.

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

11 Contingent liabilities

The Company has guaranteed the banking facilities of certain UK subsidiary undertakings under a cross guarantee arrangement. No losses are expected to result from this arrangement.

The Company has entered into 30 Rent Deposit Deeds for up to £1.7 million guaranteeing the payment of rent by its subsidiary undertaking, Johnson Cleaners UK Limited, on specified properties included in a sale and leaseback transaction in June 2006. The guaranteed amount began to amortise from December 2013 and expires in June 2016. No loss is expected to result from this arrangement.

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 of £0.2 million per annum, reduced pro rata as guarantees are released. Such liabilities are not expected to give rise to any significant loss.

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

12 Called-up share capital

	2014 £m	2013 £m
Authorised		
383,025,739 (2013: 383,025,739) Ordinary shares of 10p each	38.3	38.3

Issued and Fully Paid	Shares	2014 £m	Shares	2013 £m
Ordinary shares of 10p each:				
At start of period	262,326,451	26.2	255,749,805	25.6
New shares issued	37,659,142	3.8	6,576,646	0.6
At end of period	299,985,593	30.0	262,326,451	26.2

Full details relating to the issue of Ordinary shares in the year are shown in note 26 of the consolidated financial statements.

13 Share premium

	2014 £m	2013 £m
Balance brought forward	14.1	13.9
Received on allotment of shares	0.4	0.2
Balance carried forward	14.5	14.1

14 Reconciliation of movements in Shareholders' funds

	2014 £m	2013 £m
Profit/(loss) for the period	13.7	(10.5)
Dividends	(3.9)	(2.9)
	9.8	(13.4)
Other recognised gains and losses relating to the year:		
Issue of share capital	14.4	0.8
Share option (value of employee services)	0.4	0.5
Purchase of shares by EBT	(0.9)	(0.4)
Re-measurement and experience (losses)/gains (net of taxation)	(9.2)	9.4
Change in deferred tax due to change in tax rate	–	(0.6)
Current tax on share options	1.1	0.1
Deferred tax on share options	(0.9)	0.9
Cash flow hedges movement	(0.1)	0.8
Net addition/(reduction) to Shareholders' equity	14.6	(1.9)
Opening Shareholders' equity	79.1	81.0
Closing Shareholders' equity	93.7	79.1

15 Analysis of net debt

Net debt is calculated as total borrowings less cash and cash equivalents, less unamortised facility fees. Non-cash changes represent the effects of the recognition and subsequent amortisation of issue costs relating to the bank facility and changing maturity profiles.

December 2014

	At 1st January 2014 £m	Cash Flow £m	Other Non-cash Changes £m	At 31st December 2014 £m
Cash and cash equivalents (per Company Statement of Cash Flows)	0.5	(7.6)	–	(7.1)
Debt due within one year	–	(1.0)	0.2	(0.8)
Debt due after more than one year	(25.0)	5.0	0.3	(19.7)
	(24.5)	(3.6)	0.5	(27.6)

December 2013

	At 1st January 2013 £m	Cash Flow £m	Other Non-cash Changes £m	At 31st December 2013 £m
Cash and cash equivalents (per Company Statement of Cash Flows)	(5.8)	6.3	–	0.5
Debt due within one year	(8.1)	8.5	(0.4)	–
Debt due after more than one year	(47.3)	22.5	(0.2)	(25.0)
	(61.2)	37.3	(0.6)	(24.5)

16 Reconciliation of net cash flow to movement in net debt

	2014 £m	2013 £m
(Decrease)/Increase in cash in year (per Company Statement of Cash Flows)	(7.6)	6.3
Cash outflow on change in debt and lease financing	4.0	31.0
Change in net debt resulting from cash flows	(3.6)	37.3
Movement in bank facility fees	0.5	(0.6)
Movement in net debt in year	(3.1)	36.7
Opening net debt	(24.5)	(61.2)
Closing net debt	(27.6)	(24.5)

NOTES TO THE COMPANY FINANCIAL STATEMENTS CONTINUED

17 Financial commitments

Capital expenditure

As at 31st December 2014 the Company had no contracts placed for future capital expenditure that were not provided for in the financial statements (2013: £nil).

Revenue expenditure

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2014 £m	2013 £m
Land and buildings		
– within one year	0.1	0.1
– between two and five years	–	0.1
	0.1	0.2
Plant and machinery		
– within one year	0.1	0.1
	0.1	0.1

18 Related party transactions

Transactions during the year between the Company and its subsidiaries, which are related parties, are eliminated on consolidation.

The following significant transactions with subsidiary undertakings occurred in the year:

	2014 £m	2013 £m
Intercompany loans payable waived	52.6	–
Dividends received	31.3	8.0
Interest received	1.0	1.2
Interest paid	(2.3)	(2.2)
	82.6	7.0

The key management of the Company are considered to be only the Directors of the Company and details of their compensation is provided in the Board Report on Remuneration. The Company did not enter into any form of loan arrangement with any Director during any of the years presented.

19 Events after the reporting period

There were no events occurring after the balance sheet date which should be disclosed in accordance with IAS 10, 'Events after the reporting period'.

20 Principal subsidiaries

Principal subsidiary companies at the balance sheet date were as follows:

Company Name	Principal Activity
Johnsons Apparelmaster Limited *	Textile and Linen Rental
Johnson Cleaners UK Limited *	Drycleaning
Jeeves of Belgravia Limited	Drycleaning
Jeeves International Limited *	Drycleaning Franchises
Johnson Group Properties PLC	Property
Johnson Investment Limited	Holding Company
Semara Estates Limited *	Property

Johnson Service Group PLC owns directly or indirectly the entire share capital of each of these companies. The share capital of the companies annotated * are held through intermediate holding companies. All companies above are incorporated in Great Britain and registered in England.

A full list of subsidiary undertakings will be annexed to the next Annual Return of Johnson Service Group PLC to be filed with the Registrar of Companies.

NOTICE OF ANNUAL GENERAL MEETING

Company Number: 00523335

This Document is important and requires your immediate attention. If you are in any doubt as to any aspect of the contents of this Document or the action you should take you are recommended to consult immediately your stockbroker, solicitor, accountant or other independent adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if you reside elsewhere, another appropriately authorised financial adviser.

If you have sold or otherwise transferred all of your shares in Johnson Service Group PLC ('JSG' or the 'Company'), please pass this document together with the accompanying proxy form as soon as possible to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

NOTICE is hereby given that the Annual General Meeting of Johnson Service Group PLC will be held at the Doubletree by Hilton Chester, Warrington Road, Hoole, Chester, CH2 3PD on Thursday 7th May 2015 at 11am to transact the business set out in the Resolutions below.

Resolutions 1 to 11 (inclusive) will be proposed as Ordinary Resolutions and Resolutions 12 to 13 (inclusive) will be proposed as Special Resolutions.

The business of the meeting will be:

Ordinary Business

To consider and, if thought fit, pass the following resolutions which will be proposed as Ordinary Resolutions:

1. To receive and adopt the financial statements for the year ended 31st December 2014 together with the reports of the Directors and the auditor on those financial statements.

2. To approve the Board Report on Remuneration as set out on pages 34 to 41 of the 2014 Annual Report.

3. To confirm the payment of the interim dividend of 0.50 pence per Ordinary Share and to declare a final dividend of 1.20 pence per Ordinary Share for the year ended 31st December 2014.

4. To re-elect Mr. P. Moody who retires in accordance with Section B.7.1 of the UK Corporate Governance Code and whom, being eligible, offers himself for re-election as a Director.

5. To re-elect Mr. C. Sander who retires in accordance with Section B.7.1 of the UK Corporate Governance Code and whom, being eligible, offers himself for re-election as a Director.

6. To re-elect Mrs. Y. Monaghan who retires in accordance with Section B.7.1 of the UK Corporate Governance Code and whom, being eligible, offers herself for re-election as a Director.

7. To re-elect Mr. M. Del Mar who retires in accordance with Section B.7.1 of the UK Corporate Governance Code and whom, being eligible, offers himself for re-election as a Director.

8. To re-elect Mr. W. Shannon who retires in accordance with Section B.7.1 of the UK Corporate Governance Code and whom, being eligible, offers himself for re-election as a Director.

9. To re-appoint PricewaterhouseCoopers LLP as auditor to the Company until the conclusion of the next general meeting at which accounts are laid before the Company.

10. To authorise the Audit Committee to determine the remuneration of the auditor.

Special Business

11. To consider and, if thought fit, pass the following resolution which will be proposed as an Ordinary Resolution:

"That, in substitution for all existing and unexercised authorities and powers, the Directors of the Company be and they are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 to exercise all powers of the Company to allot equity securities (as defined in section 560 of the Companies Act 2006) ("Equity Securities") to such persons at such times and on such terms and conditions as the Directors may determine and subject always to the Articles of Association, provided that the aggregate of the nominal amount of such Equity Securities that may be allotted under this authority shall not exceed £8,301,158.

This authority shall, unless previously renewed, varied or revoked by the Company in general meeting, expire at the conclusion of the next Annual General Meeting of the Company to be held after the passing of this Resolution or, if earlier, on 1st July 2016, save that the Directors of the Company may, before such expiry make an offer or agreement which would or might require Equity Securities to be allotted after such expiry and the Directors of the Company may allot Equity Securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired.

All unutilised authorities previously granted to the Directors of the Company under section 551 of the Companies Act 2006 shall cease to have effect at the conclusion of the Annual General Meeting (save to the extent that the same are exercisable pursuant to section 551(7) of the Companies Act 2006 by reason of any offer or agreement made prior to the date of this resolution which would or might require equity securities to be allotted on or after that date)."

12. To consider and, if thought fit, pass the following resolution which will be proposed as a Special Resolution:

"That, subject to and conditional upon the passing of the Ordinary Resolution numbered 11 in this notice of Annual General Meeting of the Company and in substitution for all existing and unexercised authorities and powers, the Directors of the Company be and are hereby generally and unconditionally empowered pursuant to section 570 of the Companies Act 2006 to allot Equity Securities pursuant to the authority conferred upon them by Ordinary Resolution numbered 11 in this notice of Annual General Meeting of the Company as if section 561 of the Companies Act 2006 did not

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

apply to any such allotment of Equity Securities, provided that this power shall be limited to:

(i) the allotment of Equity Securities in connection with a rights issue or similar offer to or in favour of ordinary shareholders where the Equity Securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of shares held by them on that date provided that the Directors of the Company may make such exclusions or other arrangements to deal with any legal or practical problems under the laws of any territory or the requirement of any regulatory body or any stock exchange or with fractional entitlements as they consider necessary or expedient; and

(ii) the allotment (otherwise than pursuant to sub paragraph (i) above) of Equity Securities pursuant to the authority granted under Ordinary Resolution 11 in this notice of Annual General Meeting up to an aggregate nominal amount of £1,500,071 (representing approximately 5% of the Company's share capital as at 2nd March 2015).

This power shall expire at the conclusion of the next Annual General Meeting of the Company to be held after the passing of this Resolution or, if earlier, on 1st July 2016, unless previously renewed, varied or revoked by the Company in general meeting, save that the Company may before such expiry make any offer or enter into any agreement which would or might require Equity Securities to be allotted after such expiry and the Directors of the Company may allot Equity Securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired. All unutilised previous authorities under Section 571 of the Companies Act 2006 shall cease to have effect at the conclusion of the Annual General Meeting."

13. To consider and, if thought fit, pass the following resolution which will be proposed as a Special Resolution:

"That, in accordance with article 11 of the Articles of Association and in accordance with the Companies Act 2006, the Directors of the Company be and are hereby generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of Ordinary shares of 10 pence each in the capital of the Company ("Ordinary Shares") on such terms and in such manner as the Directors of the Company may from time to time determine, provided that:

(i) the maximum number of Ordinary Shares that may be purchased under this authority is 30,001,416;

(ii) the minimum price which may be paid for an Ordinary Share is 10p exclusive of attributable expenses payable by the Company (if any); and

(iii) the maximum price which may be paid for an Ordinary Share is an amount equal to not more than 105% of the average of the middle market quotations for the Ordinary Shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made exclusive of attributable expenses payable by the Company (if any).

The authority hereby conferred shall, unless previously revoked or varied, expire at the conclusion of the next Annual General Meeting of the Company held after the passing of this Resolution or, if earlier, on 1st July 2016 save in relation to purchases of Ordinary Shares the contract for which was concluded before the expiry of this authority and which will or may be executed wholly or partly after such expiry, where the Company may make a purchase of Ordinary Shares in pursuance of any such contract.

All previous unutilised authorities for the Company to make market purchases of Ordinary shares are revoked, except in relation to the purchase of shares under a contract or contracts concluded before the date of this resolution and where such purchase has not yet been executed."

All Shareholders will find enclosed with this document a form of proxy to be used in connection with the Annual General Meeting. A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and to speak and vote in his stead. The proxy need not be a member of the Company.

By Order of the Board

Tim Morris
Company Secretary
Abbots Park
Monks Way
Preston Brook
Cheshire WA7 3GH

3rd March 2015

Accompanying Notes

1. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint one or more persons as his/her proxy to exercise all or any of his/her rights to attend, speak and vote at the Annual General Meeting of the Company. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise rights attached to a different share or shares held by him/her. A proxy need not be a member of the Company. The form of proxy is enclosed. The form of proxy and power of attorney or other authority, if any, under which it is signed or a certified copy of such power of authority must be received by the Company's Registrars, Capita Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours prior to the commencement of the Annual General Meeting. Completion of the form will not prevent you from attending and voting at the meeting instead of the proxy, if you wish.

   To appoint more than one proxy, additional proxy forms may be obtained by contacting the Registrars or you may photocopy the proxy form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned in the same envelope.

   Any corporation which is a member can appoint one or more corporate representatives who may exercise on its behalf all of its powers as a member provided that they do not do so in relation to the same shares.

   In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate Shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that Shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate Shareholder attends the meeting but the corporate Shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.

   Corporate Shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk – for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

2. CREST members who wish to appoint a proxy or proxies by utilising the proxy voting service may do so for the meeting (and any adjournment thereof) by following the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members (and those CREST members who have appointed a voting service provider) should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message (regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy) must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID "RA10") by the latest time(s) for receipt of proxy appointments specified in, or in a note to, the Notice of Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

   CREST members (and, where applicable, their CREST sponsors or voting service providers) should note that CREST does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members (and, where applicable, their CREST sponsors or voting service providers) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

3. The following documents will be available for inspection at the Registered Office of the Company during normal business hours on any business day (Saturdays, Sundays and public holidays excluded) from the date of this Notice until the close of the meeting and at the place of the meeting for 15 minutes prior to and during the meeting:

   (i) the Register of Directors' interests kept by the Company under Section 809 of the Companies Act 2006;

   (ii) copies of all service contracts between the Directors and the Company together with other appropriate documentation; and

   (iii) copies of the terms and conditions of appointment of the Non-Executive Directors.

4. The Company specifies that only those Shareholders registered in the Register of Members of the Company as at 6.00pm on 5th May 2015, or in the event that the Meeting is adjourned, in the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend or vote at the Meeting in respect of the number of shares registered in their name at the relevant time. Changes to entries on the Register of Members after 6.00pm on 5th May 2015 or, in the event that the Meeting is adjourned, less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the Meeting.

NOTICE OF ANNUAL GENERAL MEETING CONTINUED

5. As at 2nd March 2015 (being the last business day prior to publication of this notice) the Company's issued share capital consists of 300,014,164 Ordinary Shares carrying one vote each. The total voting rights in the Company as at 2nd March 2015 are, therefore, 300,014,164.

6. Subject to the provisions of section 338 of the Companies Act 2006, members representing at least 5% of the total voting rights of all members (or at least 100 members who would have the right to vote at the meeting and who hold shares on which there has been paid an average sum per member of at least £100) may have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business. A resolution may properly be moved or a matter may properly be included in the business unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious.

   Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authenticated by the person or persons making it, must be received by the Company not later than 6 weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

Explanatory Notes

The following notes give an explanation of the proposed resolutions.

Resolutions 1 to 11 inclusive are proposed as Ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 12 to 13 inclusive are proposed as Special resolutions. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

Your Directors consider the passing of all of the Resolutions to be in the best interests of the Company and its Shareholders and accordingly recommend that you vote in favour of these Resolutions as they intend to do so in respect of their own shareholdings.

Report and Accounts (Resolution 1)

The Directors of the Company must present the accounts to the AGM.

Directors' Remuneration Report (Resolution 2)

Although, as a company listed on AIM, there is no requirement for the Board Report on Remuneration to be approved by members, the Directors believe that it is best practice to do so. It is proposed, therefore, that the Board Report on Remuneration for the financial year ended 31st December 2014, as set out on pages 34 to 41 of the Company's Annual Report, be approved.

The Board Report on Remuneration contains, inter alia, details of the Directors who were members of the Remuneration Committee, a forward looking statement of the Company's policy on Directors' remuneration for subsequent financial years, a performance graph showing the Company's Total Shareholder Return compared with the return on the FTSE AIM All-Share Index, the FTSE Support Services Index and the FTSE Industrial Goods and Services Index, details of the Directors' service contracts and specific disclosures relating to each Director's remuneration.

Declaration of a Dividend (Resolution 3)

A final dividend can only be paid after the Shareholders at a general meeting have approved it. A final dividend of 1.20 pence per Ordinary Share is recommended by the Directors for payment to Shareholders who are on the Register at the close of business on 17th April 2015. If approved, the date of payment of the final dividend will be 15th May 2015. An interim dividend of 0.50 pence per Ordinary share was paid on 7th November 2014.

Re-election of Directors (Resolutions 4 to 8 inclusive)

Under the Company's Articles of Association, and in line with the recommendations of the UK Corporate Governance Code (the "Code") for non-FTSE 350 companies, all Directors are required to retire and submit themselves for re-election every three years and all newly appointed Directors are required to retire and submit themselves for re-election at the first AGM following their appointment. Notwithstanding the provisions of the Articles of Association, in the interests of good corporate governance, the Directors have resolved that, each year, all Directors will retire and offer themselves for re-election.

Biographical details of all the Directors are set out on page 20 of the 2014 Annual Report and are also available for viewing on the Company's website (www.jsg.com).

Reappointment of the Auditor (Resolution 9)

The Company is required to appoint the auditor at each general meeting at which accounts are presented, to hold office until the end of the next such meeting. Resolution 9, which is recommended by the Audit Committee, proposes the reappointment of the Company's existing auditor, PricewaterhouseCoopers LLP.

Remuneration of the Auditor (Resolution 10)

This Resolution follows best practice in corporate governance by separately seeking authority for the Audit Committee to determine the auditors' remuneration.

Renewal of Directors' Authority to Allot Securities (Resolution 11)

The Company's Directors may only allot Ordinary Shares or grant rights over Ordinary Shares if authorised to do so by Shareholders. The authority granted at the last AGM under section 551 of the Companies Act 2006 to allot relevant securities is due to expire at the conclusion of this year's AGM. Accordingly, this resolution seeks to grant a new authority to authorise the Directors to allot shares in the Company or grant rights to subscribe for, or convert any security into, shares in the Company and will expire at the conclusion of the next AGM of the Company in 2016 or, if earlier, the close of business on 1st July 2016.

If passed, the authority will be limited to an aggregate nominal value of £8,301,158 of Ordinary Shares which represents approximately 27.7 per cent of the Ordinary share capital in issue as at 2nd March 2015 (being the latest practicable date prior to publication of this Notice).

Other than in respect of allotting Ordinary Shares in order to satisfy employee share schemes, the Directors have no present intention of exercising this authority. However, it is considered prudent to maintain the flexibility that this authority provides. The Company's Directors intend to renew this authority annually.

Renewal of Disapplication Pre-emption Rights (Resolution 12)

Under section 561(1) of the Companies Act 2006, if the Directors wish to allot any of the unissued shares or grant rights over shares or sell treasury shares for cash (other than pursuant to an employee share scheme) they must in the first instance offer them to existing Shareholders in proportion to their holdings. There may be occasions, however, when the Directors will need the flexibility to finance business opportunities by the issue of shares without a pre-emptive offer to existing Shareholders. This cannot be done under the Companies Act 2006 unless the Shareholders have first waived their pre-emption rights.

Resolution 12 asks the Shareholders to do this and, apart from rights issues or any other pre-emptive offer concerning Equity Securities, the authority will be limited to the issue of shares for cash up to a maximum aggregate nominal value of £1,500,071 (which includes the sale on a non pre-emptive basis of any shares held in treasury), which is equivalent to approximately 5 per cent of the Company's issued Ordinary share capital as at 2nd March 2015 (being the latest practicable date prior to publication of this Notice). The Company undertakes to restrict its use of this authority to a maximum of 7.5 per cent of the Company's issued Ordinary share capital in any three year period. Shareholders will note that this resolution also relates to treasury shares and will be proposed as a Special resolution.

This resolution seeks a disapplication of the pre-emption rights on a rights issue so as to allow the Directors to make exclusions or such other arrangements as may be appropriate to resolve legal or practical problems which, for example, might arise with overseas Shareholders. If renewed, the authority will expire at the conclusion of the next AGM of the Company in 2016 or, if earlier, the close of business on 1st July 2016. The Company's Directors intend to renew this authority annually.

Renewal of Company's authority to purchase Ordinary Shares (Resolution 13)

In certain circumstances it may be advantageous for the Company to purchase its own shares and Resolution 13 seeks the authority from Shareholders to continue to do so. Authority was given to the Company to make market purchases up to an aggregate of 26,253,940 of its Ordinary Shares at the AGM held on 1st May 2014 (being equal to approximately 10 per cent of the Company's issued Ordinary share capital as at 28th February 2014, the latest practicable date prior to the publication of the notice for the AGM held on 1st May 2014). This authority is due to expire at the end of the AGM and it is proposed that the Company be authorised to continue to make market purchases up to an aggregate of 30,001,416 Ordinary Shares, representing approximately 10 per cent of the Company's issued Ordinary share capital as at the 2nd March 2015, being the latest practicable date prior to the publication of this Notice.

Renewing the authority for the Company to purchase Ordinary Shares in the market is intended to allow your Board to take advantage of opportunities that may arise to increase Shareholder value. The Directors will exercise this power only when, in the light of market conditions prevailing at the time, they believe that the effect of such purchases will be to increase earnings per share and will be likely to promote the success of the Company for the benefit of its members as a whole. Other investment opportunities, appropriate gearing levels and the overall position of the Company will be taken into account when exercising this authority. The price paid for shares will not be less than the nominal value of 10p per share nor more than 5% above the average of the middle-market quotation of the Company's Ordinary Shares as derived from the London Stock Exchange Daily Official List for the five business days immediately proceeding the day on which the shares are purchased.

The Company may hold in treasury any of its own shares that it purchases pursuant to the Companies Act 2006 and the authority conferred by this resolution. This gives the Company the ability to reissue treasury shares quickly and cost-effectively and provides the Company with greater flexibility in the management of its capital base. It also gives the Company the opportunity to satisfy employee share scheme awards with treasury shares. The total number of options to subscribe for Ordinary Shares that were outstanding at 2nd March 2015 (being the latest practicable date prior to publication of this Notice) was 4,213,515. The proportion of issued share capital that they represented at that time was 1.4 per cent and the proportion of issued share capital that they will represent if the full authority to purchase shares (existing and being sought) is used is 1.6 per cent. Once held in treasury, the Company is not entitled to exercise any rights, including the right to attend and vote at meetings in respect of shares. Further, no dividend or other distribution of the Company's assets may be made to the Company in respect of the treasury shares.

The Directors have no present intention of purchasing Ordinary Shares in the market. The authority given under this Resolution will lapse, unless renewed, at the conclusion of the next AGM of the Company in 2016, or, if earlier, the close of business on 1st July 2016. It is the present intention of the Directors to seek renewal of this authority annually.

DIRECTORS AND ADVISORS

Directors

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

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

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

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

William Mervyn Frew Carey Shannon CA
Non-Executive Director
Member of Remuneration Committee
Member of Nomination Committee
Chairman of Audit Committee

Company Secretary & Group Financial Controller

Timothy James Morris BA (Hons), FCA

Registered Office

Johnson House
Abbots Park
Monks Way
Preston Brook
Cheshire
WA7 3GH

Advisors

Nominated Advisor, Financial Advisor and Stockbrokers

Investec Investment Banking
2 Gresham Street, London EC2V 7QP

Bankers

Lloyds Bank plc
40 Spring Gardens, Manchester M2 1EN

The Royal Bank of Scotland plc
10th Floor, The Plaza, 100 Old Hall Street, Liverpool L3 9QJ

Santander UK plc
298 Deansgate, Manchester M3 4HH

Lawyers

Hill Dickinson LLP
No1 St Paul's Square, Liverpool L3 9SJ

Registrar and Transfer Office

Capita Asset Services
34 Beckenham Road, Beckenham BR3 4ZF

Independent Auditor

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
101 Barbirolli Square, Lower Mosley Street, Manchester M2 3PW

FINANCIAL CALENDAR

Results for the year

Announced in March 2015

Results for the half year

Announced in September 2015

Annual General Meeting

To be held on 7th May 2015

Dividend payment dates

Interim 2014	7th November 2014
Proposed Final 2014	15th May 2015
Interim 2015	November 2015

Electronic Communications

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

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

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

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

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

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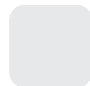
www.jsg.com

If you have any queries regarding electronic communications, please contact the Company's registrar, Capita Asset Services, on 0871 664 0300 (calls cost 10p per minute plus network extras, lines are open 8.30am-5.30pm Mon-Fri).



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