JOHNSON
Service Group PLC

2020 ANNUAL REPORT & ACCOUNTS

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JOHNSON
Service Group PLC

1.

STRATEGIC REPORT

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JOHNSONS
Workwear

1. STRATEGIC REPORT

GROUP OVERVIEW AND HIGHLIGHTS

2020 was a challenging year

"During 2020, we demonstrated that we are a strong and resilient organisation as we managed the business to protect the interests of all our stakeholders. At all times, our priority has remained the health and safety of our people. We have worked hard to strengthen the long-term prospects of the business and are well positioned to continue to support our people, customers and the communities in which we operate to emerge stronger from the COVID-19 pandemic."

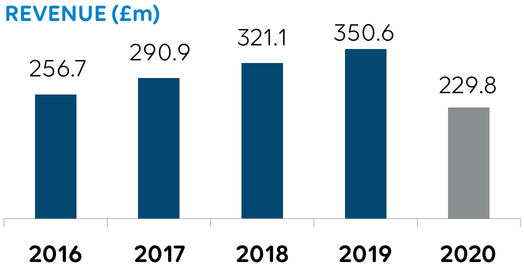
- Covid Secure policies implemented across the business
- Continued focus on cost control
- We continued to deliver excellent levels of service to our customers
- We are in a strong financial position to face the current challenges
- We remain a strong and resilient organisation
- HORECA plants primed to react to customer demand as restrictions ease
- Equity placing raised £82.7m
- Liquidity strengthened with increased bank facilities of £175m
- New £10m state of the art site in Leeds ready for final commissioning
- The Board remain confident in the medium and long term growth potential of the Group

FINANCIAL HIGHLIGHTS

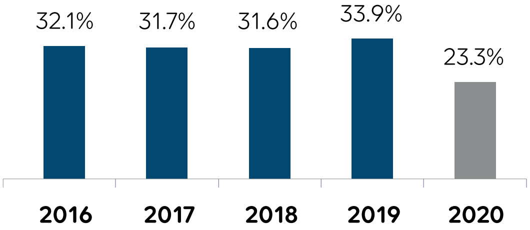
Measuring progress

"The Group has responded admirably to unprecedented circumstances. We acted quickly to control costs, increase our liquidity and strengthen our balance sheet. Whilst this crisis has had a significant impact on the Group in the short term, we are very confident in our medium and long term growth prospects. We remain excited about the significant structural growth opportunities, the potential for further revenue and profit growth, and returns to shareholders over time."

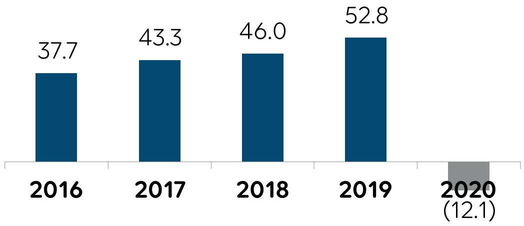
REVENUE (£m)



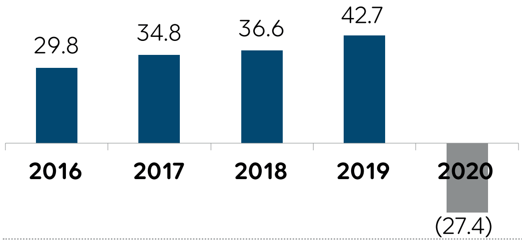
ADJUSTED EBITDA MARGIN (%)[1]



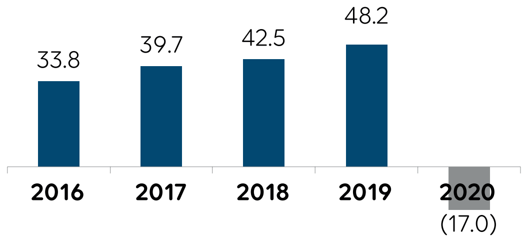
ADJUSTED OPERATING PROFIT/(LOSS)[2] £m



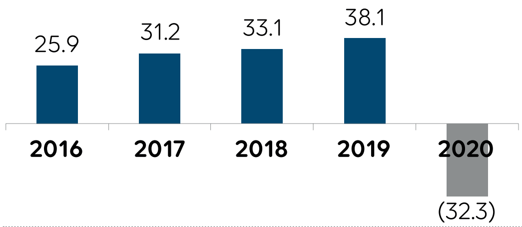
OPERATING PROFIT/(LOSS) £m



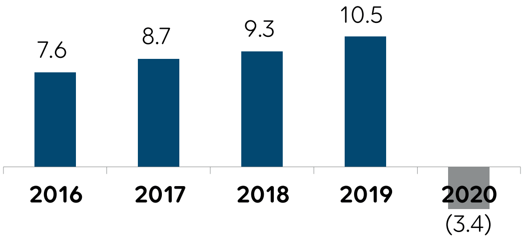
ADJUSTED PROFIT/(LOSS) BEFORE TAXATION[3] (£m)



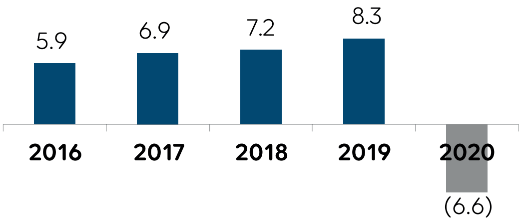
PROFIT/(LOSS) BEFORE TAXATION (£m)



ADJUSTED DILUTED EARNINGS/(LOSS) PER SHARE[4] (p)



DILUTED EARNINGS/(LOSS) PER SHARE (p)



Notes

1. "Adjusted EBITDA Margin" is calculated as Adjusted Operating Profit/(Loss) plus the depreciation charge for property, plant and equipment, textile rental items plus software amortisation and, in 2019 and 2020 only (following the adoption of IFRS 16, Leases), the depreciation charge for right of use assets, the aggregate of which is divided by Revenue in each relevant year.
2. "Adjusted Operating Profit/(Loss)" refers to operating profit/(loss) before amortisation of intangible assets (excluding software amortisation) and exceptional items.
3. "Adjusted Profit/(Loss) Before Taxation" refers to Adjusted Operating Profit/(Loss) less finance costs.
4. "Adjusted Diluted Earnings/(Loss) per Share" refers to diluted earnings per share calculated based on adjusted profit/(loss) after taxation.


JOHNSONS
Workwear
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Workwear
The UK's Leading Workwear Supplier
MAN
JOHNSONS
Workwear

"Our response to the crisis was a testament to the strength of our culture and the resilience of our people. We acted swiftly and responsibly to ensure that we protected the interests of all our stakeholders. I would like to thank all of our people for their hard work and dedication during this difficult period."

CHAIRMAN'S STATEMENT
BY CHAIRMAN, BILL SHANNON

Chairman's Statement

"Subsequent containment measures have led to a more protracted recovery than perhaps anyone could have originally anticipated."

"Our strengthened balance sheet means that we are well positioned to continue to invest in the business to support our long-term growth prospects."

Dear Shareholder

2020 was a challenging year for the Group, with COVID-19 having a significant impact on our business. Throughout the pandemic, our priority has remained the health, safety and wellbeing of our employees and customers and we continue to manage the business to protect the interests of all our stakeholders, including our shareholders, our people, our customers and the communities in which we operate.

People and Culture

Our response to the crisis was a testament to the strength of our culture and the resilience of our people. We acted swiftly and responsibly to ensure that we protected the interests of all our stakeholders. I would like to thank all of our people for their hard work and dedication during this difficult period.

Financial Results

Following a strong start to the year, the containment measures introduced by government in March 2020 to limit the spread of COVID-19 resulted in the closure of a significant proportion of our customers. Our Workwear business did experience some softening of demand during the year, however, the pandemic particularly impacted our HORECA business due to the UK's hospitality sector being either closed or the subject of restrictions for the vast majority of the year. Whilst we acted quickly to control our costs and increase our liquidity, subsequent containment measures have led to a more protracted recovery than perhaps anyone could have originally anticipated. As a result of this dramatic change in the trading environment our revenue for the year declined by 34.5%. Our underlying adjusted EBITDA margin reduced from 33.9% in 2019 to 23.3% in 2020. Further details of our operational and financial performance can be found on pages 17 to 27.

Financing, Liquidity and Capital Allocation

In May, following constructive discussions with the Group's three principal banks, the Group agreed the addition of a £40 million Accordion facility, which extends the previous committed bank facilities to £175 million, the initial £135 million of which matures in August 2023. The £40 million Accordion runs to May 2022 with the option for an additional one-year extension.

In June, the Group also raised net proceeds of £82.7 million from a placing of 73.9 million shares, representing 19.99% of the issued share capital, in order to strengthen the balance sheet and to ensure we had the ability to quickly act on non-organic opportunities to grow the business in the aftermath of the pandemic.

Our strengthened balance sheet means that we are well positioned to continue to invest in the business to support our long-term growth prospects. We also continue to preserve cash where possible and anticipate that there may be opportunities for us to invest to strengthen our position in the market and enhance our competitive advantages.

Details of our capital allocation policy are provided on page 26.

Dividends

Whilst the Board recognises the importance of dividends to Shareholders, this had to be balanced with the impact that COVID-19 has had on our business. As previously guided, and in order to conserve cash resources in response to the pandemic, the Board does not propose to declare a dividend in respect of 2020. The Board will keep future dividends under review and will look to reinstate its dividend policy as trading returns to more normalised levels.

Governance and the Board

Companies today are judged as much by their integrity and trustworthiness as by their financial performance. One of my key responsibilities as Chairman is to ensure good governance for the Group. I have been extremely well supported by the members of the Board. With their diverse backgrounds, they bring balance and a wealth of skills and experience to our business that complements the talents of our management teams across the Group. I would like to thank all of my Board colleagues for their support and valuable contributions as we continue to maintain oversight of the strategic, operational and compliance risks across the Group, define our path to success and uphold the high standards expected of us.

The Group recently announced that I would be stepping down as Chairman and a director of the Company at the conclusion of the 2021 Annual General Meeting in May. Chris Girling, Senior Independent Director, together with the Nomination Committee, led a thorough selection process, and in January 2021, we announced the appointment of Jock Lennox as Non-Executive Director and Chairman Designate. Jock's significant financial and commercial experience will broaden the Board's expertise and will serve the Group well over the years ahead.

I would like to thank the Board and the rest of the team for their support during my tenure as Chairman, and prior to that as a Non-Executive Director. Johnsons is a fantastic business and it has been a privilege to serve as its Chairman. I wish the Group every success in the future.

Summary and Outlook

The Group has responded admirably to unprecedented circumstances. During 2020, we demonstrated that we are a strong and resilient organisation as we managed the business to protect the interests of all our stakeholders. We acted quickly to control costs, increase our liquidity and strengthen our balance sheet.

Whilst this crisis has had a significant impact on the Group in the short term, we are very confident in our medium and long term growth prospects. Our existing scale, ability to flex costs and focus on operational excellence means that we are well placed to capitalise on opportunities as markets begin to recover and we remain excited about the significant structural growth opportunities, the potential for further revenue and profit growth, and returns to shareholders over time.

Bill Shannon
Chairman

19 March 2021

Strategic Review

The Strategic Report

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

Principal Activities and Business Overview

Johnson Service Group PLC (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 Company and its subsidiaries (together, the 'Group') provide textile rental and related services across the UK. Our 'Workwear' business is the leading supplier of workwear and protective wear in the UK, offering these services through the Johnsons Workwear brand. Our 'HORECA' business provides linen services to the hotel, restaurant and catering markets through the Johnsons Hotel Linen brand (which incorporates Afonwen, Bourne, PLS and Fresh Linen), the Johnsons Hotel, Restaurant & Catering Linen brand (which incorporates Stalbridge and South West Laundry) and the Johnsons Restaurant & Catering Linen brand (which incorporates London Linen).

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

Vision: Achieve and maintain market leadership in all areas in which we have a major focus.

Values:

1. To set the highest ethical and professional standards at all times and to operate with openness, trust, respect and integrity.
2. 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:

1. Be recognised as market leader across all of our brands.
2. Provide leading edge customer service in all of our businesses.
3. Continuously strive to minimise the social and environmental impact of our operations.
4. Increase Total Shareholder Return (TSR) over the longer term.

Further information covering the activities of the business during the year are set out within the Chairman's Statement and the Chief Executive's Operating Review.

Our Business Model

The Board's strategy has been to focus the Group on our core businesses, increase the scale of our business both organically and through targeted strategic acquisitions and to be the UK's market leader in textile services. Notwithstanding the ongoing impact of COVID-19, this strategy remains unchanged.

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 attract new customers.

Like many businesses, and particularly throughout the current pandemic, we face a number of external cost pressures, however, in the ordinary course our business model seeks to generate efficiencies in order to offset those pressures and to allow us to maintain divisional margin over the medium term. Such efficiencies include:

- investing in the latest machinery technology in order to increase capacity and productivity whilst at the same time reducing energy costs and water consumption;
- taking advantage of operational synergies, for example, redistributing the processing of customer work across our estate of plants in order to take advantage of reduced distribution costs; and
- diligently managing our cost base.

Key to this is our biggest asset, our highly capable 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.

The scale and geographic coverage of our business, together with our focus on customer service, cost control and efficiencies, give us a competitive advantage. We can provide our customers with the best value in terms of quality and cost and this helps drive long term and sustainable organic revenue growth.

Despite the ongoing impact of COVID-19, we continue to identify opportunities to grow the business organically and actively pursue strategic acquisition opportunities which will broaden our services and geographic spread, add value for Shareholders and consolidate our position as the UK's market leader in textile services.

Key Performance Indicators (KPIs)

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

Section 172(1) Statement - Duty to Promote the Success of the Company

Section 172(1) of the Companies Act 2006 requires the directors of a company to act in a way that they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

a) the likely consequences of any decision in the long term;

b) the interests of the company's employees;

c) the need to foster the company's business relationships with suppliers, customers and others;

d) the impact of the company's operations on the community and the environment;

e) the desirability of the company maintaining a reputation for high standards of business conduct; and

f) the need to act fairly as between members of the company.

As part of their induction, a Director is briefed on their duties and they can access professional advice on these, either from the Company Secretary or, if they judge it necessary, from an independent advisor. At least annually, our nominated advisor (NOMAD) is invited to a Board meeting to provide a training update on directors' duties and any relevant legislative changes.

Strategic Review
Continued >

The Board confirms that, during the year, the Board and its individual members have acted in a way that would be most likely to promote the success of the Company, for the benefit of its members as a whole, in the decisions made by the Board during the year. The Directors confirm that the deliberations of the Board, which underpin its decisions, incorporate appropriate regard to the matters detailed in section 172(1) of the Companies Act 2006. During the year, the Board considered information from across the Group's businesses and received presentations from management, reviewed papers and reports and took part in discussions which considered, where relevant, the impact of the Company's activities on its key stakeholders. These activities, together with direct engagement by the Board and individual Directors with the Company's stakeholders, helped to inform the Board in its decision making processes.

Further details as to how the Directors have fulfilled their duties, together with references to relevant areas within this Annual Report, are set out below. Specific examples of how the Board considered the interests of stakeholders in its principal decision making are provided on page 59.

The Board acknowledges that balancing the needs and expectations of stakeholders is important, but it often has to make difficult decisions based on competing priorities where the outcome of any decision it makes will not necessarily result in a positive outcome for all of the Group's stakeholders. Decisions are not taken lightly and the decision making process has been structured to enable directors to evaluate the merit of proposed business activities and the likely consequences of its decisions over the short, medium and long term, with the aim of safeguarding the Company so that it can continue in existence, fulfilling its purpose and creating value for future generations of stakeholders. By considering the Company's purpose, vision and values, together with its strategic priorities and having a process in place for decision-making the Board does, however, aim to make sure that its decisions are consistent and predictable.

Risk Management
It is vital that we effectively identify, evaluate, manage and mitigate the risks we face as a business. For details of our principal risks and uncertainties, and how we manage our risk environment, please see pages 38 to 45. The Board is also aware that an understanding of the future prospects of the Group is of vital importance to all stakeholders – a statement as such, together with further explanatory information, is set out below within our Viability Statement.

Our Employees
The Company is committed to being a responsible employer. For our business to succeed we need to manage our people's performance and develop and bring through talent while ensuring we operate as efficiently as possible. 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. We must also ensure we share common values that inform and guide our behaviour so we achieve our goals in the right way. The Board receives updates on key elements of the people strategy which provides insight into a variety of areas including culture, diversity and inclusion, succession planning, future capabilities and employee engagement. For further details on our employees, please see pages 30 to 32.

Business Relationships
Our strategy prioritises growth, both organically and through acquisition. Organic growth is driven through up-selling services to existing clients as well as bringing new customers into the Group. To do this, we need to develop and maintain strong customer relationships. We value all of our suppliers and have multi-year contracts with our key suppliers. For further details on how we work with our customers and suppliers, please see page 33.

Community and Environment
The Group's approach is to use our position of strength to create positive change for the people and communities with which we interact, giving back wherever we can. We want to leverage our expertise and enable our people to support the communities around us. We recognise our responsibilities to achieve good environmental practice and to continue to strive for improvement in areas of environmental impact. We are committed to energy efficiency improvement and continue to take steps in a continuous improvement strategy. For further details on how we interact with communities and the environment, please see pages 32 to 36.

Culture and Values
The Board recognises the importance of having the right corporate culture. Our long-term success depends on achieving our strategic goals in the right way, so we look after the best interests of our employees, customers and other stakeholders. Further details on our mission, vision and values are set out on page 12 whilst details of our corporate culture can be found on page 30.

Shareholders
The Board is committed to openly engaging with our Shareholders, as we recognise the importance of a continuing effective dialogue, whether with major institutional investors, private or employee Shareholders. It is important to us that Shareholders understand our strategy and objectives, so these must be explained clearly, feedback heard and any issues or questions raised properly considered. For further details on how we engage with our Shareholders, please see page 33.

Viability Statement
The Board is acutely aware that an understanding of the future prospects of the Group is of vital importance to all stakeholders and, as such, a statement, on behalf of the Board, is set out below on the future prospects of the Group.

"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 balance sheet date".

The Directors acknowledge the heightened uncertainty of the Group's strategic plans in the current environment and as a result have considered a range of different scenarios. Financial forecasts are reviewed and approved by the Board, with involvement throughout from the Group CEO, Group CFO and the Group Management Board. Part of the Board's role is to consider the appropriateness of key assumptions, considering the external environment, business strategy and model including the impact of COVID-19.

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, as:

- it is concurrent with the most recently available financial modelling for the Group;
- it is consistent with the average contract life of key customers, which provide stable revenue streams, being approximately 36 months;

- the Group has committed banking facilities which although ultimately expire slightly prior to the end of this period, in August 2023, will likely be renewed some six to nine months in advance of that date; and
- projections looking out further than 36 months become significantly less meaningful in the context of the Group's operations and markets.

The Directors have a reasonable expectation, having taken into consideration the principal risks and uncertainties facing the Group (as set out on pages 38 to 45) and, inter alia, the points set out below, that the trading performance and cash generation of the Group will not be materially adversely affected within that time frame, as:

- the Group has a committed bank facility, comprising £40 million which matures in May 2022 and £135 million which matures in August 2023, with significant headroom in terms of availability, which is considered to be sufficient to meet the Group's current requirements throughout that period and it is confident of renewing its facilities in advance of the expiry dates;
- interest rate risk is mitigated through a number of hedging arrangements which replace floating LIBOR rates with fixed rates for varying tenors as far out as January 2023, thereby providing certainty over part of the Group's interest cash flows; further information is provided within note 26;
- our diversified customer base, the majority of which have a formal contract in place with varying expiry dates of up to five years, provides a secure future income stream whilst at the same time ensuring that the loss of any single key customer would not materially impact the Group's future trading performance and cash flows;
- the diverse and unrelated nature of the Group's customer base limits concentration of credit risk;
- the Group has prepared financial modelling and scenario analysis, covering a three year period, which has been approved by the Board. Prior to approving the financial modelling the Board reviewed, challenged and stress tested the financial projections and assumptions contained within the forecasts under a range of reasonably possible scenarios, for example, the effect on the Group's trading performance and its ability to generate sufficient cash flows as a result of an even more protracted recovery in our end markets, or as a result of further localised restrictions. The Board were able to conclude that none of the scenarios indicated a significant threat to the future prospects of the Group;
- the Group continuously strives to seek out and invest in plant and equipment that will help drive operational efficiencies;
- a significant number 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 (as demonstrated during 2020 following serious fire damage at one of our sites and flood damage at another of our sites) 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 5 to 45, incorporates the Group Overview and Highlights, the Chairman's Statement, the Strategic Review, the Chief Executive's Operating Review, the Financial Review, the Environmental and Social Responsibility Statement and the Principal Risks and Uncertainties.

The Strategic Report was approved by the Board on 19 March 2021.

By order of the Board.

Tim Morris
Company Secretary

19 March 2021


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"We continue to take proactive actions to adapt our operations to ensure the Group can thrive and is well placed for the recovery. We continue to execute at pace and are confident in our ability to be agile and respond to increasing volumes from our customers as our end market segments begin to re-open and recover."

CHIEF EXECUTIVE'S OPERATING REVIEW
BY CHIEF EXECUTIVE OFFICER,
PETER EGAN

Chief Executive's Operating Review

"As anticipated, our 2020 results reflect the dramatic impact that COVID-19 has had on the Group, particularly within our HORECA division."

"We continue to take proactive actions to adapt our operations to ensure the Group can thrive and is well placed for the recovery."

Trading Performance

Revenue

As anticipated, our 2020 results reflect the dramatic impact that COVID-19 has had on the Group, particularly within our HORECA division. Following a strong start to the year, with organic revenue in the first two months pre-pandemic up 5.6%, total revenue for the year to 31 December 2020 reduced to £229.8 million (2019: £350.6 million).

Operating Result

Adjusted EBITDA was £53.6 million (2019: £119.0 million) giving a margin of 23.3% (2019: 33.9%). As expected, we saw this improve from the 21.7% achieved in the first half of the year. Adjusted operating loss was £12.1 million (2019: £52.8 million profit).

Costs and Cash Flow

A number of factors have affected the results for 2020, with the management team implementing a series of mitigating actions to protect the business:

- The Group continues to utilise the CJRS and this amounted to £28.2 million in the year, of which £2.9 million was in respect of the Workwear division and £25.3 million in respect of the HORECA division. £26.5 million was received in cash during the year. Our current expectations are that we will continue to utilise the CJRS over the coming weeks whilst volumes begin to return.
- The Board accepted a temporary salary reduction of 20% for the period from 1 April 2020 to 31 October 2020 and senior management accepted the same reduction from 1 April 2020 to 31 August 2020. Other employees who continued to work in administrative and support roles accepted a 10% reduction in the period 1 April 2020 to 30 June 2020. The total cost saving amounted to £0.4 million.
- Recognition of a £0.3 million charge relating to a partial discontinuation of hedge accounting in respect of diesel hedging to reflect lower forecast diesel usage for periods after 31 December 2020.
- Restricting non-essential capital spend and delaying the commissioning of the new Leeds plant.
- The Group's cash flow benefited from the deferral of VAT (£10.6 million deferred from the first half of 2020 to monthly payments during the year to December 2021).

Exceptional Items

Exceptional items were £4.3 million reflecting the impact of the Exeter and Treforest insurance claims from early 2020, the closure of the Newmarket Workwear site in December and the cost of COVID-19 redundancies.

Earnings per Share and Dividend

The adjusted loss per share was 3.4 pence (2019: adjusted earnings per share 10.5 pence).

As previously indicated, and in order to conserve cash resources in response to the COVID-19 pandemic, it is not proposed to declare a dividend in respect of 2020. The Board is aware of the importance of dividends to its Shareholders and will look to reinstate its dividend policy as trading returns to more normalised levels.

Liquidity

Total net cash (excluding IFRS 16 liabilities) at the end of the year was £6.6 million (December 2019: net debt £87.7 million) reflecting the net placing proceeds of £82.7 million and the actions taken by the Group during the year to conserve cash. Free cash flow in the year was £65.8 million compared to £106.8 million in 2019. Including IFRS 16 liabilities, net debt at December 2020 was £33.6 million (2019: £127.7 million).

The Group remains well funded with access to a committed revolving credit facility of £175.0 million, of which £40.0 million matures in May 2022 and £135.0 million matures in August 2023. This facility is considerably in excess of our anticipated level of borrowings.

Operational Review

Our Businesses

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

As previously indicated, the rollout of the new Group wide corporate brand, which links together the various local brands and extends national brand recognition, has continued throughout 2020, albeit at a slower pace due to COVID-19. This is expected to pick up pace in 2021 as operations return to more normal levels. The associated modest cost will not have a material impact on the reported earnings or cash flow of the Group.

COVID-19 has presented many operational challenges during 2020 and we are extremely proud of how the business has responded and humbled by the commitment and dedication our people are showing, day in day out. The family culture of our business has shone through and reinforced our already strong ethos of teamwork and determination to provide an excellent service to our customers. Our response to the crisis was a testament to the strength of our culture and the resilience of our employees. We acted swiftly and responsibly to ensure that we protected the interests of all our stakeholders.

As previously stated, 2020 saw a strong start to the year with organic revenue in the first two months up 5.6%. Then, in March, over the course of a fortnight we saw the containment measures to control the spread of COVID-19 close a significant proportion of our business. In the face of unprecedented volatility, the health and safety of our employees and customers has been, and remains, our absolute priority.

A number of initiatives launched at the beginning of the pandemic have continued throughout 2020 and into 2021 to manage the health, safety and welfare of our employees. We have implemented and, in many cases, exceeded Government guidelines through the supply of protective face shields and reusable washable masks, increased cleaning routines, the installation of protective screens and space markers and staggering break times to ensure social distancing is possible. Updating risk assessments is an ongoing process. We have continued flexible working for our employees who are able to work effectively from home. We would like to acknowledge the magnificent efforts of our employees and thank them for their continued support through these most unusual and challenging times. We also recognise the impact the current climate of uncertainty has had on mental health and wellbeing for many colleagues and, in response, have offered a free confidential helpline for those employees who felt the need to reach out for additional support.

As a significant proportion of our employees continue to be moved on and off furlough, there is an ongoing process in place to remind them of the preventative measures that we have put in place to ensure their safety. Where possible, remote working has been enabled through the enhancement of virtual tools which also enable us to ensure that we communicate effectively with customers and our employees.

The Group started 2020 with 6,100 employees and with a record of growth in both Divisions over recent years. The effect of COVID-19 on our business in 2020 has been significant, particularly in HORECA, and as announced in November, we have ended the year with 4,540 employees through a mixture of natural churn and redundancies. At the end of February 2021, 2,050 of these employees remain on full or part furlough as we await the recovery in our markets.

Chief Executive's Operating Review

Continued >

Workwear Division

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

The total revenue for the Workwear division was £129.5 million (2019: £135.3 million) reflecting the impact of COVID-19 from mid-March. Adjusted EBITDA was £48.7 million (2019: £49.2 million) with a margin of 37.6% (2019: 36.4%). Adjusted operating profit was £23.3 million (2019: £24.4 million).

The Workwear business has continued to operate throughout the pandemic with garment volumes slowly returning to pre-COVID levels in October, from a low of 88% of normal volumes in April 2020. There was a more limited impact from the second lockdown in November, resulting in a small reduction of garment volumes processed. This was repeated in the first two months of 2021 as more customers have remained open and sought to continue to trade through lockdown. Many of our customers, such as the food manufacturing sector, have relied on our ability to provide continuous and consistent service during these unprecedented times.

The additional unit in Basingstoke, which increases site processing capacity by 40% and utilises state of the art automation, was commissioned in September after a delay due to COVID-19 and is now meeting our expectations.

Rebranding of vehicles less than five years old continued throughout 2020 and the plan to fit all vehicles over 3.5 tonnes with tracking devices and cameras will be completed by the end of the first quarter of 2021.

Our field-based sales and service teams have continued to use online communication tools for maintaining contact with both new and existing customers. Customer retention levels remain high at 94%. Despite the impact of COVID-19, our service teams have performed well and continue to achieve organic growth within existing customers. Our 'Existing Customer Satisfaction Survey' for 2020 maintained high levels at 86%, which is in the upper quartile of businesses.

Our sales team, which concentrates on winning new business, was furloughed for part of the year as potential new customers were themselves working from home. Despite this, and with the aid of our call centre, we continued to win new accounts, and of those won, 33.5% were new to rental (2019: 17.6%).

A brand-new building has been secured in Exeter replacing the site lost to fire in early 2020 and is expected to be operational towards the end of 2021. In the meantime, the temporary Exeter depot continues to perform well with garment processing being serviced from nearby sites. The Treforest plant, which was damaged by flooding in February 2020, is now fully refurbished with new machinery installed. We are working closely with our insurers in order to reach a final financial settlement on both claims. The successful management of these two incidents demonstrates the integrity of our business continuity plans, particularly as there was minimal impact to our customers as a result of them being serviced from nearby sites. Our employees at Exeter and Treforest, together with those at supporting sites, are commended on their support of the business during these challenging times.

Five of our sites, being Lancaster, Leeds, Basingstoke, Perth and Birmingham have successfully achieved certification EN 14065, Biocontamination Control System for Laundry Processed Textiles. This achievement demonstrates to our customers that our laundry service has systems and processes in place to control microbiological contamination in laundered textiles. The standard compliments others already in place, especially for food and pharmaceutical industries, as well as giving us the ability of processing isolation gowns and other healthcare products separately in our plants. By mid-2021, the majority of our plants will have achieved this standard.

Following our Employee Engagement Survey in 2019, various initiatives have continued to be launched in line with the key areas identified. Active listening and communication, continued investment in learning and development and promotion of health and well-being together with the launch of "workwear heroes" were areas of focus. Many of our employees have undertaken various types of voluntary work supporting the NHS,

local charities and communities and we are extremely proud of them all.

The number of projects managed during 2020 was unprecedented, with challenges due to a fire, a flood and a pandemic. In addition, we have progressed the replacement of our textile rental management system and payroll system, completed large capital projects, implemented the results of the employee engagement survey and commenced a logistics review, to name but a few. We look forward to completing these projects in the coming months.

HORECA Division

The total revenue for the HORECA division was £100.3 million (2019: £215.3 million), the reduction reflecting the closure of a significant number of our sites through the various lockdowns. Adjusted EBITDA was £8.7 million (2019: £74.5 million) with a margin of 8.7% (2019: 34.6%). Adjusted operating loss was £31.5 million (2019: £33.1 million profit).

Once the impact of COVID-19 began to be felt, we reacted quickly in order to introduce enhanced health and safety protocols and Personal Protective Equipment (PPE). We also adjusted production volumes, reduced costs and aligned, as quickly as we could, our operations to the challenging environment which was experiencing a dramatic decline in volume and revenue. We have maintained our ability to be agile in restoring processing capacity quickly and efficiently as our volumes recover.

Our hotel, restaurant and catering business, which includes Johnsons Stalbridge, London Linen and South West Laundry, experienced strong new sales activity during the first quarter, with high levels of customer retention. Some major capital projects to support growth and capacity were completed or were underway.

A new and more efficient continuous batch washer, dryers and ironing line were installed in our Milborne Port site to replace obsolete and high maintenance machinery, and a new ironer line and towel folding equipment were installed in Shaftesbury to support capacity growth across our three Dorset locations. At Grantham, we expanded the footprint of the site in order to handle the expected future growth of the business.

The impact of COVID-19 saw volumes decrease to a low of 3% of normal demand during some weeks of the first lockdown from March to June. As a result, operations ceased completely in most locations, although some sites continued to support the Ministry of Defence, Ministry of Justice and similar government agency locations. After the re-opening of hospitality in early July there was significant volatility in volumes across our estate, which reflected holiday locations and the "eat out to help out" scheme. However, by the end of the third quarter, volumes had steadied at near 55% of normal. Since the beginning of October, the introduction of local lockdown measures at various levels has meant volumes have reduced substantially again, although to levels slightly ahead of those in the first lockdown. Three factory locations, in Southall, Milborne Port and Cornwall, are presently mothballed pending a recovery of volumes in 2021, with the remaining sites operating on significantly reduced hours. We will continue to utilise the Government's furlough scheme to match employee resources to customer demand.

We are pleased to be able to support some local healthcare locations with a free scrub suit processing service to support their effort in dealing with the pandemic. We have applied flexibility in supporting our hospitality industry customers through stock management and reduced charging for items on rental. During the final quarter of 2020, we renewed or extended several long-term contracts with existing large group customers.

Non-essential capital expenditure was halted after the first quarter of 2020. However, as part of our ongoing programme of reducing our impact on the environment, we have installed a Carbon Trust sponsored prototype water recycling plant at our Shaftesbury site. The installation is expected to be tested and commissioned in early 2021 and we look forward to working with the developer to assess the benefits.

Johnsons Hotel Linen also had a strong start to 2020, with volumes and revenue slightly ahead of forecast due to continued growth in customers and a generally favourable hospitality outlook prior to the impact of COVID-19.

The Johnsons Hotel Linen business, which primarily serves the corporate 4 star and budget hotel marketplace, was inevitably

Chief Executive's Operating Review

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the most materially affected of our businesses. Many of our customers experienced a significant and sudden drop in bookings, together with high cancellation rates, as a result of the introduction of Government restrictions on travel. In addition, many of our customers faced significant cancellations of conferences and sporting events during the majority of the subsequent lockdown periods.

Throughout the year, processing volumes were adjusted, and some sites were consolidated and mothballed, with volume moved around the country to reduce operating costs and align volumes and revenue as efficiently as possible. Through much of the first lockdown, the business operated with a core of just 60 members of the team, the vast majority of whom agreed voluntary salary sacrifices for a minimum of three months. Capital expenditure was largely frozen for all but essential spend.

Substantial efforts in introducing COVID secure policies enabled the business to continue to operate successfully and we were delighted to support a number of key customers who chose to remain open in order to help support UK Government efforts in accommodating key workers, including NHS staff, in hotels close to hospital sites. Several other hotels were also serviced and supported to help accommodate homeless people as part of the Government's "Everyone In" package, to avoid people sleeping rough amid the pandemic.

During the first lockdown in the second quarter of 2020, the business continued to successfully plan for the future, whilst benefiting from the Government's furlough scheme, enabling it to reduce costs whilst maintaining employees for as long as possible. During this time, senior and middle management used their time to good effect, ensuring the successful implementation of a new IT platform across several sites, on time and to budget. Considerable effort, creative new ways of working and innovative new plans were drawn up to enable a key project such as this to be completed across a total of five sites during the year and our thanks go to all those involved for seeing through and implementing the project so successfully.

In addition, we successfully completed the construction and installation of our new £10 million production facility in Leeds, but strategically took the decision to delay final commissioning until demand in the hospitality market has improved, later this year.

As the UK came out of the first lockdown, volumes recovered quickly, and to over 50% by September, driven largely by strong demand for staycations and recovery in domestic business travel. Hotels around airports, whilst evidencing some recovery, remained far below their normal demand levels. Particularly strong demand was seen around the traditionally busier coastal areas, in particular the South Coast, Wales and East Anglia. The Scottish market, whilst improving, faced a weaker level of demand, impacted significantly by the cancellation of events such as the Edinburgh Festival. The cancellation of many other cultural and sporting events also impacted the business across the UK throughout the remainder of the year.

In the autumn and early winter, volumes continued to fluctuate based on an evolving series of changes brought about by the various local lockdowns and policies implemented by the UK, Scottish and Welsh Governments. Clearly, these policy changes have impacted on our local management teams and resulted in a considerable challenge at a local operational level to align logistics with evolving volumes at different sites. It is great testament to the agility and resilience of our business that, throughout this period, no material service issues emerged, and a significant number of customers have recognised the professional manner in which these challenges have been faced.

During 2020 we successfully renewed our contract with the Group's largest customer, Premier Inn. Under the new contract we will add a significant number of new sites, over 100 additional hotels, totalling over 12,000 rooms across the UK, with a significant cluster around our new Leeds production facility. In total, once fully installed, we will supply approximately 50% of the Premier Inn estate.

Throughout the year we have continued to support the local communities we serve. Several employees were engaged in a range of initiatives including helping to recruit those leaving prison into the workplace to give people a second chance. The pandemic has, unfortunately, meant that this programme has been suspended for the time being. We also helped support several local food banks and made donations to a number of local schools as part of our engagement with the local communities in which we operate.

In addition, during the year, working with our professional trade body, the Textile Services Association ('TSA') we participated in a trial to assess the impact of how we can recycle end of life textiles, to enable us to promote the benefit of a genuine circular economy.

Furthermore, we believe we became the first textile rental company in the world to have its application to join the Better Cotton Initiative ('BCI'), a global organisation based in Geneva, approved. BCI is internationally recognised as a not-for-profit organisation that exists to make global cotton production better for the people who produce it, better for the environment it grows in and better for the sector's future. BCI Membership has historically been for major global retailing brands and textile manufacturers and we are delighted, as part of our sustainability efforts, to be able to join, support and promote BCI membership to help encourage sustainable purchasing of textiles through our supply chain and throughout our industry.

Ongoing Impact of COVID-19

During the first two months of 2021 we have continued to see the impact of the various lockdowns and restrictions on our business, particularly in HORECA. Volumes during January and February in HORECA were some 9% of normal and many of our employees continue to be furloughed. We have yet to open our new HORECA site in Leeds and we currently have three other HORECA sites mothballed whilst the second units at Bourne and Reading are also temporarily closed. It is our intention to open the Leeds site and return the remainder of the other plants to production as demand increases. We are working closely with our HORECA customers to plan for the upturn as restrictions are lifted over the coming months. In Workwear, volumes are 96% of normal and all sites continue to operate and service our customers.

Environmental & Social Responsibility

The Board, as a whole, has overall responsibility for environmental, social and governance matters and we recognise our duty to stakeholders to operate the business in an ethical and responsible manner. We are committed to developing our environmental and social responsibility agenda, recognising that it can play a major part in leading and influencing all of our people and operations.

Our corporate culture defines who we are, what we stand for and how we do business and it is integral to the success of the Group. Our strong reputation has been built on the solid foundation of an ethical culture, underpinned by a well-defined and effective system of governance. We are committed to equal opportunities and an entirely non-discriminatory working environment where everyone is treated with dignity and respect and we strive to create an inspiring working environment where everyone is engaged and motivated.

The Board has always taken its environmental impact very seriously and is taking steps to improve the performance further. For many years, we have continued to invest in energy efficient capital equipment and update our operational procedures in order to reduce our energy, fuel, water and detergent usage and, in turn, our wastage. This ongoing investment has, unquestionably, reduced our environmental impact over the years whilst at the same time improved our productivity. Our approach is to work through education, communication and direct action.

Further details of our ongoing initiatives, together with actions for the future, are set out within the Environmental and Social Responsibility Statement.

System Development

Work has continued on the installation of a new laundry management system with six of our Hotel Linen plants now live. The remaining Hotel Linen plants will be rolled out by the end of the year. A new laundry management system for Workwear is also expected to be rolled out in 2021, with the first installation expected in the second quarter.

Employees

Our employees are the foundation of our business and 2020 has been a challenging year for each and every one of them. The impact of COVID-19 has tested the strength, resilience and adaptability of our teams more than ever and they have worked tirelessly to ensure that we continue to provide market leading customer service. The Board would like to thank them for their support, hard work and significant contribution to the business through these difficult times.

Board Changes

As announced on 5 January 2021, Bill Shannon is to retire from the Board at the conclusion of the AGM to be held in May 2021. The Board would like to thank Bill for his significant input and counsel during his years as both a Non-Executive Director and latterly as Chairman.

Jock Lennox was appointed to the Board on 5 January 2021 as an Independent Non-Executive Director and Chairman Designate. The intention is that Jock will step up to the role of Chairman following Bill's retirement in May.

Outlook

Whilst the COVID-19 pandemic has had a significant impact on the Group in the short term, we remain confident in our medium and long-term growth prospects. The road maps announced in various parts of the UK illustrate how lockdowns and restrictions will potentially begin to be lifted over the coming months as further significant progress is being made with the ongoing vaccination process.

We continue to take proactive actions to adapt our operations to ensure the Group can thrive and is well placed for the recovery. We continue to execute at pace and are confident in our ability to be agile and respond to increasing volumes from our customers as our end market segments begin to re-open and recover.

We will continue our strategy to invest in our plants in order to maintain our position as a well invested operator, delivering outstanding levels of service to our customers. This combined with our existing scale, ability to flex costs and focus on operational excellence, makes us confident that we will be able to take advantage of growth opportunities as they arise and to increase returns to shareholders over time.

Peter Egan
Chief Executive Officer

19 March 2021

Financial Review

By Chief Financial Officer, Yvonne Monaghan

This Financial Review should be read in conjunction with the Chairman's Statement, the Chief Executive's Operating Review and the Consolidated Financial Statements.

Financial Results

Total revenue for the year to 31 December 2020 reduced to £229.8 million (2019: £350.6 million).

Adjusted EBITDA was £53.6 million (2019: £119.0 million) giving a margin of 23.3% (2019: 33.9%) and, in-line with management expectations, improving from the 21.7% margin achieved in the first half of 2020. The result included the benefit of Government support under the CJRS amounting to £28.2 million in the year.

The analysis of the Group results across the segments show the impact of the pandemic on the adjusted EBITDA of our different divisions:

	2020			2019		
	Revenue £m	**Adjusted EBITDA £m**	**Margin %**	**Revenue £m**	**Adjusted EBITDA £m**	**Margin %**
Workwear	129.5	48.7	37.6%	135.3	49.2	36.4%
HORECA	100.3	8.7	8.7%	215.3	74.5	34.6%
Central Costs	–	(3.8)	–	–	(4.7)	–
Group	**229.8**	**53.6**	**23.3%**	**350.6**	**119.0**	**33.9%**

The statutory operating loss was £27.4 million (2019: £42.7 million profit) whilst adjusted operating loss was £12.1 million (2019: £52.8 million profit).

The total finance cost was £4.9 million (2019: £4.6 million) and included £3.1 million (2019: £2.7 million) of bank interest and hedging costs, £1.7 million (2019: £1.8 million) of interest in respect of IFRS 16 liabilities and £0.1 million (2019: £0.1 million) in respect of notional interest on pension liabilities.

Exceptional items were £4.3 million and comprise the cost of COVID-19 related redundancies due to the re-alignment of our workforce (£4.7 million), the impairment of plant and equipment destroyed in the Exeter fire and Treforest flood (£1.0 million), the credit arising on the recognition of £2.5 million of insurance proceeds relating to interim payments for capital items and the closure costs of the Workwear site in Newmarket in December 2020 (£1.1 million). Further insurance receipts will be received in 2021 as the insurance claims are finalised with the insurer, and in cash flow terms will largely fund the planned capital spend on Exeter.

Adjusted loss before taxation was £17.0 million (2019: £48.2 million profit). Statutory loss before taxation, after amortisation of intangible assets (excluding software amortisation) of £11.0 million (2019: £10.1 million) and exceptional items of £4.3 million (2019: £nil), was £32.3 million (2019: £38.1 million profit).

Adjusted diluted loss per share was 3.4 pence (2019: adjusted diluted earnings per share 10.5 pence).

Financing

Total net cash (excluding IFRS 16 liabilities) at the end of the year was £6.6 million (December 2019: net debt £87.7 million) reflecting the net placing proceeds of £82.7 million and the actions taken by the Group during the year to conserve cash. Including IFRS 16 liabilities, net debt at December 2020 was £33.6 million (December 2019: £127.7 million).

The Group remains well funded with access to a committed revolving credit facility of £175.0 million, of which £40.0 million matures in May 2022 and £135.0 million matures in August 2023. This facility is considerably in excess of our anticipated level of borrowings.

Bank covenants, tested quarterly, comprise a maximum level of net debt (excluding IFRS 16 liabilities) of £155.0 million to September 2021 and £145.0 million at 31 December 2021. A minimum EBITDA test also applies which gives headroom against our current scenario planning and where EBITDA is defined as Adjusted EBITDA less right of use asset depreciation. The headroom on this EBITDA test was £17.3 million for the quarter ended 31 December 2020.

Subsequent to the year end, we reached agreement with our banks in respect of revised quarterly covenant tests from 31 March 2022, largely to accommodate the changes in reporting following the adoption of IFRS 16. The amended covenants will return to more normal gearing and interest cover tests. Gearing, for bank purposes, will be calculated as Adjusted EBITDA compared to total debt, including IFRS 16 liabilities, and the agreed covenant is for the ratio to be not more than three times. Interest cover compares Adjusted EBIT to total interest cost with a minimum covenant ratio of three times at March 2022 and rising to four times thereafter. Again, these revised covenants provide headroom on our current scenario planning.

Interest payable on bank borrowings is based upon LIBOR plus a margin of 2% from July 2020 to March 2022. Thereafter, the margin will be linked to our gearing covenant and will range from 1.25% to 2.25%.

During 2019 we had mitigated our exposure to future increases in LIBOR rates through the use of interest rate hedging, details of which are given in note 21. Given the repayment of bank borrowings during the year these hedges no longer fully qualified as effective hedges and accordingly an additional interest cost of £0.6 million was recognised within bank interest in the Consolidated Income Statement in relation to these hedges.

Taxation

The tax rate on adjusted (loss) / profit before taxation, excluding exceptional items and the amortisation of intangible assets (excluding software amortisation), was 18.5% (2019: 18.8%) and in line with the effective tax rate of 19.0% (2019: 19.0%). The net tax paid during the year was £3.4 million (2019: £9.3 million) with the amount benefiting from a loss relief claim of £0.9 million in respect of 2020.

Dividend

As previously indicated, and in order to conserve cash resources in response to the COVID-19 pandemic, it is not proposed to declare a dividend in respect of 2020. The Board is aware of the importance of dividends to its Shareholders and will look to reinstate its dividend policy as trading returns to more normalised levels.

Financial Review
Continued >

Cash Flow

Free cash flow in the year was £65.8 million compared to £106.8 million in 2019. Of this, we invested £21.4 million (2019: £20.0 million) in the purchase of property, plant and equipment and software, largely on projects that had already been committed before the impact of the pandemic was known. Offsetting this spend was £2.5 million received as part of the insurance claim in respect of capital items. The required investment into textile rental items was much reduced during 2020.

The Group raised net proceeds of £82.7 million from a placing of 73.9 million shares, representing 19.99% of issued share capital, in June 2020 in order to strengthen the Balance Sheet and to ensure we had the ability to quickly act on non-organic opportunities to grow the business in the aftermath of the pandemic.

Free cash flow in 2020 benefited from a net working capital inflow of £24.4 million (2019: £2.3 million), largely reflective of a reduction in trade receivables and the deferral of £10.6 million of VAT, originally due in April 2020, which we plan to pay to HMRC during the year to December 2021. We anticipate this inflow will reverse during 2021, the full extent to which being largely dependent upon volumes, particularly within HORECA, returning.

Action has been taken to preserve cash as our revenue, particularly in our HORECA business, has been severely impacted. We have utilised Government support through both the CJRS and the VAT deferment scheme. The amount claimed in the year under CJRS was £28.2 million of which £26.5 million was received in cash during the year.

Investment In Textile Rental Items

Spend on textile rental items amounted to £28.1 million (2019: £48.2 million). The significant reduction reflects the impact of the pandemic on volumes processed and therefore required in circulating items. We continue to work with our chosen workwear and linen suppliers to ensure both are available on a timely basis and that sufficient stocks are available in the UK to support the upturn in demand when it comes. We would expect the spend on textile rental items to be higher in 2021, with the ultimate requirement being linked to the speed of recovery.

Capital Investment

We have continued to invest in plant and equipment, spending £20.4 million in the year plus a further £1.0 million on software. Of this, £5.7 million is in respect of the new Leeds high volume linen site with the remaining balance of some £2.6 million incurred in early 2021. As part of the plan to update the newly acquired Fresh Linen plant in Clacton, £2.0 million was spent to ensure the long-term operational resilience of this site. The remaining spend is in respect of upgrading processing equipment across the estate to increase capacity and improve productivity.

Defined Benefit Pension Scheme Liabilities

As at 31 December 2020, the Scheme's assets had increased by £5.4 million, to £226.7 million, after paying out benefits of £14.2 million during the year. The net deficit, including deferred taxation, has, however, increased to £11.2 million (2019: £5.2 million) due largely to a decrease in the discount rate utilised in deriving the value of scheme liabilities.

The triennial valuation of the Scheme, as at 30 September 2019, was completed during the year. We are tracking ahead of the recovery plan put in place at the time of the 2016 valuation and we have therefore agreed with the Trustee that the existing deficit recovery payment of £1.9 million per annum will continue in equal monthly instalments until the next review in three years' time.

Clearly, the deficit calculated under both the provisions of IAS19 and under the statutory funding objective is sensitive to changes in the discount rate, based on corporate bond or gilt yields as appropriate. The asset allocation of the Scheme is kept under review so that the impact of a reduction in the discount rate and an increase in inflation or interest rates is, at least in part, offset by a corresponding increase in asset values. In addition, the review also considers alternative asset classes which earn a reasonable level of return but with lower volatility and therefore a reduction in risk. Appropriate changes to the investment allocation have been implemented in order to achieve these goals. The Scheme has fully divested of its direct equity investments.

Balance Sheet And Capital Structure

The Group maintains a strong Balance Sheet, with net assets having increased to £255.5 million (2019: £207.5 million).

As previously mentioned, gearing, for bank purposes will, from March 2022, be calculated as adjusted EBITDA compared to total debt, including IFRS 16 liabilities, and the agreed covenant is for the ratio to be not more than three times. The Group's medium to long-term intention is to return the capital structure such that we operate between one and two times on this basis, other than for short term specific exceptions. Under this framework, our capital allocation policy remains unchanged and will take into account the following criteria as part of a periodic review of capital structure:

- maintaining a strong balance sheet;
- continuing capital investment to increase processing capacity and efficiency;
- appropriate accretive acquisitions;
- operating a progressive dividend policy; and
- distributing any surplus cash to Shareholders.

Going Concern

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

The current and plausible future impact of COVID-19 and the related macroeconomic environment on the Group's activities and performance has been considered by the Board in preparing its going concern assessment. The Group has prepared a base case scenario, reflecting an initial set of assumptions around financial projections and trading performance, together with various, more pessimistic, expectations for market developments over the remainder of 2021 and 2022 to reflect subdued trading conditions.

After considering the financial scenarios, the severe but plausible sensitivities and the facilities available to the Group, the Directors have a reasonable expectation that the Group has adequate resources for its operational needs, will remain in compliance with the financial covenants in its bank facilities and will continue in operation for at least the next 12 months from the date of approving the financial statements. As a consequence, and having reassessed the principal risks and uncertainties, the Directors considered it appropriate to adopt the going concern basis in preparing the financial statements.

The process and key judgments in coming to this conclusion are set out in further detail within the Statement of Significant Accounting Policies.

Key Performance Indicators (KPIs)

The main KPIs used as part of the assessment of performance of the Group, and of each segment, are growth in revenue, adjusted EBITDA margin, adjusted operating (loss)/profit and adjusted diluted (loss)/earnings per share from Continuing Operations. Non-financial KPIs, as referred to within the Chief Executive's Operating Review, include our employee and customer survey results and customer retention statistics.

Alternative Performance Measures (APMs)

Throughout the Statement we refer to a number of APMs. APMs are used by the Group to provide further clarity and transparency of the Group's underlying financial performance. The APMs are 'adjusted operating (loss)/profit' which refers to continuing operating (loss)/profit before amortisation of intangible assets (excluding software amortisation) and exceptional items, 'adjusted (loss)/profit before taxation' which refers to adjusted operating (loss)/profit less total finance cost, 'adjusted EBITDA' which refers to adjusted operating (loss)/profit plus the depreciation charge for property, plant and equipment, textile rental items and right of use assets plus software amortisation and 'adjusted EPS' which refers to EPS calculated based on adjusted (loss)/profit after taxation.

The Board considers that 'adjusted operating (loss)/profit', 'adjusted (loss)/profit before taxation', 'adjusted EBITDA' and 'adjusted EPS', all of which exclude the effects of non-recurring items or non-operating events, provide useful information for Shareholders on the underlying trends and performance of the Group.

Summary

The strategy of the Group is to continue to expand our Textile Services business through targeted capital investment, organic growth and acquisition. We have a strong balance sheet to support this strategy with future funding in place to support planned investment. The opening of our Leeds facility will provide additional processing capacity to aid organic growth once the markets we serve return.

Yvonne Monaghan
Chief Financial Officer

19 March 2021

Environmental and Social Responsibility Statement

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

Section 172 of the Companies Act 2006 (the 'Act') requires the directors of a company to act in a way that they consider, in good faith, would be most likely to promote the success of the company for the benefit of its stakeholders. Our key stakeholders are our people, the communities in which we do business, our customers, our suppliers, our shareholders, non-government organisations as well as Government organisations and regulators. The Act also requires the directors to have regard to the impact of the company's operations on the environment.

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

Our Stakeholders

The success of our strategy is reliant on the support and commitment of all our stakeholders. Their interests are important to us and we are committed to maintaining strong, positive relationships with them, built on a foundation of mutual respect, trust and understanding. The table below provides a high-level overview of how we engage with our stakeholders. Further details are then provided on pages 29 to 33.

	Description	Areas of focus	Why we engage	How we engage
People	Our employees who work in our business	• health and wellbeing • diversity and inclusion • recognition and careers	Our people are at the heart of our business and key to our ongoing success. We want our people to thrive in a fair and inclusive work environment.	There are many ways we engage, including engagement surveys, employee focus groups, site meetings, internal social media and newsletters.
Communities	The people who live in the local communities around our sites and operations	• fair employment and equal opportunities • local causes and issues • health and wellbeing	To build trust by operating responsibly and sustainably and addressing issues that are material to our communities. To provide employment opportunities to local people to help support the community.	We operate many local employment programmes to recruit and develop local people to work in our sites. We partner with local charities and organisations to raise awareness and donate funds to help local causes.
Customers	The businesses and organisations to whom we provide goods and services	• working within defined sectors, we provide solutions to match specific market and customer requirements • health, wellbeing and focused sustainable customer relations initiatives • technology and innovation to support customer requirements	By understanding what is important to our customers, we ensure that our services are tailored to support their individual business objectives.	We aim to have open and transparent relationships that are based on honesty and respect. We conduct independent customer surveys which measure satisfaction levels.
Suppliers	Our trusted partners who source and supply products and services to us	• workplace health and safety • supply chain integrity • human rights	To develop mutually beneficial and lasting partnerships aimed at addressing shared challenges in responsible and sustainable sourcing and to communicate our supply chain standards, expectations and commitments.	We regularly communicate with our suppliers and we have also hosted multi-supplier conferences. We aim to pay suppliers within agreed contractual terms and endeavour to work in a collaborative manner with them in order to resolve any disputes that may arise.
Shareholders	Individuals or institutions that own shares in Johnson Service Group	• financial performance • competitive positioning • strategy and outlook • ethical business practices and sound governance • leadership and succession planning • debt and liquidity • sustainability	Our philosophy is to engage in regular, open and transparent dialogue with our existing and prospective shareholders. We value their thoughts and opinions which are shared with the Board. The Board reviews the feedback and, where relevant, takes appropriate actions to address any concerns.	We engage with our existing investors through one-to-one and group meetings, presentations, conference calls and at our AGM. The Group CEO and Group CFO dedicate significant time to engaging with our major shareholders.
Non-Governmental Organisations (NGOs)	NGOs support us with knowledge and expertise on key industry, social, environmental and economic issues	• human rights • climate change • social issues	To ensure we stay up to date and develop effective action plans so we can have a positive impact on key social, environmental and economic issues.	We engage with NGOs through regular communications, interactions and meetings as well as through industry association memberships and at forums and conferences.
Government & Regulators	Regional and national government bodies and agencies which implement and enforce applicable laws across our industry	• public health policies • workplace health and safety • human rights • climate change • legal and regulatory compliance	To communicate our views to those who have responsibility for implementing policy, laws and regulations relevant to our businesses.	Through a series of industry consultations, forums and conferences.

Environmental and Social Responsibility Statement

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Our People

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.

Whilst the impact of COVID-19 has tested the strength, resilience and adaptability of our teams more than ever, our overriding focus has been the safety and wellbeing of our people during these difficult times. Our Workwear business did experience some softening of demand during the year, however, the pandemic clearly impacted our HORECA business more seriously due to the UK's hospitality sector being either closed or the subject of restrictions for the vast majority of the year. During the course of 2020, and as a result of subdued demand, a number of our HORECA sites were, and in some cases still are, mothballed. Through the utilisation of government support (the Coronavirus Job Retention Scheme) we have tried to protect as many viable jobs as possible, however, the significant reduction in volumes that we have experienced coupled with the protracted recovery in our end market has meant that we have had to evaluate our staffing needs and take the necessary steps to right size our headcount to ensure that we avoid carrying excess costs. As part of this process, the Group sought to offer voluntary redundancy where possible, in order to reduce the level of any compulsory redundancies.

Notwithstanding the events of 2020, we remain committed to employing, developing and retaining our diverse talent to ensure we have a truly engaged, high performing and fulfilled workforce so we can drive our business forward.

Our Culture

Our corporate culture defines who we are, what we stand for and how we do business and it is integral to the success of the Group. Our strong reputation has been built on the solid foundation of an ethical culture, underpinned by a well-defined and effective system of governance. The Board defines the purpose of the Group, identifies the values that guide it and remains committed to upholding the highest ethical standards, operating on the principle that the tone at the top sets the standard for the rest of the business.

Over the years, we have carefully developed a common set of expected behaviours based on our corporate values and an effective system of governance, both of which have been influential in shaping and embedding a strong ethical and governance culture across the Group. The Board is responsible for changes to corporate governance and culture, however, from a practical perspective, the Executive Directors and senior managers are responsible for implementing behavioural and governance changes and for clearly articulating to colleagues in the wider business the reasons for change, its benefits or the consequences of not changing, providing encouragement and support to colleagues to ensure that ethical standards are maintained and good governance is put into practice.

The success of our business is dependent upon a strategy which benefits our investors, employees, clients, suppliers and the wider stakeholder community. We have invested time and resources in communicating with employees and designed training and development programmes to educate and encourage the high standards of conduct. They reflect our vision to be the market leader where we are renowned for our great people, great service and great results.

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 made 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 'Code of Ethics'), 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 Code of Ethics. A dedicated and confidential Whistleblowing 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.

Modern Slavery Act (the 'Act')

Our business principles lay down the standards we set ourselves to ensure we operate lawfully, with integrity and with respect for others. As part of this, we are committed to implementing and enforcing effective systems and controls to confirm that slavery and human trafficking is not taking place anywhere in our supply chain or in any part of our business. We fully acknowledge our responsibility to respect human rights as set out in the International Bill of Human Rights and we are also committed to implementing the United Nations Guiding Principles on Business and Human Rights throughout our operations.

We expect our suppliers to have suitable anti-slavery and anti-human trafficking policies and processes within their businesses and to cascade those policies to their own suppliers. Our standard supplier contractual terms and conditions include a provision requiring suppliers (and each of their sub-contractors) to comply with the Act. The standards we expect will address a broad spectrum of working conditions including fair remuneration, working hours, no child labour, respect, non-discrimination, health, safety and wellbeing, as well as freedom from forced labour.

As part of any tender process, we will ask prospective suppliers to confirm compliance with the Act at the pre-qualifying questionnaire stage. We will not progress to working with any supplier which does not comply with the Act. Throughout the life cycle of any supply agreement we reserve the right to conduct audits on our suppliers to verify compliance with the Act. We will assess any instances of non-compliance on a case-by-case basis, taking any remedial action accordingly.

All new employees are subject to pre-employment checks to confirm their identity and eligibility to work in the UK prior to them starting work within the Group. Information is provided to all employees on their statutory rights including sick pay, holiday pay and any other benefits they may be entitled to by virtue of their employment. We pay all directly employed labour at least the living or minimum wage, as appropriate. Where recruitment agencies are used, we ensure they comply with all legal requirements. These procedures collectively help to address our on-going commitment to protect our employees' human rights and the elimination of all forms of forced and compulsory labour.

To ensure a high level of understanding of the risks of modern slavery and human trafficking in our supply chain and our business, all Directors have been briefed on the subject and we provide training to relevant members of staff. Through this training, as well as through Group wide internal communications, all employees are encouraged to identify and report any potential or actual wrongdoing that they consider to be negligent, improper or illegal via a dedicated and confidential Whistleblowing hotline, which is available 24 hours a day.

Environmental and Social Responsibility Statement

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Diversity

We are committed to equal opportunities and the creation of an entirely non-discriminatory working environment where everyone is treated with dignity and respect. We consider a diverse range of candidates for employment and promotion and we continue to progress the levels of representation of women in our senior ranks. We strive to ensure that our policies and practices provide equal opportunities in respect of matters such as training, career development and promotion for all existing or potential employees irrespective of, amongst other matters, gender, ethnicity, 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.

Employee Communication

Each business 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.

During 2020, a significant proportion of our employees, particularly those working in our HORECA division, were placed on furlough. Whilst those employees were unable to undertake any form of work for the Group whilst on furlough, we were keen to maintain an informal contact with them and keep them updated about what was happening. We regularly wrote to those employees and also encouraged line managers to call their furloughed direct reports informally just to catch up on how they were feeling. In our communications to employees, we also made it clear that should they have any questions, no matter how trivial, then they should not hesitate to contact either their line manager or human resources contact in order to discuss any matters further.

Employee Engagement

As we reported last year, during 2019 we engaged an external research company to undertake an employee engagement survey within our Johnsons Workwear business. The response rate was a very encouraging 77% and the results of the confidential survey enabled managers to produce local action plans designed to make their part of the business an even greater place to work. A total of 26 initiatives were identified, split into five key pillar groups, give something back, promote health and wellbeing, training and development, trust in leadership and active listening. Whilst the COVID-19 pandemic has led to the delay of a number of these initiatives being implemented, 18 had been completed by the end of January 2021 with the remaining initiatives in progress. Examples of the initiatives completed to date include the provision of free WiFi in canteen areas, charitable donations, 'baby boxes' being given to expectant families and the setting up of an Employee Assistance Programme, which provides access to a free and confidential counselling service offering mental health, financial and legal support. Further initiatives over the coming months, and when conditions allow, will include recommend a friend schemes, volunteering days, new employee uniforms, teambuilding events and 'meet the MD' sessions.

In addition to the above, the Group has also worked in close partnership with a UK registered charity, the 'Fashion & Textile Children's Trust', who specialise in offering grants to families working within the business and who are suffering with specific financial hardship issues. We intend to continue partnering with them in supporting their fundraising efforts to support the children of families working within the fashion and textiles sector.

The Board are aware that whilst surveys are a powerful way to engage people, and are a useful source of information, they are not, on their own, sufficient as an indicator of workforce views. Consequently, prior to the COVID-19 pandemic, we were in the process of organising local focus groups with employees in order to discuss and better understand the results of the survey in greater detail. Peter Egan, Chief Executive Officer, and Nick Gregg, Independent Non-Executive Director and Chair of the Remuneration Committee, were due to attend certain of the focus group meetings. Those meetings were, unfortunately, postponed as a result of COVID-19. Notwithstanding that, Peter and Nick did meet with Johnsons Workwear management, together with the external research company that undertook the employee engagement survey, in order to more fully understand the results of the survey and the initiatives thereon.

In 2021, when conditions allow, it is our intention to rearrange the meetings with employees referred to above and to engage an external research company to undertake a further employee engagement survey within our Johnsons Workwear business. We also intend to extend the employee engagement survey across our HORECA business in order to develop a wider understanding of our employees' views and to extend our initiatives further.

Share Schemes

Our Sharesave Plan, which has been in operation since 1987, fulfils our desire for employees to be able to share in the performance and success of the Group as a whole.

Our Communities

The Group believes that the interests of responsible businesses need to be aligned to the interests of the local communities where they operate. We seek to build trust by operating responsibly and sustainably and addressing issues that are material to our communities as well as providing training opportunities and local employment programmes to recruit and develop local people to work in our sites. We also seek to give back to the community where we can, contributing to charitable causes and local groups. Throughout the year, many of our plants have supported the local community through donations to local food banks, charitable donations, clothing donations and providing support to local schools.

Extending the community spirit even further, whilst on furlough, a number of our employees continued the Johnsons ethos and gave their time to their local communities. Examples include employees making scrub suits for the NHS, often using products donated by the Group, making bespoke face masks with proceeds from the sale going to local charities, assisting those who were shielding with their shopping and volunteering at foodbanks.

Our Customers

We serve a range of organisations from small owner managed enterprises to large multinational brands across a multitude of industries, however, our offering is always tailored for the needs of our customers. Our customer service teams are always on hand to meet the needs of our customers and, each year, we survey a sample of our existing customers as well as potential customers across our markets.

Everything we do starts with the aim of delivering a differentiated customer experience to generate value and create loyalty and we work hard to ensure a real focus on delivering the right quantity, at the right time and with no surprises for our customers.

Our Suppliers

Our suppliers provide products and services that assist us in executing our strategy. Consequently, they are a vital part of our value chain and, because of our size, we are often a vital part of theirs. We are committed to establishing long-term, open and fair relationships with our suppliers.

The Board fully supports the standards set out within the Prompt Payment Code ('PPC') in respect of all suppliers. The main features of the PPC 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. Further details are set out within the Directors' Report.

As set out above, we are committed to implementing and enforcing effective systems and controls to confirm that slavery and human trafficking is not taking place anywhere in our supply chain, or in any part of our business, and we expect suppliers to have suitable anti-slavery and anti-human trafficking policies and processes within their own businesses and to cascade those policies to their own suppliers.

Our Shareholders

We have two main shareholder groups: institutional investors and individual, or retail, shareholders. We have an extensive investor relations programme aimed at keeping existing and prospective institutional investors informed on the business performance and strategy and we keep all shareholders up to date through regular communications, including the Annual Report, Interim Report and trading statements.

During the year, the Chief Executive Officer and the Chief Financial Officer maintained an active and constructive dialogue with both existing and prospective institutional investors following the release of our 2019 annual results in March, our 2020 interim results in September and additionally at or around the time of any other significant market updates, in order to ensure that the investor community received a balanced and complete view of our performance.

We also have a section of our website which is dedicated to shareholders and analysts (www.jsg.com/investor-relations/) which includes all of our financial results presentations since 2010.

The Annual General Meeting (AGM) provides the Board with the opportunity to communicate with private and institutional investors and we encourage their participation at the meeting. Shareholders attending the AGM have the opportunity to meet and question the Board; this provides the Board with valuable feedback and helps them to understand the views of shareholders.

At the time of writing, Government measures are in force restricting physical public gatherings and unnecessary travel, due to COVID-19. In view of these measures and our responsibility to protect the health and safety of our Shareholders and employees, we are currently planning that our 2021 AGM will be held as a closed meeting. Shareholders will, however, be able to follow the proceedings of the 2021 AGM and ask questions via a live listen-only webcast facility. Further details on how to access the webcast are included in the Notice of Annual General Meeting accompanying this Annual Report. The measures being taken by the UK Government to help contain the spread of COVID-19 are subject to change, therefore, Shareholders are strongly urged to check the Company's website (www.jsg.com) in advance of the 2021 AGM in case there are further changes to the arrangements for the 2021 AGM.

Environment

The industry we operate in is, by its very nature, energy intensive, however, we recognise our responsibilities to achieve good environmental practice and to continue to strive for improvement in areas of environmental impact. We are committed to energy efficiency improvement and continue to take steps in a continuous improvement strategy. Our approach is to work through education, communication and direct action wherever possible. We aim to "Remove, Reduce, Reuse, Recycle" wherever we can.

The Group's continuous investment in state-of-the-art energy efficient capital equipment, further details of which are set out below, not only gives us a competitive advantage but allows us to reduce our environmental impact when compared to using older and less efficient machinery. Furthermore, our dense footprint of processing facilities allows us to be close to our customers. Being close to our customers means lower distances travelled to deliver and collect our products, which in turn means less fuel is used resulting, therefore, in a lower environmental impact when compared to other providers travelling significantly greater distances.

Board Responsibility

The Board is aware of its responsibilities with regard to the environment and receives regular reports on all environmental matters. The Board, as a whole, has overall responsibility for environmental, social and governance matters and Peter Egan, Chief Executive Officer, is the nominated Executive Director responsible for Health and Safety and the Environment.

Environmental Risk Assessment

Potential areas of risk are identified through the Group's risk assessment programme and mitigated wherever possible. Each business undertakes quantitative audits which enable a measure of environmental improvement to be made.

ISO 14001 is the international standard that specifies requirements for an effective environmental management system. It provides a framework that an organisation can follow, rather than establishing environmental performance requirements. Certain of our processing facilities have already achieved ISO 14001 certification and all of our businesses are subject to an annual environmental audit to ensure compliance with current legislation.

Environmental and Social Responsibility Statement

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Climate Change Agreement

The Group is party to a Climate Change Agreement, a voluntary agreement with the Environment Agency to reduce energy use and carbon dioxide (CO_2) emissions. In return, and subject to meeting the agreed predetermined energy reduction targets, the Group receives a discount on the Climate Change Levy, a tax added to electricity and gas bills. If the agreed energy reduction target is not met, the Group is required to pay a "buy-out fee", which is calculated per tonne of CO_2 (equivalent) emitted over the target.

Over recent years, and reflective of the significant investment made by the Group in energy saving initiatives and state-of-the-art energy efficient capital equipment, the Group has been able to successfully meet the vast majority of the targets set by the Environment Agency which has resulted in virtually no requirement to pay any buy-out fees.

The current scheme was due to end in December 2020 with the "Target Period 4" reporting date. However, the Department for Business, Energy and Industrial Transformation (BEIS) has agreed with our industry body, the Textile Services Association, to extend the scheme to December 2022 "Target Period 5".

Climate Change Act 2008

The Climate Change Committee (the 'CCC'), an independent, statutory body established under the Climate Change Act 2008, advises the UK and devolved governments on emissions targets and reports to Parliament on progress made in reducing greenhouse gas emissions and preparing for and adapting to the impacts of climate change.

The CCC recently published its recommendations for the Sixth Carbon Budget advice report, which provides ministers with advice on the volume of greenhouse gases the UK can emit during the period 2033-2037. The report sets the pathway to Net Zero and is based on an extensive programme of analysis, consultation and consideration by the CCC. The four key steps set out within the CCC's recommended pathway are as follows:

1) take up of low-carbon solutions;
2) expansion of low-carbon energy supplies;
3) reducing demand for carbon-intensive activities; and
4) land and greenhouse gas removals.

As part of more fully developing our social and environmental strategy, we will take the above into account and continue to monitor developments in order to ensure we maximise opportunities for further gains and efficiencies as well as considering the long term impact and future implications of changes in the regulatory regime.

Our Ongoing Initiatives

The Board has always taken its environmental impact very seriously and is taking steps to improve the performance further. For many years, we have continued to invest in energy efficient capital equipment and update our operational procedures in order to reduce our energy, fuel, water and detergent usage and, in turn, our wastage. This ongoing investment has, unquestionably, reduced our environmental impact over the years whilst at the same time improved our productivity. Initiatives already undertaken across the Group include:

- replacing burners on main steam generation equipment;
- installing passive LED lighting in our main production areas which shutdown the power when required lighting levels are reached;
- provision of new skylights for increased natural light;
- installing inverter controlled equipment, which offers potential energy reduction of up to 10% on relevant equipment;
- widespread use of commercial tunnel washers, which are equipped with separate continuous compartments that allow laundry to progress through the different processing stages, ensuring optimal energy consumption;
- installing 'grey' water recycling, which reuses final rinse water on first washes on selective wash processes;
- rollout of wastewater heat reclamation which utilises the heat from used, outgoing water to heat incoming cold fresh water;
- in conjunction with our specialist suppliers, optimising the washing process in order to reduce the amount of detergent required;
- wherever possible, and with the agreement of our customers, reducing the amount of single use packaging;
- our transport and operational teams aim to reduce distance travelled by our commercial vehicles by optimising routes in order to assign customers to the nearest processing facility, concentrate customer deliveries to a limited number of areas and avoid routes crossing;
- wherever possible, ensuring that our commercial vehicles leave our sites fully laden and return fully laden – an empty or underutilised vehicle is not economical; and
- to better manage energy performance related to fuel consumption, the Group has been progressively implementing a fleet management tool and raising awareness of economic driving. Vehicles are fitted with trackers that monitor fuel consumption and excessive speed or braking.

In order to further reduce the Group's environmental impact, our intention is to remove paper from the 2021 Annual General Meeting ('AGM') voting process as far as possible. As a result, Shareholders will not receive a hard copy Form of Proxy for the AGM but will instead be able to register their vote electronically.

In addition to the above, 2020 saw us become involved in a number of initiatives that seek to reduce water usage, sustainably source materials, recycle products and reduce our fleet CO2 emissions, as further explained below:

Stalbridge Water Recovery

Water is a critical input when operating an industrial laundry. Once finished with, used water is discharged to the wastewater network. Prior to being discharged into the natural environment, all industrial discharge is treated either on-site or at a water treatment plant at significant cost to the Group. Reducing the amount of water discharged therefore not only offers financial savings to the Group but also benefits the environment.

The Group's processing sites obtain their water either from an underground natural supply (wells) or from the public water system. Once water enters our sites, we do our upmost to reuse it as many times as possible, for example, by utilising final rinse water on first washes on selective wash processes. Nevertheless, at some point we will have used the water as much as we possibly can and, at that point, it is then discharged as effluent into the UK's wastewater network. The discharge of effluent results in a cost to the business as well as having an effect on the environment. It makes sense, therefore, that the less effluent we discharge the better it is for the environment, whilst at the same time offering savings to the Group.

It is for that precise reason we are currently trialling a wastewater recycling solution at one of our HORECA sites. The solution, which utilises hollow-fibre ceramic technology, is designed in order to treat water discharge and recycle it such that it can be reused. If successful, we anticipate rolling it out to other sites across the Group.

Better Cotton Initiative

BCI Better Cotton Initiative www.bettercotton.org

In June 2020, we became one of the first textile rental companies in the world to have its application to join the Better Cotton Initiative ('BCI') approved. The BCI is a global not-for-profit organisation and the largest cotton sustainability programme in the world. BCI exists to make global cotton production better for the people who produce it, better for the environment it grows in and better for the sector's future.

Today, less than 25% of cotton is grown in a way that actively protects people and the environment. BCI is striving to transform cotton production from the ground up, educating cotton farmers in becoming more resilient to unpredictable climate conditions and be able to make a decent living from farming by producing Better Cotton – better for farmers, better for the environment. Better Cotton is grown in a way that protects and restores the environment, while also improving farmers' livelihoods. BCI Farmers receive training on the Better Cotton Principles and Criteria – one of six elements of the Better Cotton Standard System, BCI's holistic approach to sustainable cotton production which covers all three pillars of sustainability: environmental, social and economic.

The Principles and Criteria address how to use water more efficiently and consider water use in the context of local water resources, using land responsibly and conserving biodiversity, caring for soil health and lowering the impact of conventional crop protection practices (replacing them, where possible, with sustainable alternatives), preserving fibre quality and promoting Decent Work – work that offers fair pay, security and equal opportunities for learning and progression, in an environment where people feel safe, respected, and able to express their concerns or negotiate better conditions.

Farmers who adhere to the Better Cotton Principles and Criteria receive a BCI licence and can sell their cotton as Better Cotton. By helping farmers to grow cotton in a way that reduces stress on the environment and improves the livelihoods and welfare of farming communities, BCI aims to create long-term change.

BCI Membership has historically been for major global retailing brands and textile manufacturers and we are delighted, as part of our environmental and social responsibility efforts, to be able to join, support and promote BCI membership to help encourage sustainable purchasing of textiles through our supply chain and throughout our industry.

Textile Recycling

Textiles are finally becoming part of the circular bioeconomy. Working with our professional trade body, the Textile Services Association ('TSA'), we are participating in a trial to assess how we can recycle textiles that, for our purposes at least, have reached their end of life.

Currently, only a negligible proportion of the global production of clothing and textiles is recycled, the vast majority is either incinerated or sent to landfill. One of the biggest challenges in textile recycling is that fabrics rarely consist of pure cotton. After several years of development, Södra, a Scandinavian forestry group, has developed a new process for industrial-scale textile recycling for both cotton fabrics and blended fabrics (polycottons). The recycled textiles are used to make new dissolving pulp, which can then become new viscose and lyocell, or combined with a wood cellulose to create a pure, high-quality dissolving pulp which can be used to produce new clothing and other textile products. In other words, it is a raw material that is both recycled and renewable at the same time. The technique is a unique solution that enables circular flows in the fashion and textile industry. Whilst at an early stage, the results of the trial are encouraging and we are engaged in the next stage of assessing the wider implications of how we can participate in and benefit from a longer term trial.

By sending our end of life textiles to Södra, we become part of a long-term effort to solve one of the world's most challenging sustainability issues. The TSA are also working with another partner in the UK who may also offer longer term opportunities for recycling and re-use of textiles to help us participate more fully in the circular bioeconomy.

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Electric Vehicles

We are currently assessing the feasibility of introducing electric vehicles, where practicable, into our company car scheme. As the mileage range increases, with many new models claiming to offer a range approaching 300 miles, electric cars are now, theoretically, better equipped than ever to deal with the needs of business motoring. Subject to a satisfactory outcome of our feasibility study, we anticipate being able to introduce electric vehicles to our company car fleet which should help us to reduce our impact on the environment whilst also potentially providing financial benefits to both the employee and the Group.

Actions for 2021

The Board is acutely aware of the UK's target to bring all greenhouse gas emissions to net zero by 2050. Whilst the Group has for many years now been committed to doing business responsibly and reducing any adverse impacts of its operations on the environment, 2020 reflects the first time we have publicly provided details of our greenhouse gas emissions, in accordance with the Streamlined Energy and Carbon Reporting (SECR) requirements. The Board considers this an opportune event to develop our reporting systems such that we are able to disclose more fully the management of our environmental footprint, including carbon emissions, natural resources and waste as well as the goals and targets to reduce our emissions in the long term.

In order to facilitate this, the Group is currently in the process of bolstering its resources such that it will, going forward, have a dedicated in-house function to focus on sustainability, social and environmental matters. Once in place, and following a detailed review of, inter alia, each of the major inputs (e.g. water, electricity, gas, fuel, chemicals, plastic) and outputs (e.g. effluent, waste, end-of-life textiles) of the Group's processes, the Board anticipates it will be able to agree an action plan, together with specified targets, of those areas whereby action can be taken to further reduce the impact of the Group's operations on the environment. The Board envisages that following this social and environmental impact assessment, it will be better placed to more fully develop its social and environmental strategy and be able to set meaningful and realistic Greenhouse Gas reduction targets.

Notwithstanding the significant investment the Group has made over recent years in investing in state of the art, energy efficient machinery, it realises that there is still more to be done. The Board remains committed, wherever reasonably practicable, to continuously improving the energy performance of processes, buildings and the vehicle fleet by encouraging the purchase of energy-efficient appliances and services and implementing best practices for efficient and rational use of energy across the Group.

Streamlined Energy and Carbon Reporting (SECR) Requirements

The Group is required to report, in accordance with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, its energy use and carbon emissions for the financial year ending 31 December 2020. As allowed by the legislation, and in order to allow for sufficient time to compile the data and complete the reporting, the annual period used to calculate energy use and emissions was set as the 12 months ending 30 September 2020.

The figures include all material Scope 1 and 2 emissions, plus Scope 3 emissions for employees' own vehicles used for business purposes, as required to be disclosed by the legislation. Furthermore, an intensity ratio has also been provided in order to express the business' annual emissions in relation to a quantifiable factor, or normaliser. The intensity ratio calculated for the Group is tonnes of carbon dioxide equivalent (tCO2e) per £million of revenue.

		2020 Reporting Year
Combustion of gas (Scope 1)	*(tCO_2e)*	49,145
Combustion of fuel for transport purposes (Scope 1)	*(tCO_2e)*	14,728
Purchased electricity (Scope 2)	*(tCO_2e)*	7,470
Transmission and distribution of electricity (Scope 3)	*(tCO_2e)*	642
Combustion of fuel for employee owned vehicles (Scope 3)	*(tCO_2e)*	130
Total emissions	***(tCO_2e)***	**72,115**
Intensity ratio: tCO_2e per £million of revenue		**313.8**
Energy consumption used to calculate above emissions /kWh	*kWh*	**357,449,332**

Emissions included in Scope 1 above are those direct emissions arising from the combustion of gas and the use of fuel in company owned vehicles. Scope 2 emissions are indirect emissions, namely purchased electricity. Scope 3 emissions are also indirect and relate to fuel used in employee owned vehicles used for business travel and emissions in relation to electricity transmission and distribution losses.

An 'operational control' approach has been used to define the emissions boundary. This approach captures emissions associated with the direct operation of all sites, plus company-owned and leased transport. The information used to compile the report was collected and reported in line with the methodology set out in the UK Government's Environmental Reporting Guidelines, 2019. Emissions have been calculated using conversion factors provided by the UK Government. There are no material omissions from the mandatory reporting scope.

Energy efficiency initiatives previously undertaken, together with those which are proposed are set out on pages 34 to 36.

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 its responsibilities seriously with regards to health and safety and has nominated Peter Egan, Chief Executive Officer, as the Director responsible for such matters.

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

Internal Resource

The Group has a dedicated 'Technical Department' which, on a day to day basis, is responsible for matters relating to health and safety and the environment. The Technical Department oversees and supports the business with respect to all relevant policies, procedures, audits and compliance monitoring relating to health and safety and environmental matters. Additionally, they provide support in such areas as engineering, planned preventative maintenance ('PPM'), capital projects and general technical advice. Members of the team possess relevant qualifications and regularly liaise with external entities such as the British Standards Institute, the Health and Safety Executive, customer auditors, machinery, detergent and energy suppliers, insurance companies and local authorities.

Quality monitoring systems operate throughout the business and are regularly updated in respect of new processes, equipment and standards. An ongoing review of other relevant accreditations that compliment and support business processes is also undertaken, an example being the implementation of EN 14065. Proactive management of PPM is achieved via a pre-determined programme, ensuring all equipment is maintained to relevant safety and performance expectations. Health and safety is monitored via unannounced health and safety audits at all premises, health and safety meetings, initiatives such as focus on 'near misses' and root cause analysis of incidents to prevent repeat. Capital investment projects are supported by providing expertise on utilities, energy management, labour efficiency and engineering management to ensure delivery to time and budget. The environmental impact of our business operations is monitored in various ways, with recommendations on initiatives to reduce our carbon footprint such as heat recovery and water recycling.

Health and Safety Policies

All of our businesses 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 that they are fit for purpose. These audits, the results of which are notified to the Board, are in addition to each business' 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 relevant interested parties.

COVID-19

The health and safety of our employees and customers has been, and remains, our absolute priority. As the COVID-19 pandemic unfolded, sites operated with enhanced health and safety protocols and Personal Protective Equipment (PPE). In line with government and public health guidance, and in order to ensure our operations were and remain COVID-19 secure, provisions and training were put in place throughout our operations to safeguard the health and safety of employees, including travel restrictions, remote working, social distancing, temperature checks and enhanced cleaning regimes.

The measures in place to combat the spread of the virus will continue to operate at least in line with government and public health guidance.

Safety Management Systems

We consider health and safety management as an integral part of good management generally, rather than as a standalone system. In order to enable comparable reporting across the Group, each of our businesses are required to have a Safety Management System, appropriate to their operations, that is in accordance with the guidance contained within either the internationally recognised 'Occupational Health and Safety Assessment Specification' standard (OHSAS 45001) or the Health and Safety Executive's 'Managing for Health and Safety' guide (HSG65).

All new companies acquired by the Group undergo a stringent audit of their existing Safety Management System in order to establish compliance with appropriate legislation and Group policy; any shortcomings are rectified, on a risk-based approach, as soon as is practicable.

Health and safety monitoring processes are in place across the Group, carried out by a dedicated centralised team whose primary objective is to ensure that safety standards are met. The same team also undertakes horizon scanning to keep abreast of and inform on new safety legislation.

All of our businesses 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 each business is collectively benchmarked against other companies operating in similar business sectors.

Independent Audits

Testament to our culture, policies and working practices, our Johnsons Hotel Linen business has been successfully audited by representatives from Sedex. Sedex is one of the world's leading ethical trade membership organisations, working with businesses to assist them in operating responsibly and sustainably and, where necessary, to improve working conditions in supply chains. All of our Johnsons Hotel Linen sites were visited during 2019 and a SMETA (Sedex Members Ethical Trade Audit) was performed. The SMETA, which is designed to help auditors conduct high quality audits that encompass all aspects of responsible business practice, assesses each site based on standards of labour, health and safety, environment and business ethics.

Further site visits planned for 2020 were inevitably postponed as a result of the COVID-19 pandemic, however, we remain confident in re-engaging with the SMETA process as soon as conditions allow.

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 Group and its stakeholders".

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 and uncertainties facing the Group. Wherever possible, action is taken to mitigate, to an acceptable level, the potential impact of identified principal risks and uncertainties.

Risk Rating	Risk Level	Action
20+	Very High Risk	Stop
12 to 16	High Risk	Urgent Action
8 to 10	Medium Risk	Action
4 to 6	Low Risk	Monitor
1 to 3	Very Low Risk	No Action

The Board formally reviews the most significant risks facing the Group at its February and August meetings, or more frequently should new matters arise. Throughout 2020, and other than as described below, the overall risk environment remained largely unchanged from that reported within the Group's 2019 Annual Report.

IMPACT						
Severe	5	5	10	15	20	25
Significant	4	4	8	12	16	20
Moderate	3	3	6	9	12	15
Minor	2	2	4	6	8	10
Insignificant	1	1	2	3	4	5
		1	2	3	4	5
		Improbable	Remote	Possible	Likely	Almost Certain

LIKELIHOOD

Risk Appetite

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

Emerging Risks

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

COVID-19 Pandemic

The Group set out in its 2019 Annual Report and Accounts the principal risks and uncertainties that could impact its performance. At that time, we commented that whilst we had not seen any impact on trading from the COVID-19 pandemic, we would continue to monitor the situation and seek to mitigate any resultant impact. The pandemic developed quickly thereafter and, in response, the Group promptly introduced a number of monitoring and mitigating activities, including:

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

Principal Risks and Uncertainties

Continued >

Whilst we have not established a new principal risk for the COVID-19 pandemic, or for future potential pandemics, the Board has specifically considered how our principal risks and uncertainties have been impacted by it, as set out below.

Risk	COVID-19 Impact
Health and Safety	
Health and safety in the workplace is an extremely important consideration for any employer. Legislation is often complex and fast-changing and failure to ensure our employees remain safe at work may lead to serious business interruption and potential damage to reputation.	Increased amount of health and safety legislation and guidelines introduced in response to COVID-19. The Group has followed all relevant guidelines to ensure that its facilities are COVID secure. While the potential risk has increased during the period due to COVID-19, the Directors' assessment is that this increase has been mitigated by the measures implemented.
Economic Conditions	
Our business could be susceptible to adverse changes in, inter alia, economic conditions and customer spending habits, which could impact our profitability and cash flow.	The extraordinary and unprecedented events arising in 2020 exasperated this risk as a result of the various lockdowns and restrictions imposed across the UK in response to COVID-19 pandemic. HORECA customers may delay opening until they are confident of demand for their own services having returned to more normalised levels. In response to COVID-19, we have implemented action plans to protect the liquidity of the Group and to reduce the cost base. We continue to review our cost base for additional savings.
Loss of a Processing Facility	
The loss of a key processing facility could result in significant disruption to our business, due to the high utilisation of plant capacity.	Historically, the loss of a processing facility would most likely be as a result of flooding or fire, however, a site may now temporarily become unavailable as a result of Government guidance changes, on either a localised or national level, in response to COVID-19. Similarly, a localised outbreak of COVID-19 may also lead to the temporary closure of a site. A wide geographic spread of processing facilities mitigates the effect of a temporary loss of any single facility as our estate provides us the ability to relocate the processing of work. Detailed plans are in place for the processing to be relocated quickly and efficiently.
Customers	
For our businesses to grow organically, we are reliant on securing and retaining a diverse range of customers. A reliance on any one particular customer or group of customers may present a risk to the future cash flows of the Group should they not be retained. Adverse economic conditions may lead to an increased number of our customers and clients being unable to pay for existing or additional products and services.	COVID-19 may lead to a higher number of customer closures than we would ordinarily experience and, as set out above, customers may delay opening until they are confident of demand for their own services having returned to more normalised levels. Our business model is structured so that we are not reliant on one particular customer or group of customers and we have limited concentration of credit risk with regard to trade receivables given the diverse and unrelated nature of the Group's customer base. Given the diversity of our customer base and the various industries which we serve, it is generally possible to contain the impact of these adverse conditions. Any adverse impact on cash flow could be mitigated in the short term by controls over capital expenditure and other discretionary spend.
Competition	
We operate in a highly competitive marketplace. Aggressive pricing from our competitors could cause a reduction in our revenues and margins.	Competitors may seek to aggressively price contracts in order to backfill volume lost during the pandemic, particularly as they may not have access to the same level of liquidity as the Group. The Group will continue to differentiate its proposition and focus on our points of strength, such as transparency of our pricing, flexibility in our cost base, quality and value of service and innovation.

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

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

Brexit

The impact of the UK's decision to exit the European Union (Brexit) remains high on our agenda. The Board continues to view the potential impact of Brexit as an integral part of our principal risks rather than as a standalone risk.

We perceive the main risks as a potential delay on imports as well as an increase in costs and tariffs on those imports, however, in our risk mitigation planning we have sought to ensure that our key suppliers had the correct customs documentation in place for 1 January 2021. We also planned for increased stock holding of linen and garments within the UK. We are also aware that the recent changes to the UK's immigration system may have an impact on employee availability, particularly in the short-term, in certain regions where we operate. By virtue of the size of the Group, we are able to reallocate work across our estate in the event of employee unavailability in a particular location.

The Board will continue to monitor the potential impact and the Company will take necessary mitigating actions as appropriate.

Principal Risks and Uncertainties

Continued >

Principal Risks and Uncertainties

The principal risks and uncertainties affecting the Group are set out below, together with details on how the Board takes action to mitigate each risk. These risks and uncertainties do not comprise all of the risks that the Group may face and are not necessarily listed in any order of priority. Additional risks and uncertainties not presently known to the Board, or deemed to be less material at the date of this Annual Report, may also have an adverse effect on the Group. For each principal risk we have set out the risk rating that has been attributed to each risk. Risk ratings are shown as 'net' i.e. the residual risk rating taking account of the controls and mitigation in place.

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

Risk	Mitigation
ECONOMIC CONDITIONS **Risk Rating: High**	
Our business could be susceptible to adverse changes in, inter alia, economic conditions, employment levels and customer spending habits, all of which could impact our profitability and cash flow. The extraordinary and unprecedented events arising in 2020 exasperated this risk as a result of the various lockdowns and restrictions imposed across the UK in response to COVID-19 pandemic.	Given the diversity of our customer base and the various industries which we serve, it is generally possible to contain the impact of these adverse conditions. 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 and other discretionary spend. In response to COVID-19, we have implemented action plans to protect the liquidity of the Group and to reduce the cost base. We continue to review our cost base for additional savings.
FAILURE OF STRATEGY **Risk Rating: High**	
Our current business model sets out our intentions to expand the Group by actively pursuing strategic acquisition opportunities within the textile services market. Failure to identify suitable targets, or failure to successfully integrate them, would adversely impact our growth plans and potentially lead to lower investor confidence.	There is considerable knowledge and expertise within the Group with regard to acquisitions. An experienced acquisition team, together with external advisors where appropriate, is involved in all acquisition activity and we have a proven track record of successfully integrating businesses into the wider Group. Whilst the main challenge, particularly given the current economic environment, is in identifying suitable targets and determining an appropriate level of consideration on acceptable terms, our knowledge of and relationships with other market participants leaves us well positioned to take advantage of opportunities.
LOSS OF A PROCESSING FACILITY **Risk Rating: High**	
The loss of a key processing facility could result in significant disruption to our business.	A wide geographic spread of processing facilities mitigates the effect of a temporary loss of any single facility as our estate provides us the ability to relocate the processing of work. Detailed business continuity plans are in place for the processing to be relocated quickly and efficiently, as demonstrated in January 2020 following a fire at our Johnsons Workwear site in Exeter. Furthermore, insurance cover is in place such that the increased cost of working following a loss of processing capacity may, in some circumstances, be recovered.

Risk	Mitigation
COST INFLATION **Risk Rating: Medium**	
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 do this. For example, the introduction of the National Living Wage in April 2016 had a material impact on our cost base and will continue to do so.	We seek to manage the impact of cost inflation by continuing to drive greater efficiencies through supplier rationalisation, labour scheduling and productivity improvements, the latter of which is evidenced by our ongoing investment in state of the art, energy efficient machinery. Cost indexation in certain of our contracts also gives us the contractual right to review pricing with our customers.
INSUFFICIENT PROCESSING CAPACITY **Risk Rating: Medium**	
In previous years, the Group has stated that as demand increases our facilities may not be able to process the increased volume or may not be able to process it efficiently. Whilst the current COVID-19 pandemic has temporarily reduced demand for our services, this risk will return as markets recover. Production efficiencies reduce if plants are processing too much work, quality may decline and machinery break downs are likely to increase in frequency. We may not be able to tender for further work due to capacity issues.	Our increasing geographic coverage allows for work transfers to ease short term processing gaps, however, the identification of suitable processing facilities in the right location remains a priority. The Group has adopted a lead strategy by adding capacity in anticipation of an increase in demand, for example, the recent construction of our new high-volume hotel linen site in Leeds.
CUSTOMER SALES AND RETENTION **Risk Rating: Medium**	
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. Regular customer feedback surveys are undertaken across the Group and, where applicable, appropriate action taken. 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 AND DISRUPTION **Risk Rating: Medium**	
We operate in a highly competitive marketplace. Aggressive pricing from our competitors could cause a reduction in our revenues and margins. The levels of concentration and outsource penetration vary by region and by sector. Some markets are relatively concentrated with two or three key players whilst others are highly fragmented and offer significant opportunities for consolidation and penetration.	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. We are using our knowledge and experience which will help us to counter any potential risk and to capitalise on any opportunities.

Principal Risks and Uncertainties

Continued >

Risk	Mitigation
RECRUITMENT, RETENTION AND MOTIVATION OF EMPLOYEES **Risk Rating: Medium**	
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. Occasionally, the Group has faced resourcing challenges in some parts of its businesses due to a lack of industry experience amongst candidates and appropriately qualified people as well as the seasonal nature of some of our business. The recent changes to the UK's immigration system could have an impact on employee availability in certain regions where we operate. Short term disruption could occur if a key member of our team was unavailable at short notice, either on a temporary or permanent basis. The current economic conditions may increase the risk of attrition in critical senior management positions.	The Group aims to mitigate this risk by time critical targeted resource management and has established training, development, performance management and reward programmes to attract, retain, develop and motivate our people. The Group has also embarked on a process of employee engagement reviews, led by an external consultant, and operates a number of well-established initiatives in response to our people's needs. One initiative arising from the employee engagement review is an 'introduce a friend scheme' which we anticipate rolling out during 2021. 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 an over reliance on any one individual. Furthermore, the Group has continued to develop succession planning as part of the development programmes for our people.
HEALTH AND SAFETY **Risk Rating: Medium**	
Health and safety in the workplace is an extremely important consideration for an employer. Legislation is complex and failure to ensure that our employees remain safe at work may lead to serious business interruption and could result in criminal and civil prosecution, increased costs and potential damage to our reputation.	The Group has policies, procedures and standards in place to ensure compliance with legal obligations and industry standards. Regular health and safety audits and risk assessments are undertaken across the Group. All Board and management meetings throughout the Group feature a health and safety update as an agenda item.
COMPLIANCE AND FRAUD **Risk Rating: Medium**	
Ineffective management of compliance with increasingly complex laws and regulations, or evidence of fraud, bribery and corruption 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 Code of Ethics (the 'Code') governs all aspects of our relationships with our stakeholders and, in conjunction with our dedicated Whistleblowing Hotline, is aimed at promoting a strong culture of integrity throughout the Group. All alleged breaches of the Code, including any allegations of fraud, are investigated and action taken where appropriate. The Group's procedures include regular operating reviews, underpinned by a continual focus on ensuring the effectiveness of internal controls. The Group undertakes a robust risk management assessment that helps properly identify major risks and ensures the internal control framework remains effective through regular monitoring, testing and review. Emerging Regulatory and compliance risks are included in this process to enable visibility and planning to address them. Regulation and compliance risk is also considered as part of our annual business planning process.

Risk	Mitigation
INFORMATION SYSTEMS AND TECHNOLOGY **Risk Rating: Medium**	
The digital world creates many risks for a business including, but not limited to, technology failures, loss of confidential data and damage to brand reputation through, for example, the increased and instantaneous use of social media. Disruption caused by the failure of key software applications, security controls or underlying infrastructure could delay day to day operations and management decision making. The use of sophisticated phishing and malware attacks on businesses is rising with an increase in the number of companies suffering operational disruption and loss of data.	We seek to assess and manage the effectiveness of our security infrastructure and our ability to effectively defend against current and future cyber risks by using analysis tools and experienced professionals to evaluate and mitigate potential impacts. We also have in place appropriate crisis management procedures to handle issues in the event of our defences being breached. This is supported by using industry standard tooling, experienced professionals and partners and regular compliance monitoring to evaluate and mitigate potential impacts. We are focused on the need to maximise the effectiveness and security of our information systems and technology as a business enabler and to reduce both cost and exposure as a result.
CLIMATE CHANGE & ENERGY COSTS **Risk Rating: Medium**	
Climate change is increasingly becoming more significant and we foresee that, over time, it may have a greater impact on the Group's operations. For example, unpredictable weather patterns brought about by climate change are leading to increasingly more intense storms and flash flooding. The industry we operate in is, by its very nature, energy intensive. Climate change is important to us as a business and to our stakeholders and we are committed to energy efficiency improvement and reducing our greenhouse gas emissions, however, there remains the potential for us to see increases in both the cost of energy as well as the potential introduction of associated levies or taxation.	Detailed business continuity plans are in place for the processing to be relocated quickly and efficiently, as demonstrated in February 2020 following a flood at our Johnsons Workwear site in Treforest. Furthermore, material damage and business interruption insurance cover is in place such that damage to property and the increased cost of working following a loss of processing capacity may, in some circumstances, be recovered. The Group seeks to minimise volatility and manage price risk through hedging and forward buying arrangements for its diesel, electricity and gas requirements. Whilst we are unable to eradicate the risk of energy levies and/or taxes being introduced, we seek to mitigate such risk by continually investing in our sites and installing the latest technologically efficient machinery, for example, water and heat recovery systems.

2.
CORPORATE GOVERNANCE

Board of Directors

Bill Shannon
Non-Executive Chairman

Bill was appointed as Non-Executive Chairman on 3 August 2018 having originally joined the Board as a Non-Executive Director on 8 May 2009. He is a Chartered Accountant (Scotland) and, after qualifying, began his career with Whitbread PLC in 1974, where he served as a Board Director for ten years until his retirement in 2004. Bill has significant PLC board experience and is currently the Senior Independent Non-Executive Director 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 St. Modwen Properties PLC and Aegon UK PLC and Non-Executive Director of Rank Group PLC, Barratt Developments PLC and Matalan PLC. Bill is also a Council member of the University of Southampton. Bill has advised of his intention to retire from the Board at the conclusion of the Company's AGM to be held in May 2021.

Peter Egan
Chief Executive Officer

Peter was appointed as Chief Executive Officer on 1 January 2019 having previously held the role of Chief Operating Officer since 1 April 2018. He joined the Group in 1998 and has over 25 years' experience in the Textile Services industry. Prior to his appointment to the Board, Peter was the Managing Director of Johnsons Workwear, the Groups workwear rental business, having previously held a number of senior roles within that business. Peter is also a Board member of the European Textile Services Association.

Yvonne Monaghan
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 Group Financial Controller in 1985 and joined the Board as Chief Financial Officer on 31 August 2007. Yvonne is also the Senior Independent Non-Executive Director and Chair of the Audit Committee of The Pebble Group PLC and, prior to stepping down from the Board on 24 September 2020, was also the Senior Independent Non-Executive Director and Chair of the Audit Committee of NWF Group plc. Yvonne was elected to the CBI North West Regional Council from 1 January 2021.

Chris Girling
Senior Independent Non-Executive Director

Chris joined the Board as a Non-Executive Director on 29 August 2018. A Chartered Accountant by training, he has a background in a variety of sectors, including support services, distribution, construction and defence. Since retiring from full time executive roles in 2007, where he spent the last 16 years as Group Finance Director for two FTSE 250 support services companies, Chris has pursued a non-executive career. Chris is currently a Non-Executive Director and Chairman of the Audit Committee of Workspace Group PLC (where he is also the Senior Independent Director) and South East Water Limited as well as Chair of Trustees for the Slaughter and May Pension Fund.

Nick Gregg
Independent Non-Executive Director

Nick joined the Board as a Non-Executive Director on 1 January 2016. Nick has considerable experience in business to business service industries having been Managing Director of the Local Government division of Ferrovial-owned public services business Amey, Managing Director of Biffa Waste Services Collections Division and Managing Director of ATS Euromaster (Michelin). Nick's early career was spent at Mobil Oil Company, leaving as Managing Director of the UK business, having previously held roles in sales, marketing and operations as well as key project roles in finance and IT.

Jock Lennox
Independent Non-Executive Director & Chairman Designate

Jock was appointed to the Board as a Non-Executive Director and Chairman Designate on 5 January 2021. Jock, a Chartered Accountant with extensive experience across a range of sectors, spent 30 years with Ernst & Young LLP ('EY'), holding a number of leadership positions in the UK and globally, including 20 years as a partner. Since leaving EY in 2009, he has developed an active board career sitting on and leading boards that have undertaken a range of organic and corporate development and growth strategies. Jock is currently a Non-Executive Director and Audit Committee Chairman of Barratt Developments PLC and was previously Chairman of Enquest PLC and Hill & Smith Holdings PLC. He has also previously served on the boards of Dixons Carphone PLC, Oxford Instruments PLC and A&J Mucklow Group PLC.

Tim Morris
Company Secretary

Tim was appointed as Company Secretary on 1 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 present their Annual Report and the audited Consolidated and Company Financial Statements for the year ended 31 December 2020.

The Corporate Governance Report on pages 55 to 66, and the Environmental and Social Responsibility Report on pages 28 to 37 (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

Johnson Service Group PLC (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 principal activities and business overview of the Group are set out within the Strategic Review

Results and Dividends

The Group retained loss after taxation for the year from all operations amounted to £27.1 million (2019: £30.9 million retained profit after taxation).

We recognise the importance of a dividend to our shareholders, however, the Board had to balance this with the impact the COVID-19 pandemic has had on our business and the resultant need for prudent cash management. As a result, on 20 March 2020, the Board issued a market update regarding the impact of COVID-19 on the business and confirming that, it would, at the upcoming Annual General Meeting on 5 May 2020, withdraw Resolution 3 in the Notice of Annual General Meeting relating to the final dividend payment in respect of 2019 of 2.35 pence per Ordinary share. Furthermore, and as previously announced on 5 May 2020, we have decided not to pay dividends for the financial year ended 31 December 2020. In reaching these decisions, the Board considered the importance of a dividend to the Company's shareholders, the need to preserve the Company's liquidity and the exceptional circumstances that COVID-19 represented. The Board will keep future dividends under review and will look to reinstate its dividend policy as trading returns to more normalised levels.

In respect of the financial year ended 31 December 2019, an interim dividend of 1.15 pence per Ordinary share was paid to Shareholders in November 2019, amounting to a distribution for the year of £4.3 million.

Share Capital

The Companies Act 2006 no longer requires companies to have an authorised share capital.

The total issued share capital at the end of the year and the outstanding share options are given in note 29 to the Consolidated Financial Statements.

Major Interests in the Company's Share Capital

At 18 March 2021, this 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 (%)
PrimeStone Capital LLP	14.33%
Invesco Limited	9.86%
Octopus Investments Nominees Ltd	4.29%
Wasatch Advisors Inc	3.02%
Artemis Investment Management LLP	Below 5%

The information provided above was correct as at the date of notification, however, it should be noted that these holdings may have changed since the Company was notified. Notification of any change is not required until the next notifiable threshold is crossed.

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

At the 2020 Annual General Meeting, Shareholders authorised the Company to make market purchases of up to a maximum aggregate of 36,976,082 Ordinary shares, which represented approximately 10% of the Company's issued Ordinary share capital on the latest practicable date prior to publication of the 2020 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 2021 Annual General Meeting. Further details are given in the 2021 Notice of Annual General Meeting.

Acquisitions and Discontinued Operations

There were no business combinations or disposals during the year. However, on 28 February 2020, the purchase of a number of contracts which were transferred into our Shaftesbury site was completed. The purchase of these contracts did not meet the eligibility criteria set out within IFRS 3 'Business Combinations' and hence they are not recognised as a business combination.

Details of prior year acquisitions, together with any fair value adjustments recognised during the current year, are given in note 34 of the Consolidated Financial Statements.

Details of discontinued operations are provided in note 35 to the Consolidated Financial Statements.

Events after the Reporting Period

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

Directors

Details of the Directors of the Company are shown on page 48. With the exception of Jock Lennox, who was appointed to the Board on 5 January 2021, they all held office throughout the year and up to the date of approving this Report.

Directors' Report
Continued >

Directors' Interests

Share Capital

The interests of the Directors who were in office at 31 December 2020, 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 Directors' Remuneration Report. Details of the Company's interest in its own shares are disclosed in note 32 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.

Articles of Association

The Company's Articles of Association may only be amended by Special Resolution at a general meeting of the Shareholders.

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 (2019: £nil).

Independent Auditors

During the year, the Audit Committee led a formal competitive tender process for the appointment of a new external auditor. As announced in November 2020, and subject to Shareholder approval at the 2021 Annual General Meeting, the Board has approved the proposed appointment of Grant Thornton UK LLP ("Grant Thornton") as its external auditor to take effect from, and including, the financial year ending 31 December 2021. Further details of the audit tender process can be found on pages 75 to 76.

In accordance with the recommendation of the Audit Committee, as disclosed on page 73, and as required by Section 489 of the Companies Act 2006, a resolution to reappoint Grant Thornton as the external auditor will be proposed at the Annual General Meeting.

Statement on Engagement with Stakeholders

The success of our strategy is reliant on the support and commitment of all our stakeholders. Their interests are important to us and we are committed to maintaining strong, positive relationships with them, built on a foundation of mutual respect, trust and understanding. The table on page 29 and the section 172(1) statement on page 13 provide a high-level overview of how we engage with our stakeholders.

COVID-19 has had a profound impact on all of our stakeholders and throughout this Annual Report there are examples of measures that were taken by the Board to protect the Company and to manage the expectations of stakeholders.

Policy on Payment to Suppliers

Prompt Payment Code

The Company and its subsidiaries fully support the standards set out within the Prompt Payment Code ('PPC') in respect of all suppliers. The PPC sets standards for payment practices and best practice and is administered by the Chartered Institute of Credit Management. The main features of the PPC 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.

Payment Practice Reporting

Regulations made under Section 3 of the Small Business, Enterprise and Employment Act 2015 introduced a requirement on the UK's largest companies to report on a half-yearly basis their payment practices, policies and performance. The requirement to report is based upon a company having annual revenue of £36.0 million or more; the Parent Company has revenue of £nil hence the Group has reported under its main trading subsidiary, Johnsons Textile Services Limited.

Johnsons Textile Services Limited was required to publish supplier payment information for the six months ended 30 June 2020 and for the six months ended 31 December 2020. The average time taken to pay invoices in each of those periods was 56 days and 50 days respectively. The comparative figures for 2019 were 56 days and 55 days respectively. Johnsons Textile Services Limited trades through a number of brands, each of which have varying payment terms with their suppliers, however, such terms typically range from 60 days from date of invoice through to 60 days from end of the month in which the invoice was raised.

Further information was published through an online service provided by the Government and can be viewed by visiting https://check-payment-practices.service.gov.uk/company/00464645/reports.

Dispute Resolution Process

We seek to resolve any issues in the first instance between the most relevant representatives of our Company and the supplier. If the matter cannot be resolved it may then be escalated to senior members of both the supplier and ourselves. We are very proud to have built up longstanding relationships with a significant proportion of our suppliers and will always endeavour to work in a collaborative manner with them in order to resolve any disputes that may arise. Once resolved, we would aim to pay the supplier within the agreed contractual terms between us or, if the contractual due date has passed, at the next available opportunity.

Streamlined Energy and Carbon Reporting (SECR)

The Group is required to report, in accordance with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, its energy use and carbon emissions for the financial year ending 31 December 2020. As allowed by the legislation, and in order to allow for sufficient time to compile the data and complete the reporting, the annual period used to calculate energy use and emissions was set as the 12 months ending 30 September 2020.

Relevant disclosures are provided on page 36.

Financial Risk Management

The Directors acknowledge that the Group's activities expose it to a variety of financial risks, including 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. Risk management is carried out centrally under policies approved by the Board. Further details are set out within the Audit Committee Report on page 74.

Half Yearly Reporting

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.

2021 Annual General Meeting

The 2021 Annual General Meeting (the 'Meeting' or the 'AGM') of Johnson Service Group PLC (the 'Company') will be held at Johnson House, Abbots Park, Monks Way, Preston Brook, Cheshire, WA7 3GH on Wednesday 5 May 2021 at 11:00.

At the time of writing, Government measures are in force restricting physical public gatherings and unnecessary travel, due to COVID-19. In view of these measures and our responsibility to protect the health and safety of our Shareholders and employees, we are currently planning that our AGM will be held as a closed meeting. Shareholders will be able to follow the proceedings of the Meeting via an electronic listen-only webcast facility.

Furthermore, and in order to reduce the Company's environmental impact, our intention is to remove paper from the voting process as far as possible. As a result, Shareholders will not receive a hard copy form of proxy for the AGM but will instead be able to register their vote electronically.

Further details on how to access the webcast, electronic voting together with an explanation of the resolutions to be proposed at the Meeting are included in the Notice of Annual General Meeting accompanying this Annual Report. The measures being taken by the UK Government to help contain the spread of COVID-19 are subject to change, therefore, Shareholders are strongly urged to check the Company's website (www.jsg.com) in advance of the AGM in case there are further changes to the arrangements for the AGM.

Directors' Report
Continued >

Going Concern

Background and Summary

The Directors have adopted the going concern basis in preparing these financial statements after careful assessment of identified principal risks and, in particular, the possible adverse impact on financial performance, specifically on revenue and cash flows, of restrictions imposed by the UK Government and the devolved authorities in response to COVID-19. The process and key judgments in coming to this conclusion are set out below.The going concern status of the Company is intrinsically linked to that of the Group.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement, the Strategic Review 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 26 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.

Going Concern Assessment

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

The current and plausible future impact of COVID-19 and the related macroeconomic environment on the Group's activities and performance has been considered by the Board in preparing its going concern assessment. The Group has prepared a base case scenario, reflecting an initial set of assumptions around financial projections and trading performance, together with various, more pessimistic, expectations for market developments over the remainder of 2021 and 2022 to reflect subdued trading conditions. The specific assumptions used within the base case scenario, with regard to the assumed dates for the staged reopening of hospitality, follow those set out within the UK Government's recently announced four-step roadmap for the easing of restrictions across England. It is assumed that arrangements within the devolved geographies will follow a similar roadmap.

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

1) Cash Flows and Sensitivity Analysis

In assessing going concern, the Directors considered a variety of scenarios in the context of the COVID-19 pandemic. These scenarios are not the forecasts of the Group or Company but are designed to stress test liquidity and covenant compliance. EBITDA used within the scenarios is that used for bank covenant purposes which, for 2021, is defined as adjusted operating profit before property, plant and equipment depreciation, rental stock depreciation and software amortisation. In 2022, the definition is amended to also exclude right of use asset depreciation. The three most relevant scenarios, in ascending order of severity, reviewed to test going concern are as follows:

Base Case Scenario

This scenario assumes that the HORECA market gradually begins to reopen during the second quarter. April assumes a modest increase in current volumes, based on the planned reopening of gyms, outdoor hospitality and self-catering holiday accommodation on 12 April whilst May assumes a more stepped increase as a result of the planned reopening of indoor hospitality (pubs and restaurants), hotels and B&Bs on 17 May. By June 2021, this scenario assumes that volumes have reached 50% and 70% of normalised levels, such range reflecting the nuances of specific sub-markets within the overall HORECA market, for example, restaurants, hotels, contract catering. Volumes increase month on month thereafter, reaching a maximum of 85% of normalised volumes by September 2021 with modest increases thereafter to reach 90% of normalised volumes by December 2021. Further modest monthly increases are then assumed throughout 2022.

Delay in Lifting of Restrictions Scenario

In this scenario the gradual recovery in the HORECA market that is assumed within the Base Case is delayed by two months, up to and including September 2021, reaching a maximum of 75% of normalised volumes in September 2021. Revenue in, and beyond, the final quarter of 2021 is then consistent with that assumed in the Base Case, reflective of a successful vaccine rollout and pent-up consumer demand.

Severe but Plausible Scenario

This scenario largely mirrors that within the 'Delay in Lifting of Restrictions Scenario' above, however, further restrictions are assumed during the winter months (for example, maximum group sizes of six) which subdues volumes further.

2) Covenants

As previously announced, at the same time as extending its bank facilities in 2020, the Group also renegotiated its banking covenants such that the pre-existing covenants were replaced, up to and including until the December 2021 covenant test date, with a maximum net debt and a minimum EBITDA threshold. From March 2022, the covenants will revert to a leverage and interest covenant test. In all three scenarios above, the financial projections indicate that the Group would remain in compliance with the financial covenants in its bank facilities. A decline in underlying EBIT/EBITDA well in excess of that contemplated in the scenarios would need to persist throughout the period for a covenant breach to occur. The Directors do not consider such a scenario plausible.

The Group also has a number of mitigating actions under its control (not all of which were included in the scenarios) including minimising capital expenditure to critical requirements, further reducing levels of discretionary spend and rationalising its overhead base in order to be able to meet the covenant tests.

3) Liquidity

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

Following the successful equity placement that raised net proceeds of £82.7 million, the Group repaid its bank borrowings. As a consequence, the bank facilities available to the Group provide significant liquidity in all scenarios modelled.

Going Concern Statement

After considering the current financial scenarios, the severe but plausible sensitivities and the facilities available to the Group and Company, the Directors have a reasonable expectation that the Group and Company have adequate resources for their operational needs, will remain in compliance with the financial covenants set out in the bank facility agreement and will continue in operation for at least the next 12 months from the date of approving both the Group and Company financial statements. As a consequence, and having reassessed the principal risks and uncertainties, the Directors considered it appropriate to adopt the going concern basis in preparing the Group and Company financial statements.

Viability Statement

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

By order of the Board

Tim Morris
Company Secretary

19 March 2021

Johnson Service Group PLC
Registered in England and Wales No.523335

Statement of Directors' Responsibilities in Respect of the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group and Parent Company financial statements in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Under company law, 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 Parent Company and of the profit or loss of the Group for that period.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable international accounting standards in conformity with the requirements of the Companies Act 2006 and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgments and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Parent Company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Parent 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 the Group and Parent Company's position and performance, business model and strategy.

Directors' Confirmations

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Group and Parent Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Parent Company's auditors are aware of that information.

On behalf of the Board

Peter Egan
Chief Executive Officer

19 March 2021

Yvonne Monaghan
Chief Financial Officer

19 March 2021

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".**

Legislative Overview

As an AIM listed company, we are required to provide details of a recognised corporate governance code that the Board has decided to apply, together with an explanation of how the Company complies with that code and, where it departs from its chosen code, an explanation for the reasons for doing so. All companies with a Premium Listing of equity shares in the UK are required to comply with the Financial Reporting Council's 2018 UK Corporate Governance Code (the 'Code'). The Board is committed to the highest standards of corporate governance and determined that it was, therefore, appropriate to apply the Code.

The Code, which can be found on the Financial Reporting Council's website at www.frc.org.uk, is the product of extensive consultation and places emphasis on businesses establishing a corporate culture that is aligned with the company purpose and business strategy and which promotes integrity and values diversity. The Code is divided into five sections, as follows:

1) Board Leadership and Company Purpose
2) Division of Responsibilities
3) Composition, Succession and Evaluation
4) Audit, Risk and Internal Control
5) Remuneration

Each of the above sections contain an overriding set of 'Principles' supported by more detailed 'Provisions'.

This Corporate Governance Report describes how the Board has applied the main Principles of good governance and complied with the relevant Provisions as set out in the Code for the year under review. To the extent necessary, certain information is incorporated into this Report by reference.

Our Governance Structure

Chairman – Bill Shannon

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

Chairman: Bill Shannon

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

Audit Committee

Membership comprises the Non-Executive Directors

Chairman: Chris Girling

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: Bill Shannon

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 Non-Executive Directors

Chairman: Nick Gregg

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

Chief Executive Officer

Peter Egan

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: Peter Egan

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

Corporate Governance Report
Continued >

Compliance with the 2018 Code

The Company has applied the Principles and complied with the Provisions of the 2018 Code throughout the year ended 31 December 2020, other than in relation to the following:

Provision	Explanation
10, 19	**Chairman's tenure** Bill Shannon was first appointed to the Board on 8 May 2009 and was appointed as Chairman on 3 August 2018. Prior to his appointment as Chairman, the Board did consider Bill's independence in light of him being first appointed to the Board over nine years ago and concluded that, given Peter Egan's then recent appointment to the Board as Chief Operating Officer, the then upcoming change in Chief Executive Officer on 1 January 2019 and the fact that a new Non-Executive Director was to be appointed, it was in the best interests of the Company and its stakeholders that Bill be appointed as Chairman in order to retain his extensive knowledge and experience of the Group at the same time as overseeing an orderly succession of other Board members. We reported in our 2019 Annual Report that, following the successful transition of Peter Egan into the role of Chief Executive Officer, Bill had indicated his intention to step down from the Board later in 2020 and that, as a result, a process had commenced to identify his replacement. The challenges faced by the Company in respect of the COVID-19 pandemic delayed that process, however, on 5 January 2021 we announced the appointment of Jock Lennox to the Board as an Independent Non-Executive Director and Chairman Designate; the intention is that Jock will step up to the role of Chairman following Bill's retirement at the conclusion of the 2021 AGM in May.
36	**Post-employment shareholding requirement** We have not introduced a formal post-employment shareholding requirement for the Executive Directors. We believe that our current approach provides for a sufficient long-term alignment of interests between executives and Shareholders through, for example, the LTIP and the existing personal shareholding requirement (which applies during employment). The Committee has though, for LTIPs granted in 2019 and thereafter, introduced a two-year post-vesting holding period. Furthermore, during 2019, the Committee also increased the personal shareholding requirement from 100% to 200% of basic salary. We will keep this under regular review as market practice in this area develops.
38	**Pensions** We have not fully aligned Executive Director pensions with the wider workforce. Provision for both the CEO and the CFO remains above the workforce average, although we have moved the pension contribution rate for the CEO closer towards the rate payable to the wider workforce. Pension rates reflect historic entitlements and whilst we do not propose any further changes at this stage we will also keep this under review.

Section 1: Board Leadership & Company Purpose

Principles:

A. A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.

B. The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.

C. The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.

D. In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.

E. The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.

Overview of the Board

The Board comprises the Chairman, executive directors and non-executive directors and has overall responsibility for the performance and long-term sustainable success of the Group. Operating in an effective and entrepreneurial spirit, the Board is responsible for health and safety, leadership, agreeing the strategic direction of the Group, promoting high standards of internal control, risk management and corporate governance, setting the budget, overseeing performance and discharging certain legal responsibilities. The Board also plays a key role in developing and monitoring our culture, our values, our brand and our reputation.

The Board has spent time in the business both collectively and as individuals, exploring specific business areas through presentations, meetings and dialogue with colleagues and our stakeholders. Throughout the year, the Board, supported by its Committees, has covered a broad range of topics to ensure that we continually review and challenge matters of importance to our stakeholders.

Further details on the Group's mission, vision, values, targets and culture, together with information on our strategy and business model, are set out within the Strategic Report on pages 12 to 13.

Specific 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:

- development and approval of the Group's long-term objectives, overall strategy, mission, vision, values and targets;
- Health and Safety matters;
- approval of the annual budget;
- monitoring of operational and financial performance against plans and budgets;
- approval of major acquisitions, disposals and capital expenditure;
- approval of any changes to the capital structure of the Group;
- design and approval of 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.

Roles in the Boardroom

Non-Executive Chairman

Bill Shannon

Leads the Board and ensures its overall effectiveness in discharging its duties

- shapes the culture in the boardroom and promotes openness, challenge and debate
- sets the agenda for Board meetings, focusing on strategy, performance, value creation, risk management, culture, stakeholders and accountability
- chairs meetings ensuring there is timely information flow before meetings and adequate time for discussion and debate
- fosters relationships based on trust, mutual respect and open communication inside and outside the boardroom
- leads relations with major shareholders in order to understand their views on governance and performance against strategy

Senior Independent Non-Executive Director

Chris Girling

Provides a sounding board for the Chairman and serves as an intermediary for other directors and shareholders

- provides the Chairman with support in the delivery of objectives, where necessary
- works closely with the Nomination Committee, leads the process for the evaluation of the Chairman and ensures orderly succession of the Chairman's role
- acts as an alternative contact for shareholders, providing a means of raising concerns other than with the Chairman or senior management

Independent Non-Executive Directors

Chris Girling
Nick Gregg
Jock Lennox

Ensure that no individual or small group of individuals can dominate the Board's decision making

- independent non-executive directors meeting the independence criteria set out in the Code, currently comprise 50% of Board membership
- provide constructive challenge, give strategic guidance, offer specialist advice and hold executive management to account

Executive Directors

Peter Egan (CEO)
Yvonne Monaghan (CFO)

Lead the implementation of the Group's strategy set by the Board

- the Group CEO is responsible for delivering the strategy and the overall management of the Group
- the Group CEO leads the Group Management Board and ensures its effectiveness in managing the overall operations and resources of the Group
- the executive directors provide information and presentations to the Board and participate in Board discussions regarding Group management, financial and operational matters

Designated Non-Executive Director for Workforce Engagement

Nick Gregg

Provides an effective engagement mechanism for the Board to understand the views of the workforce

- brings the views and experiences of the workforce into the boardroom
- enables the Board to consider the views of the workforce in its discussions and decision making

Company Secretary

Tim Morris

Supports the Chairman and ensures directors have access to the information they need to perform their roles

- provides a channel for Board and committee communications and provides a link between the Board and management
- advises the Board on corporate governance matters and supports the Board in applying the Code and complying with other statutory and regulatory requirements

Corporate Governance Report
Continued >

Key Board Activities in the Year
Key activities of the Board during 2020 included, inter alia:

- ongoing monitoring of the Group's Health and Safety performance;
- regular review, and formal approval in February and August, of the Group's risk assessment processes and principal risks and uncertainties;
- the review and approval of the purchase of customer contracts in February;
- the review and approval of the half year and full year financial statements;
- the review and approval of major capital and investment projects;
- considered and approved the increase in committed bank facilities to £175 million and the temporary alternative financing arranged through the Bank of England's Covid Corporate Financing Facility (CCFF), both in May;
- approved the decision to raise approximately £82.7 million through a placing which took place in June 2020;
- consideration and approval of the closure of the Johnsons Workwear site at Newmarket;
- consideration and approval for the utilisation of government support through the Coronavirus Job Retention Scheme; and
- consideration and approval of the reorganisation programme undertaken during the year to right size the headcount of the business in response to COVID-19.

Insight into the Boardroom
In addition to fully discharging its annual duties, the activities of the Board have adapted to meet the challenges faced by the Company and its stakeholders in respect of the COVID-19 pandemic. The number of Board meetings was increased, allowing the directors to focus on specific aspects of the challenges facing the Company. Directors devoted additional time to Company business outside the usual schedule of Board meetings. This focused approach supported the depth of deliberation and considered decision making required to promote the success of the Company, for the benefit of its stakeholders as a whole, during the unprecedented events of the past year. Meeting agendas and information flow were adapted accordingly. The use of technology enabled Directors to continue to meet 'face to face' despite the geographical distance between them.

The following is a summary of the significant matters considered by the Board at its scheduled meetings throughout the year:

January
- Minutes/matters arising
- Health & safety
- CEO's trading and operational review
- M&A and strategy update
- Financial performance
- Investor analysis
- Board effectiveness evaluation
- Approval of Modern Slavery Statement

February
- Minutes/matters arising
- Health & safety
- CEO's trading and operational review
- Employee engagement
- M&A and strategy update
- Financial performance
- Investor analysis
- Biannual major risk assessment
- Draft final results announcement
- Draft Annual Report and Accounts
- Going concern and viability assessment

May
- Minutes/matters arising
- Health & safety
- CEO's trading and operational review
- M&A and strategy update
- Financial performance
- Approval of revised 3-Year plan
- Liquidity and funding
- Equity raise via placing
- Investor analysis

July
- Minutes/matters arising
- Health & safety
- CEO's trading and operational review
- M&A and strategy update
- Financial performance
- Audit tender process
- Investor analysis
- Directors' responsibilities and AIM rules update

August
- Minutes/matters arising
- Health & safety
- CEO's trading and operational review
- M&A and strategy update
- Financial performance
- Investor analysis
- Biannual major risk assessment
- Draft interim results announcement
- Going concern assessment

October
- Strategy meeting
- Reorganisation and right sizing
- Audit tender process

November
- Minutes/matters arising
- Health & safety
- CEO's trading and operational review
- M&A and strategy update
- Financial performance
- Investor analysis
- Approval of Tax Strategy
- Review and approval of Committee Terms of Reference

Consideration of Stakeholder Interests

COVID-19 caused severe business disruption during the year and significantly impacted all of the Company's stakeholders. In consideration of the business' response, the Board was required to carefully consider the future needs of the Company and the interests of all of its stakeholders. In doing so, the Board aimed to ensure that actions taken to protect the business were proportionate, balanced and treated all of the members of the Company fairly, whilst safeguarding long term stakeholder value.

The examples below give an insight into how the Board had regard for the interests of its stakeholders in certain of its principal decision-making processes during the year:

Principal Decision: **Shareholder Placing**
Stakeholders: Employees, Suppliers, Customers, Community, Shareholders

As part of risk mitigation measures in response to COVID-19, the Board approved the decision to raise approximately £82.7 million through a placing which took place in June 2020. In formulating its decision, the Directors took into account the likely quantum of potential investment, the short and long term requirements of the business which could impact on employees and suppliers, and the protection of the interests of stakeholders as a whole. The merits of the placing were considered, including that it would reduce leverage, enhance liquidity and strengthen the Company's position, ensuring that the Group remains resilient in the event of further negative developments in COVID-19. In determining whether the placing offer should be made on a non-pre-emptive basis, having taken external financial, stockbroking and legal advice, the Board considered a number of factors including cost and timing.

It was concluded that the placing structure was best suited to achieve these aims at an important and unprecedented time for the Group and, accordingly, the placing was approved by the Board.

Principal Decision: **Dividend**
Stakeholders: Shareholders

On 20 March 2020, the Board issued a market update regarding the impact of COVID-19 on the business and that, given the need for prudent cash management, it would, at the forthcoming Annual General Meeting on 5 May 2020, withdraw Resolution 3 in the Notice of Annual General Meeting relating to the final dividend payment in respect of 2019 of 2.35 pence per Ordinary share. In a further update to the market on 5 May 2020, the Board also confirmed that it did not anticipate paying a dividend in respect of the 2020 financial year.

In reaching these decisions, the Board considered the importance of a dividend to the Company's shareholders, the need to preserve the Company's liquidity and the exceptional circumstances that COVID-19 represented. The Board was also mindful of the increased focus from stakeholders as to not declaring a distribution whilst utilising government support. The Board will keep future dividends under review and will look to reinstate its dividend policy as trading returns to more normalised levels.

Principal Decision: **Board and Group Management Board Salary Reduction**
Stakeholders: Employees, Shareholders

During the year, a range of actions to mitigate risks was implemented. As a result of the COVID-19 pandemic, a significant proportion of our workforce was affected by a range of cost mitigation measures which included reduced salary, reduced working hours, furloughing arrangements and, in some cases, redundancy. Mindful of the wider employee context and in support of the Group's culture, which is rooted in fair and equitable treatment for all stakeholders, the Board and the Group Management Board all agreed to take temporary reductions of 20% in their fees and base salaries. The reductions were with effect from 1 April 2020 and ran, in the case of the Group Management Board, for four months and in the case of the Board for seven months, the end of the latter period being coterminous to the end date of the Government's first phase of the Coronavirus Job Retention Scheme. In addition, the majority of other employees in support and administration roles who had not been furloughed also agreed to a salary reduction of 10% for a period of three months.

Principal Decision: **Cash Conservation Measures and Supplier Payments**
Stakeholders: Suppliers, Community

The Group responded quickly to the impact of COVID-19, controlling its cost base and implementing measures to preserve cash wherever possible. Notwithstanding that, the Board fully supports the standards set out within the Prompt Payment Code in respect of all suppliers and, in particular, that agreed payment terms are adhered to. We value all of our suppliers and have multi-year contracts with many of them. They are a vital part of our value chain and, because of our size, we are often a vital part of theirs.

The Board was, therefore, keen to ensure that the Group continued to pay its suppliers within agreed payment terms. The Group has varying payment terms with its suppliers, however, such terms typically range from 60 days from date of invoice through to 60 days from end of the month in which the invoice was raised. As described further within the Directors' Report, the average time taken to pay invoices in each of the six-month periods ending 30 June 2020 and 31 December 2020 was 56 days and 50 days respectively, such figures being at least in line with the comparative periods for 2019.

Corporate Governance Report
Continued >

Board Committees
The Committees of the Board are:

- the Audit Committee;
- the Nomination Committee; and
- the Remuneration Committee.

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.

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

- health and safety;
- 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;
- employee welfare and engagement matters;
- talent and succession planning;
- competitor analysis; and
- strategy.

Since March 2020, in response to the COVID-19 pandemic, the Group Management Board has met regularly to discuss and monitor the latest developments, assess risks, develop internal guidance and implement preventative policies in line with government regulations and recommendations. Their work included:

- at all times, considering the welfare of our employees in order to assist them with the disruption caused as a result of the pandemic and to ensure that they remained engaged and were able to continue to work safely and productively;
- the implementation of personal protection measures at all of our sites, intensified hygiene and social distancing protocols and, where possible, remote working for employees;
- raising employee awareness of the cyber security risks and implementing additional security measures related to remote working;
- controlling costs and slowing down capital expenditure to protect cash flow; and
- monitoring the impact on business operations, such as the Group's supply chain, credit risk events and business interruptions and implementing prompt interventions when necessary.

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

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, preliminary statement and at the time of any other significant market update, 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, the Chief Financial Officer and the Company Secretary to discuss business performance;
- hosting investor and analyst sessions at which senior management from relevant businesses 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.

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 broker and circulated to the Board.

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

Ordinarily, 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. At the time of writing, Government measures are in force restricting physical public gatherings and unnecessary travel, due to COVID-19. In view of these measures and our responsibility to protect the health and safety of our Shareholders and employees, we are currently planning that our 2021 AGM will be held as a closed meeting. Shareholders will, however, be able to follow the proceedings of the AGM and ask questions via a live electronic listen-only webcast facility. Further details on how to access the webcast are included in the Notice of Annual General Meeting accompanying this Annual Report.

The Board considers that the Preliminary Announcement, the Annual Report, including the Chief Executive's Operating Review and the Financial Review which are 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.

Culture, Workforce Policies, Whistleblowing & Workforce Engagement

Our Culture & Workforce Policies

Our corporate culture defines who we are, what we stand for and how we do business. Our strong reputation has been built on the solid foundation of an ethical culture, underpinned by a well-defined and effective system of governance. The Board defines the purpose of the Group, identifies the values that guide it and remains committed to upholding the highest ethical standards, operating on the principle that the tone at the top sets the standard for the rest of the business.

Our employees are central to our business. We strive to create an inspiring working environment where everyone is engaged and motivated and we want our employees to use their skills, combined with our support, to deliver a great service to our customers. Our people strategy is summed up by our ambition to be a brilliant place to work - that means making Johnson Service Group PLC a place where our people feel engaged and inspired to be at their best.

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 has a written code on business ethics (the 'Code of Ethics'), 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.

Further details of our culture and employment policies are set out within our Environmental and Social Responsibility Statement.

Whistleblowing

The 2018 Code also provides for companies to create an environment in which the workforce feels it is safe to raise concerns; the Board wholly agrees that creating such an environment is a core part of an ethical and supportive business culture. Appropriate whistleblowing and anti-bribery and corruption policies are therefore in place and employees are encouraged to raise concerns about any wrongdoing or malpractice without fear of victimisation, discrimination, disadvantage or dismissal.

Further details are set out within our Audit Committee Report.

Workforce Engagement

Nick Gregg is the Non-Executive Director responsible for Workforce Engagement. Whilst the Board is aware of the three methods of engagement specified in the 2018 Code, it is conscious that the methods specified are not the only ways of engaging with the workforce and that engagement through a range of both formal and informal channels may be more appropriate. The Board is keen to hear and discuss the ideas and concerns of the workforce and, throughout 2021 and alongside the employee focus groups referred to above, will consider which channels are the most appropriate. Such additional or alternative channels may include, but not be limited to:

- meeting groups of elected workforce representatives;
- meeting future leaders without senior management present;
- visiting regional sites;
- inviting colleagues from different business functions to board meetings; and
- surveys.

Further details of how the Group engages with the workforce are set out within our Environmental and Social Responsibility Statement.

Section 2: Division of Responsibilities

Principles:

F. The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgment throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.

G. The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.

H. Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.

I. The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

Corporate Governance Report

Continued >

Composition of the Board

The Board currently consists of the Non-Executive Chairman (the 'Chairman'), two Independent Non-Executive Directors and two Executive Directors. Biographies of the Directors of the Company are shown on page 48. With the exception of Jock Lennox who was appointed on 5 January 2021, they all held office throughout the year, and up to the date of approving this Report.

The three Independent Non-Executive Directors are considered to be independent in character and judgment and are a strong element within the Board, with their views carrying significant weight in the decision-making process.

		Date first appointed to the Board	Date first elected to the Board	Tenure since appointment (as at 31 December 2020)
Non-Executive Directors				
Bill Shannon*	Non-Executive Chairman	8 May 2009	5 May 2010	**11 years 8 months**
Chris Girling	Senior Independent Non-Executive Director	29 August 2018	8 May 2019	**2 years 4 months**
Nick Gregg	Independent Non-Executive Director	1 January 2016	5 May 2016	**5 years**
Jock Lennox	Independent Non-Executive Director and Chairman Designate	5 January 2021	N/A	**N/A**
Executive Directors				
Peter Egan	Chief Executive Officer	1 April 2018	3 May 2018	**2 years 9 months**
Yvonne Monaghan	Chief Financial Officer	31 August 2007	17 June 2008	**13 years 4 months**

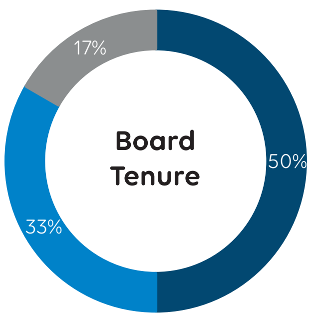
* **Under the Financial Reporting Council's 2016 UK Corporate Governance Code (the '2016 Code'), which was in operation at the time, Bill Shannon was considered independent on appointment to Chairman, however, under the latest version of the code (the '2018 Code') he would not be considered independent as at the date of his appointment to Chairman (see below for further details).**

Provision A.3.1 of the 2016 Code states that a chairman should, on appointment, meet the independence criteria set out in Provision B.1.1, that is to say, inter alia, that they have not served on the board for more than nine years from the date of their first election. Bill Shannon was appointed as Chairman on 3 August 2018 at which time he had served on the Board for almost eight years and three months since being elected, hence meeting the independence test. Under the 2018 Code, however, the wording of Provision 10 (which effectively supersedes Provision B.1.1 of the 2016 Code) has been amended such that in order to be independent, an individual must have not served on the board for more than nine years from the date of their first appointment. In the case of Bill, he was first appointed to the Board some nine years and three months earlier than being appointed as Chairman.

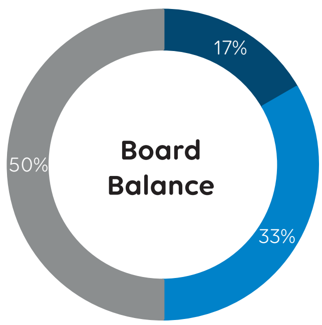
Notwithstanding the above, the Board did consider Bill's independence in light of him being first appointed to the Board over nine years ago. Given Peter Egan's then recent appointment to the Board as Chief Operating Officer, the then upcoming change in Chief Executive Officer on 1 January 2019 and the fact that a new Non-Executive Director was to be appointed in August 2018, the Board considered it in the best interests of the Company and its stakeholders that Bill be appointed as Chairman in order to retain his extensive knowledge and experience of the Group at the same time as overseeing an orderly succession of other Board members.

We reported in our 2019 Annual Report that, following the successful transition of Peter Egan into the role of Chief Executive Officer, Bill had indicated his intention to step down from the Board later in 2020 and that, as a result, a process had commenced to identify his replacement. The challenges faced by the Company in respect of the COVID-19 pandemic delayed that process, however, on 5 January 2021 we announced the appointment of Jock Lennox to the Board as an Independent Non-Executive Director and Chairman Designate. The intention is that Jock will step up to the role of Chairman following Bill's retirement at the conclusion of the 2021 AGM in May.

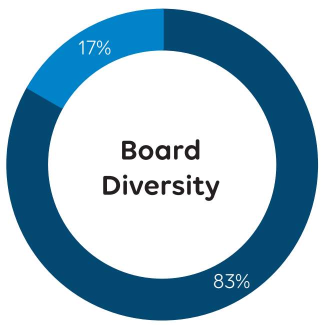
Tenure, Balance & Diversity



> 5 years 1-5 years < 1 year



Chairman Executive Directors Independent Non-Executive Directors



Male Female

The above figures are as at 18 March 2021, this being the latest practicable date prior to publication of this report. Following Bill Shannon's forthcoming retirement on 5 May 2021, the figures will change as follows:

Board Tenure		Board Balance		Board Diversity	
> 5 years	40%	Chairman	20%	Male	80%
1-5 years	40%	Executive Directors	40%	Female	20%
< 1 year	20%	Independent Non-Executive Directors	40%		

As referenced within Provision 23 of the Code, the Group Management Board, whose membership comprises the Executive Directors, divisional Managing Directors and certain Group function heads, is comprised of five males and two females, a proportionate ratio of 71% to 29%.

Division of Responsibility of Chairman and Chief Executive Officer

The 2018 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 Group's strategy and policies;
- maintaining a close working relationship with the Chairman; and
- chairing the Group Management Board meetings.

Board Meetings and Attendance

There were seven scheduled Board meetings during 2020 and, additionally, a further nine unscheduled meetings in relation to, inter alia, the impact on the Company of the COVID-19 pandemic.

On the rare occasions that a Director is unavoidably unable to attend a meeting, they would generally hold a briefing with the Chairman prior to the meeting so that their comments and input can be taken into account at the meeting. The Chairman would provide an update to them after the meeting.

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)
Maximum Number of Meetings	**7**	**9**	**3**	**3**	**3**	**3**
Bill Shannon	7	8	n/a	3	n/a	n/a
Chris Girling	7	8	3	3	3	3
Nick Gregg	7	7	3	3	3	3
Peter Egan	7	9	n/a	n/a	n/a	n/a
Yvonne Monaghan	7	9	n/a	n/a	n/a	n/a

Corporate Governance Report

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In addition to the meetings set out above, the Chairman and the Independent Non-Executive Directors (excluding Jock Lennox who was appointed to the Board following the end of the year) have met during the year without the Executive Directors. Chris Girling and Nick Gregg, in their capacity as Members of the Nomination Committee and along with the Executive Directors, also met informally throughout the year whilst dealing with the appointment of Bill Shannon's successor.

External Executive Search Consultants

Appointments to the Board involve a rigorous selection process, led by the Nomination Committee, and external independent executive search consultants are usually engaged. Further information is set out within the Nomination Committee Report.

Induction, Training and 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, agreed format, for each scheduled Board meeting.

Service Agreements

The service agreements of the Executive Directors and copies of the letters of appointment of the Chairman and the Independent 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 Annual General Meeting.

External Appointments

The Board supports Executive Directors having a non-executive directorship as part of their continuing development provided they have sufficient time to balance their commitments to the Group with any external role. Such positions must receive prior Board approval. In accordance with the 2018 Code, full-time executive directors would not ordinarily take on more than one non-executive directorship in a FTSE 100 company.

The role of an Independent Non-Executive Director requires a time commitment in the order of 15 days per year 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. Prior to appointment, each prospective Non-Executive Director must confirm that they will have sufficient time available to be able to discharge their responsibilities effectively and that they have no conflicts of interest.

The Board remains confident that individual members continue to devote sufficient time to undertake their responsibilities effectively. The commitments of each Executive Director are set out on page 48.

Section 3: Composition, Succession & Evaluation

Principles:

J. Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.

K. The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.

L. Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.

Nomination Committee

The role of the Nomination Committee is to, inter alia, monitor the performance, appropriateness and future succession of the Company's executive and Board talent in order to ensure that the Board comprises individuals with the right blend of skills, knowledge and experience to maintain a high degree of effectiveness in discharging its responsibilities. Appointments to the Board are recommended, as appropriate, by the Nomination Committee. Board appointments are subject to approval by the Board as a whole. Further details are outlined in the Nomination Committee Report, on pages 77 to 78.

Performance Evaluation

The Independent Non-Executive Directors conduct a performance evaluation of the Chairman, after taking into account the views of the Executive Directors. The Chairman also conducts an appraisal of each member of the Board, Board composition and the format and effectiveness of the Board meetings. In addition, the Remuneration Committee regularly reviews the performance of each Executive Director.

The Board conducted an internal Board evaluation during the year 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);
- performance of the Audit, Nomination and Remuneration Committees; and
- individual performance (giving consideration to whether each Director continues to contribute effectively and show commitment).

The Chairman holds individual discussions with each Director. The results of those discussions (including progress against the previous year's recommended actions) are 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

Each year, all Directors will retire and offer themselves for re-election, if they wish to continue serving and are considered by the Board to be eligible. Accordingly, each current member of the Board, with the exception of Bill Shannon who is due to retire from the Board at the conclusion of this year's Annual General Meeting of the Company, will be proposed for re-election at this year's Annual General Meeting of the Company.

Biographical details of all the Directors are set out on page 48 and are also available for viewing on the Company's website (www.jsg.com).

Section 4: Audit, Risk & Internal Control

Principles:

M. The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.

N. The board should present a fair, balanced and understandable assessment of the company's position and prospects.

O. The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.

Audit Committee

The Board has established an Audit Committee, comprising the independent Non-Executive Directors, which is responsible for:

- ensuring that formal and transparent policies and procedures are in place to protect the interests of Shareholders in relation to financial reporting, internal control and risk management;
- monitoring the financial reporting process and the integrity of the annual and interim financial statements;
- determining whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable, and whether they provide the information necessary for Shareholders to assess the Group's position and performance, business model and strategy;
- considering, and ultimately approving for publication, any formal announcements relating to the Company's financial performance;
- reviewing and challenging, as necessary, the judgments and actions of management in relation to the financial statements;
- monitoring, reviewing and concluding upon the system of internal control;
- 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 the external auditor's 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 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 Audit Committee reports to the Board on how it has discharged its responsibilities. Further details are outlined in the Audit Committee Report, on pages 67 to 76.

Corporate Governance Report
Continued >

Robust Risk Assessment
Throughout the year, and as described further within the Audit Committee Report, the Board has carried out a robust assessment of the principal risks and uncertainties facing the Group, including those that would threaten its business model, future position, performance, solvency or liquidity. Details of the principal risks and uncertainties facing the Group, together with how the risks and uncertainties are being managed or mitigated, are set out on pages 38 to 45.

Internal Control
The Board, with advice from the Audit 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 financial statements. Further details of risk management frameworks and how the Audit Committee has reviewed the effectiveness of the system of internal control are described further within the Audit Committee Report.

Going Concern
The Board considered the going concern review performed by management, in particular, the appropriateness of key judgments, assumptions and estimates underlying the financial forecasts that underpin the review, together with a review of the level of forecast available headroom against the Group's committed borrowing facilities and compliance with key financial covenants.

After considering the current financial scenarios, the severe but plausible sensitivities and the facilities available to the Group and Company, the Directors have a reasonable expectation that the Group and Company have adequate resources for their operational needs, will remain in compliance with the financial covenants set out in the bank facility agreement and will continue in operation for at least the next 12 months from the date of approving both the Group and Company financial statements. As a consequence, and having reassessed the principal risks and uncertainties, the Directors considered it appropriate to adopt the going concern basis in preparing the Group and Company financial statements.

Further details of the going concern assessment are provided on pages 52 to 53.

Future Prospects
The Board has assessed the future prospects of the Group in accordance with Provision 31 of the 2018 Code. Based on the results of this analysis, and having considered the nature and extent of the Company's principal risks and uncertainties, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the 36 month period of its assessment. Details of the assessment performed by the Board, including an assessment of those risks most likely to impact the Group's future prospects are set out on pages 14 to 15.

Section 5: Remuneration

Principles:

P. Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values and be clearly linked to the successful delivery of the company's long-term strategy.

Q. A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.

R. Directors should exercise independent judgment and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.

Remuneration Committee
The Remuneration Committee is responsible for overseeing the policy regarding executive remuneration. The Remuneration Committee reports to the Board on how it has discharged its responsibilities. Further details are outlined in the Directors' Remuneration Report, on pages 79 to 103.

Corporate Governance Report Approval
The Corporate Governance Report incorporates the Audit Committee Report, Nomination Committee Report and Directors' Remuneration Report, as well as the Environmental and Social Responsibility Statement.

The Corporate Governance Report was approved by the Board on 19 March 2021.

By order of the Board.

Tim Morris
Company Secretary

19 March 2021

Audit Committee Report

Letter from Chris Girling, Chairman of the Audit Committee

Dear Shareholder.

On behalf of the Board, I am pleased to present the Audit Committee's Report for the financial year ended 31 December 2020.

The Year in Review

The Audit Committee continued to fulfil its duties throughout the year, maintaining oversight of the integrity of the Company's financial reporting, key accounting judgments and related disclosures, and the robustness of the Group's risk management and internal control systems. In discharging its duties, the Committee works to a structured agenda closely linked to the events in the Company's reporting cycle.

The Committee's work was supported by the Group's well established risk and financial management structures. The exceptional and unprecedented challenges posed by the COVID-19 pandemic and its impact on the Group's businesses has tested the robustness of those structures and the established working processes between management and the Committee.

I am pleased to report that the Group's risk and financial management structures have operated effectively during the year under review. The continued support, constructive engagement and level of responsiveness of my Committee colleagues and management, particularly during the early stages of the pandemic, have enabled the Committee to fulfil its role in providing effective scrutiny and challenge. In this regard, I would like to thank colleagues across the Group who assisted the Committee during the year for their support.

As in previous years, the Committee's primary focus was on the integrity of the Group's financial reporting activities. In considering the financial statements for 2020, the Committee concentrated on the accounting judgments and disclosures relating to the impact of COVID-19 on the Group's businesses, including government support and tax deferral initiatives, liquidity and the impact on financial covenants, cost control and right sizing actions and the carrying value of goodwill. Careful consideration was given to the Group's viability disclosures and its ability to continue as a going concern, with particular scrutiny being given to the reports prepared and assumptions used by management to support those statements. The Committee concluded that the Company had adopted an appropriate approach in all significant areas.

At the request of the Board, the Committee also considered the Group's Principal Risks and Uncertainties disclosures for the financial year ended 31 December 2020. The Committee is satisfied that the statements made by executive management on pages 38 to 45 of this Annual Report are appropriate based on what is currently known to management as at the date of this Report.

More information about the Committee's activities during the year can be found in the pages which follow.

Evaluation of the Competence and Effectiveness of the Committee

Each year, as part of an overall review of the Board and its Committees, the Audit Committee critically reviews its own performance and considers where improvements can be made. In so doing it considers, amongst other things, those matters discussed by the Audit Committee, such as:

- composition, structure and activities
- how well the Committee oversees the financial reporting process
- its review of the work of the external auditor
- the effectiveness of the process for raising concerns
- its monitoring of the management of risk
- how well it understands and evaluates the effectiveness and conclusions of internal control and the adequacy of the related disclosures
- whether the Committee's terms of reference are appropriate for the particular circumstances of the Company and comply with prevailing legislation and best practice
- whether the number and length of time of Committee meetings are sufficient to meet the role and responsibilities of the Committee and coincide with key dates within the financial reporting and audit cycle
- identification of additional training needs for Committee members

Overall, the performance of the Committee continued to be rated highly and the Committee was considered to have discharged its duties effectively. By virtue of my former executive and current non-executive roles (full details of which are set out on page 48), together with the results of the above evaluation, the Board considers that I have recent and relevant financial experience. The Board further concluded that the Committee, as a whole, has sufficient competence relative to the sector in which the Company operates.

Audit Committee Report

Letter from Chris Girling, Chairman of the Audit Committee

Continued>

Appointment of a New External Auditor

This year, the Audit Committee led a formal competitive tender process for the appointment of a new external auditor. As announced in November, and subject to shareholder approval at the 2021 Annual General Meeting of the Company in May, Grant Thornton UK LLP ('Grant Thornton') has been proposed as the external auditor to take effect from, and including, the financial year ending 31 December 2021.

Whilst the Committee, along with the other members of the interview and selection panel, agreed that each shortlisted firm was capable of performing a quality audit of the Group, the unanimous view was that Grant Thornton had performed better against the Committee's pre-agreed selection and assessment criteria.

PricewaterhouseCoopers LLP ('PwC') will continue in its role as external auditor to the Company for the financial year ending 31 December 2020. PwC was not invited to participate in the tender due to the length of its current appointment. I would like to thank PwC for its significant contribution as auditor of the Company over the past years.

Further details of the external audit tender process can be found on pages 75 to 76.

The Year Ahead

COVID-19 has had a profound impact on the Group, and we continue to respond admirably to the challenges and opportunities that this brings. The Audit Committee fulfils a key role in assisting the Board in ensuring that the integrity of the Group's financial statements and the effectiveness of the Group's internal financial controls and risk management systems are maintained. Through the Audit Committee's composition, resources and the commitment of its members, I believe that it remains well placed to meet these challenges and to discharge its duties in the year ahead.

Chris Girling
Chairman, Audit Committee

19 March 2021

Audit Committee Report

Responsibilities of the Audit Committee

The Board has established an Audit Committee (the 'Committee'), comprising the independent Non-Executive Directors, to which it has delegated day to day responsibility for the following:

- ensuring that formal and transparent policies and procedures are in place to protect the interests of Shareholders in relation to financial reporting, internal control and risk management;
- monitoring the financial reporting process and the integrity of the annual and interim financial statements;
- determining whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable, and whether they provide the information necessary for Shareholders to assess the Group's position and performance, business model and strategy;
- considering, and ultimately approving for publication, any formal announcements relating to the Company's financial performance;
- reviewing and challenging, as necessary, the judgments 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 the external auditor's 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 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 regularly reports to the Board on how it has discharged its responsibilities. The full terms of reference of the Committee are available on the Company's website, or on request to the Company Secretary.

Members of the Committee have continued to take an active role including spending time with the operations teams and also participating in key discussions on areas of financial judgment. These actions have allowed the Committee to have an even greater input and to develop greater awareness of the day-to-day challenges that the business faces and the potential consequences of such challenges.

This report sets out how the Committee has discharged its responsibilities.

Composition of the Committee

The Committee meets at least three times per year and also meets in private with the external auditors.

In accordance with Provision 24 of the Code, small companies (i.e. those below the FTSE 350) should establish a Committee of at least two, independent non-executive directors. Membership of the Committee at each of its meetings during the year is shown below and is, therefore, in accordance with the Code:

	February	August	November
Chris Girling (Committee Chairman)	✓	✓	✓
Nick Gregg	✓	✓	✓

What the Committee did in 2020

In 2020, the Committee discharged its responsibilities by:

- reviewing the Group's draft financial statements, preliminary announcements and interim results statement prior to Board approval and reviewing the external auditor's reports thereon;
- reviewing and considering the significant matters in relation to the financial statements, as further detailed on pages 71 to 72;
- reviewing the plan of the external auditor for the audit of the Consolidated and Company Financial Statements, confirmations of the auditor's independence and proposed audit fee and approving terms of engagement for the audit;
- considering and agreeing the annual internal audit plan together with any findings and recommendations arising thereon;
- monitoring and reviewing the effectiveness of the internal audit function;
- 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;
- reviewing the Committee's composition and confirming that there is sufficient expertise and resource for it to fulfil its responsibilities effectively;

Audit Committee Report

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- instigating a review of records and claims made in respect of the Coronavirus Job Retention Scheme to ensure claims had been correctly calculated in accordance with the published detailed guidance; and
- following a formal competitive tender process, recommending the appointment of Grant Thornton UK LLP as the new external auditor, to take effect from, and including, the financial year ending 31 December 2021.

Fair, Balanced and Understandable

At the request of the Board, the Committee has considered whether, in its opinion, the 2020 Annual Report and Accounts are fair, balanced and understandable, and whether they provide the information necessary for Shareholders to assess the Group's position and performance, business model and strategy.

The Committee received a full draft of the report. Feedback was provided by the Committee, highlighting the areas it was felt would benefit from further clarity. The draft report was then amended to incorporate this feedback ahead of final approval. In particular, the Committee considered the following:

IS THE REPORT FAIR?

- Is the whole story presented and has any sensitive material been omitted that should have been included?
- Is the reporting on the business performance in the narrative reporting consistent with those used for the financial reporting in the financial statements?
- Are the key messages in the narrative reflected in the financial reporting?
- Are the KPIs disclosed at an appropriate level based on the financial reporting?

IS THE REPORT BALANCED?

- Is there a good level of consistency between the narrative reporting in the front and the financial reporting in the back of the Report, and does the messaging presented within each remain consistent when one is read independently of the other?
- Is the Annual Report properly a document for Shareholders?
- Are the statutory and adjusted measures explained clearly with appropriate prominence?
- Are the key judgments referred to in the narrative reporting and the significant issues reported in this Audit Committee Report consistent with the disclosures of key estimation uncertainties and critical judgments set out in the financial statements?
- How do the significant issues identified compare with the risks that PwC plans to include in its report?

IS THE REPORT UNDERSTANDABLE?

- Is there a clear and understandable framework to the Report?
- Are the important messages highlighted appropriately throughout the document?
- Is the layout clear with good linkage throughout in a manner that reflects the whole story?

When forming its opinion, the Committee reflected on the information it had received and its discussions throughout the year. Following its review, the Committee was of the opinion that the 2020 Annual Report and Accounts 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, particularly with respect as to how COVID-19 has impacted the business; and
- there is a clear and well-articulated link between all areas of disclosure.

Significant Matters Considered in Relation to the Financial Statements

The Committee has assessed whether suitable accounting policies have been adopted and whether management has made appropriate judgments and estimates. Throughout the year, the Group Finance team has worked to ensure that the business is transparent and provides the required level of disclosure regarding significant issues considered by the Committee in relation to the financial statements, as well as how these issues were addressed, while being mindful of matters that may be business-sensitive.

This section outlines the main areas of judgment that have been considered by the Committee to ensure that appropriate rigour has been applied. Accounting policies can be found in the Statement of Significant Accounting Policies.

Impairment

As part of the year end process, management assessed whether goodwill (in respect of the Group) and investments (in respect of the Company) had suffered any impairment, in accordance with the accounting policy stated within this Annual Report. The impairment test was undertaken at a cash generating unit ('CGU') level.

The Committee reviewed and challenged management's impairment testing of goodwill and investments. The Committee considered the appropriateness of key assumptions and methodologies for both value in use models and fair value measurements. This included challenging projected cash flows, growth rates and discount rates as well as considering any impacts of the uncertainties arising from COVID-19. The Committee concluded that the methodology and assumptions used by management were reasonable.

Acquisition Accounting

The Committee considered the purchase of customer contracts which had been completed in February 2020 and were satisfied that the purchase of the contracts did not meet the eligibility criteria set out within IFRS 3 'Business Combinations' and hence should not be recognised as a business combination.

The Committee also noted that, during the year, management had revisited the detailed provisional fair value assessment that had been carried out in 2020, following the acquisition of Fresh Linen, and had reassessed the initial fair values such that an increase of £0.4 million in trade and other payables had been recognised, relating to pre-acquisition Health and Safety matters, with a corresponding increase to goodwill.

The Committee considered the methodology and assumptions used by management and considered them to be reasonable.

Post-employment Benefit Obligations

The valuation of all post-employment benefit obligations 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 Group schemes.

Accounting for Complex Customer Arrangements

As in previous years, the Group offers rebates to certain customers based on agreed fixed rates relating to the volume 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 generally written agreements in place; and historical estimates of rebates have been seen to be accurate. However, following FRC guidance this has been highlighted as an area of focus. The Committee has discussed any judgments made in accruing customer rebates with management and the auditors. The Committee is satisfied that the amounts of expense accrued are appropriate.

Going Concern Assessment

The Group has been severely impacted by the Government restrictions put in place to limit the spread of COVID-19. The Committee noted that, although the Workwear division did experience some downturn in sales, the HORECA division saw a significant reduction in sales volumes. Whilst trading did show a recovery post the initial lockdown, this has been limited by further social distancing measures and further lockdown restrictions brought in towards the end of the financial year. The Committee also noted that there continues to be uncertainty surrounding the resolution of the pandemic and the impact on the wider economy.

The Committee reviewed in detail the going concern assessment prepared by management, which comprised a base case scenario, reflecting an initial set of assumptions around financial projections and trading performance, together with various, more pessimistic, expectations for market developments over the remainder of 2021 and 2022 to reflect subdued trading conditions and which were designed to stress test liquidity and covenant compliance. Detailed explanations had been provided by management with regard to the assumptions used in the base case scenario as well as within the severe but plausible downside scenarios. The Committee carefully studied the assumptions relating to the projections and considered that they were sensible and appropriate to the circumstances.

After considering the base case scenario, the severe but plausible sensitivities and the facilities available to the Group and Company, the Committee concluded that there was a reasonable expectation that the Group and Company have adequate resources for their operational needs, will remain in compliance with the financial covenants set out in the bank facility agreement and will continue in operation for at least the next 12 months from the date of approving both the Group and Company financial statements. As a consequence, and having reassessed the principal risks and uncertainties, the Committee considered, and reported to the Board as such, that it was appropriate to adopt the going concern basis in preparing the Group and Company financial statements.

Audit Committee Report

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Alternative Performance Measures (APMs)

Throughout the Annual Report and Financial Statements, we refer to a number of APMs. APMs are used by the Group to provide further clarity and transparency of the Group's financial performance. The APMs are used internally by management to monitor business performance, budgeting and forecasting, and for determining Directors' remuneration and that of other management throughout the business.

The Committee is aware that the APMs are non-IFRS measures. APMs used by the Group are as follows:

- adjusted operating profit or loss, which refers to continuing operating profit or loss before amortisation of intangible assets (excluding software amortisation) and exceptional items;
- adjusted profit or loss before taxation, which refers to adjusted operating profit or loss less total finance cost;
- adjusted EBITDA, which refers to adjusted operating profit or loss plus the depreciation charge for property, plant and equipment, textile rental items and right of use assets plus software amortisation;
- net debt, adjusted to exclude the impact of the adoption of IFRS 16; and
- adjusted earnings per share which refers to earnings per share calculated based on adjusted profit or loss after taxation.

The Committee considers that the APMs, all of which exclude the effects of non-recurring items or non-operating events, provide useful information for Shareholders on the underlying trends and performance of the Group. Furthermore, the Committee is content that where APMs are stated, they are presented with equal prominence to the statutory figures.

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 PwC continued to prove effective in its role as external auditor in respect of the year ending 31 December 2020.

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

The Company has adopted a policy on the independence of the auditor which is consistent with the ethical standard published by the Financial Reporting Council. 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 historically 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 the external auditor for non-audit services is avoided where the provision of advice is commercially sensible. The policy categorises the provision of non-audit services into three areas:

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

With reference to this policy, the selection of professional service firms for non-audit work that would normally be performed by the auditor is at the discretion of 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. All other engagements (i.e. those that may be performed by the auditor and those that would normally be performed by another provider) would be subject to the approval of the Committee prior to the commencement of the engagement.

Going forward, and in response to the Financial Reporting Council's revision of the ethical standard for auditors, all non-audit services will be provided by a professional services firm other than the Company's appointed external auditor.

Fees Payable to the Auditor

The total fees payable to the external auditor in respect of the year under review amount to £585,000 (2019: £532,000), of which £139,000 (2019: £130,000) related to non-audit services. For those non-audit related services received, the Committee considered that it was commercially sensible and more cost effective to use PwC rather than an alternative provider. Further details are set out below:

	Note	£000	2020 £000	£000	2019 £000
Audit related services			**446**		402
Non-audit related services					
- tax compliance	1	**85**		96	
- tax advice	2	**34**		–	
- pension scheme audit	3	**20**		19	
- business acquisition related activity	4	**–**		15	
			139		130
Total fees payable to the external auditor			**585**		532
Non-audit related fees as a % of total fees			**24%**		24%

Notes:

1. **PwC have been tax advisors to the Company for a number of years; the Committee considers that retaining this historical knowledge is in the best interests of the Company.**
2. **During the year, the Group utilised the Coronavirus Job Retention Scheme (CJRS). The scheme is complex to administrate and, accordingly, the Group engaged PwC, as its preferred tax advisor, to provide advice and guidance.**
3. **The Trustee of the Johnson Group Defined Benefit Scheme (the 'JGDBS') has appointed PwC to perform the audit of the JGDBS. Notwithstanding, that the audit services performed are for the benefit of the Trustee, the Company, as the sponsoring employer, is liable for the payment of the audit fees invoiced to the Trustee.**
4. **During the prior year, fees of £5,000 were payable in respect of advice on the tax arrangements of Fresh Linen Holdings Limited, acquired in November 2019. In addition, £10,000 was payable for advice on legacy tax matters relating to Ashbon Services Limited ('Ashbon'), which was acquired in 2015. The Company was reimbursed by the seller for the fees relating to Ashbon.**

Independence Safeguards

The external auditor is required to adhere to a rotation policy whereby the Senior Statutory Auditor (audit engagement partner) is rotated after five years. In 2019, and one year earlier than required, there was a change in the Senior Statutory Auditor. The previous Senior Statutory Auditor was appointed in 2015 and, in accordance with best practice and professional standards, would have been replaced no later than 2020. The current Senior Statutory Auditor, appointed in August 2019, would be required to rotate no later than August 2024. However, as explained in further detail on pages 75 to 76, and as a result of the long tenure of PwC as external auditor to the Company, during the year the Committee led a formal competitive tender process for the appointment of a new external auditor. As announced in November, and subject to Shareholder approval at the 2021 Annual General Meeting of the Company in May, Grant Thornton UK LLP ('Grant Thornton') has been proposed as the external auditor to take effect from, and including, the financial year ending 31 December 2021.

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

PwC have been the Company's auditors from the date of the Company's incorporation, which exceeds the 20 years stated within recent EU legislation (albeit, such legislation is not applicable to AIM listed companies). Nevertheless, as referred to above and as further set out on pages 75 to 76, during the year the Committee led a formal competitive tender process for the appointment of a new external auditor. Subject to Shareholder approval at the 2021 Annual General Meeting of the Company in May, Grant Thornton has been proposed as the external auditor to take effect from, and including, the financial year ending 31 December 2021.

In assessing and concluding upon the independence of PwC during 2020, the Committee took this period of tenure into account, however, the Committee is satisfied that the independence of the external auditor is not impaired. This is due to the fact that the audit engagement partner and senior staff 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 three times during the year without the presence of management and I have had regular contact with the audit engagement partner.

Appointment of the External Auditor

The Committee has recommended to the Board to propose to Shareholders the appointment of Grant Thornton as auditor until the conclusion of the AGM in 2022. Full details are set out in the Notice of Annual General Meeting on pages 180 to 187. There are no contractual restrictions over choice of auditor.

Audit Committee Report

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Role of 'Internal Audit'

The Group's internal audit process is undertaken by the centralised Group Finance team, which has a Group-wide remit and is independent of the business operations. The team, which is comprised entirely of qualified accountants, including the Company Secretary, undertakes an on-going programme to provide assurance on the adequacy of internal control and risk management processes across the Group's operations. The team is responsible for reviewing and reporting on the effectiveness of internal controls and risk management systems to the Committee and, ultimately, the Board. The Company Secretary attends each Committee meeting to present the findings of such reviews and to report on performance against the agreed annual audit plan, such plans being agreed during the year by the Committee. The Committee considers the current internal audit arrangements to be effective and appropriate for the Group.

Internal Control and Risk Management

Whilst day to day responsibility has been delegated to the Committee, the Board is ultimately responsible for the overall system of internal control for the Group and for reviewing its effectiveness. The Board's agenda includes a bi-annual consideration, or more frequently if appropriate, of risk and control and it receives reports thereon from the Audit Committee.

The Committee carries out a review, at least annually, covering all material controls, including financial, operational and compliance controls, and the risk management systems. The Committee also receives regular reports from the internal audit function and, where necessary, recommendations for improvement are considered and agreed. This process has been regularly reviewed by the Board.

The main features of the internal control framework are detailed below.

1. Financial Reporting

There is a detailed budgeting and forecasting process with the annual budget and forecast both challenged, stress tested and, ultimately, approved by the Board. Monthly financial results, together with updated forecasts as appropriate, 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.

2. 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.

3. Risk Management

There is an on-going process for identifying, evaluating and managing the Group's Principal Risks and Uncertainties that has been in place throughout the financial year and up to the date of approval of the financial statements. The identification of business risks is carried out in conjunction with operating management and reviewed by the 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.

4. Financial Control

Each business maintains financial controls and procedures appropriate to its own operating environment. The Group has a centralised finance function, independent to the operating businesses and which can second additional resources from around the Group, which reviews the systems and procedures within each business and reports regularly to the Committee. A review of control procedures is undertaken in respect of all new acquisitions 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.

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.

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;
- established organisational structure with clearly defined lines of responsibility and levels of authority;
- a centralised Group finance function which is independent to the operating businesses and which implements the annual internal audit plan and provides independent assurance to 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 Company Secretary 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 reports 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; and
- monitored management's responsiveness to the findings and recommendations arising from the above.

No significant failings or weaknesses 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 process with an annual budget both challenged, stress-tested 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.

Bribery Act 2010

The Bribery Act 2010 (the 'Act') came into force on 1 July 2011, and repealed 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.

The Group has in place an appropriate policy and regularly re-enforces its code of ethics. Appropriate Board approved procedures are 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.

Modern Slavery Act

We are committed to implementing and enforcing effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in our supply chains or in any part of our business. To ensure a high level of understanding of the risks of modern slavery and human trafficking in our supply chains and our business, all Directors have been briefed on the subject and we provide training to relevant members of staff. Further details can be found on page 31.

Whistleblowing

The Group is committed to a culture of openness, honesty and accountability and believes that it is fundamental that any concerns our employees have about the Company can be raised without fear of victimisation. To this end, the Group has in place a whistleblowing policy which encourages employees to report any malpractice, illegalities, wrongdoing or matters of similar concern (together 'ethical wrongdoing') by other employees, former employees, contractors, suppliers or advisors. Examples of ethical wrongdoing include bribery, corruption, fraud, dishonesty and illegal practices which may endanger employees or other parties.

Any matters raised through the whistleblowing process are reported to the Committee. Where such matters are raised a proportionate investigation is undertaken by independent management under the direction and guidance of the Committee.

Appointment of a New External Auditor

As set out in my letter to Shareholders on page 68, the Committee led a formal, rigorous and competitive tender process for external audit services for the 2021 financial year onwards. The steps that were undertaken as part of the process are set out below:

Expressions of Interest

Management held meetings with the Big Four firms (excluding the current external auditor) as well as two mid-tier firms to capture expressions of interest.

Audit Committee Report

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Invitation to Tender

On behalf of the Audit Committee, management issued a formal Request for Proposal to the three firms who had confirmed a willingness to participate in the tender process and who the Audit Committee considered to be the most suitable and capable to undertake audit services for the Group, detailing the evaluation criteria which would be used by the Committee in informing its decision, which included but was not limited to:

- Quality and clarity of audit approach
- Demonstration of a challenging and sceptical mindset
- Quality record of the firm, lead partner and senior audit personnel
- Appropriate geographical breadth to cover our locations
- The quality of understanding of the audit risk areas
- Demonstration of an ever evolving audit approach, particularly in respect of the use of technology
- Depth of understanding the Group's business, its industry and the risks in the industry
- Audit team experience, including specialist resource
- Overall quality of the response

Information Sharing and Preliminary Meetings

Relevant information about the Group was provided to participating firms who were also granted access to key management and Committee members.

Further Engagement

Initial questions/requests for further information were received from the participants. Management provided detailed responses to these requests to all participating firms, not just the firm that requested the information.

Written Proposal

The Audit Committee received a written proposal from each of the firms. The firms were also asked to review and comment on the previous year's Annual Report as part of their submission proposals.

References

Independent references for each firm's lead partner were taken by the Audit Committee.

Presentations and Q&A Session

At the final stage, the participating firms delivered presentations and their proposed audit plan, followed by a question and answer session. The meetings were led by the Audit Committee members although the Group CEO, Group CFO and Company Secretary also attended the presentations and contributed to the question and answer session.

Evaluation, Assessment and Committee Recommendation

The Committee's unanimous view was that each firm could perform a quality audit of the Group. However, based on the evaluation criteria above, the Committee discussed and agreed on two final shortlisted firms and unanimously agreed to recommend Grant Thornton for approval to the Board, as they had performed better against the Committee's pre-agreed selection and assessment criteria.

Board Approval

The Committee recommended two firms to the Board, with a preference for the tender to be awarded to Grant Thornton. The Board endorsed the Committee's recommendation.

Audit Transitional Plans

Grant Thornton has already commenced with undertaking transitional activity in preparation for the external audit cycle in 2021, by shadowing the outgoing external auditor and attending the Committee meetings from November 2020. This will aid a smooth transition and allow Grant Thornton to embark on the 2021 audit as well prepared as possible.

Chris Girling
Chairman, Audit Committee

19 March 2021

Nomination Committee Report

Dear Shareholder.

On behalf of the Board, I am pleased to present the Nomination Committee's Report for the financial year ended 31 December 2020.

Objectives

The key objective of the Nomination Committee (the 'Committee') is to monitor the performance, appropriateness and future succession of the Company's executive and Board talent in order to ensure that the Board comprises individuals with the right blend of skills, knowledge, experience and diversity to maintain a high degree of effectiveness in discharging its responsibilities. Appointments to the Board are recommended, as appropriate, by the Committee. Board appointments are subject to approval by the Board as a whole.

Composition

During the year, the members of the Committee comprised the Chairman of the Company and the two Independent Non-Executive Directors. The Committee is currently chaired by myself, however, two out of the three meetings in 2020 were chaired by Chris Girling, in his role as Senior Independent Director, when the Committee was dealing with the appointment of my successor. Membership of the Committee is therefore in compliance with Provision 17 of the Financial Reporting Council's UK Corporate Governance Code 2018 (the '2018 Code'). Subsequent to the end of the year, Jock Lennox was also appointed to the Committee on 5 January 2021, the same date as he was appointed to the Board as a Non-Executive Director. Following my forthcoming retirement on 5 May 2021, Jock will take up the position of Chairman of the Committee.

Roles and Responsibilities

The principal responsibilities of the Committee are:

- reviewing the structure, size and composition of the Board and its committees;
- 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;
- assessing the roles of the existing directors in office to ensure that there continues to be a balanced board in terms of skills, knowledge, experience and diversity;
- considering the continuing service of a Director; and
- providing recommendations for reappointment of Directors retiring by rotation.

The Committee regularly reports to the Board on how it has discharged its responsibilities. The full terms of reference of the Committee are available on the Company's website, or on request to the Company Secretary.

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 2020

The main focus of the Committee's work during the year included:

- reviewing the performance of the Executive Directors and concluding that their performance continues to be effective and that each demonstrates sufficient commitment to their role;
- following an extensive selection process, which involved an independent external search consultancy, recommending to the Board the appointment of Jock Lennox as an Independent Non-Executive Director and Chairman Designate – see below for further details;
- reviewing the independence of each Non-Executive Director, including each Non-Executive Director's actual, potential or perceived conflicts of interest and concluding that each Non-Executive Director was independent in character and judgment and that there were no circumstances that were likely to affect their judgment;
- reviewing the Committee's terms of reference and conducting the annual review of the Committee's performance; and
- recommending each Director for re-election at the Annual General Meeting.

Diversity Policy

Our policy remains to identify the most suitable candidate to join the Board having regard to the individual's skills, experience and knowledge. However, when considering succession plans the Board remains cognisant of the need to ensure that there is a diverse range of individuals who are included in the plan. The business as a whole continues to promote diversity and inclusion from within, particularly in respect of supporting female employees to progress up the career ladder.

The aim of our policy is to ensure that diversity in its broadest sense, including gender, ethnicity, age, sexuality, social class, education, experience, ways of thinking and more, is reflected throughout the business including within the composition of the Board, to provide the range of perspectives, insights and challenge needed to support good decision making.

Nomination Committee Report

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The Board, together with the Nomination Committee, will:

- continue to aim to improve in all aspects of diversity, including gender diversity and ethnic diversity, at Board and Senior Management level, without the need for quotas;
- seek to ensure that Board candidates bring the right skills, knowledge and experience to complement the existing balance of the Board, taking into account the diversity benefits the candidate can bring to the Board's composition;
- only work with executive search consultants that have adopted a voluntary code of conduct addressing diversity;
- take into account any regulatory requirements and best practice guidance when reviewing the balance and composition of, and succession plans for, the Board and Senior Management, whilst having regard to the individual skill sets and the general and sector-specific knowledge needed to drive corporate performance; and
- remain fully aware of the need to ensure that the business recruits and maintains a diverse workforce.

Appointment of Non-Executive Director

Jock Lennox was appointed to the Board as an Independent Non-Executive Director and Chairman Designate on 5 January 2021.

Jock's' appointment was the result of a rigorous selection process. The Board employs the services of external search consultancies as part of the process to identify potential Board candidates. The Committee considered the credentials of a number of providers before recommending the appointment of the recruitment firm considered best placed to meet the brief. The consultancy firm chosen, Odgers Berndtson, was considered to be independent of, and had no other links with, the Company or its Directors in connection with the brief.

The Committee, led by Chris Girling in his role as Senior Independent Director, managed the candidate assessment process. The process included the development of a success profile which was discussed and agreed, in conjunction with input from the Executive Directors, by the Committee. A diverse range of candidates were rigorously assessed against this profile in order to determine their suitability, in particular, exploring and understanding what their past experiences and career may offer to the Group.

Following this, a short list of potential candidates was selected for interview. Each candidate then met with Chris Girling and Nick Gregg as well as with each of the Executive Directors. Feedback from the interviews was collated and considered by the Committee.

After detailed discussions and careful debate, the Committee concluded, having taken all of the feedback into consideration, that Jock had the necessary skills and experience; accordingly, the Committee was able to make a recommendation to the Board that he should be appointed to the Board as an Independent Non-Executive Director and Chairman Designate.

Bill Shannon
Chairman, Nomination Committee

19 March 2021

Directors' Remuneration Report

Letter from Nick Gregg, Chairman of the Remuneration Committee

DEAR SHAREHOLDER.

On behalf of the Board, I am pleased to present our 2020 Directors' Remuneration Report. The report has been written in the midst of the unprecedented market conditions as a result of the COVID-19 pandemic which has posed a number of challenges for determining executive remuneration.

As an AIM listed company, we are not required to fully apply the remuneration-related disclosures that Premium Listed companies incorporated in the UK are subject to i.e. the BEIS Directors' Remuneration Reporting Regulations (the 'Remuneration Regulations'). Nevertheless, the Board wishes to ensure that executive remuneration remains both transparent and stable and, therefore, considers it appropriate for the Company to provide Shareholders with detailed information with respect to executive remuneration. Furthermore, and as we have done for many years now, Shareholders will be asked to approve the Directors' Remuneration Report at the forthcoming Annual General Meeting. We consider that our current approach to remuneration is working well and has the support of Shareholders, as reflected by the voting results at the 2020 AGM where we received, following constructive dialogue with a number of Shareholders and their representative bodies, 97.96% of votes in favour of the Directors' Remuneration Report. No changes are proposed to the remuneration policy for 2021.

Remuneration in 2020 and Our Response to COVID-19

We operated our remuneration policy during 2020 in line with the approach set out in the 2019 Directors' Remuneration Report. As disclosed last year, Peter Egan's basic salary increased to £420,000 with effect from 1 January 2020, in recognition of his salary for the previous year having been deliberately set both at a level lower than the market rate and that of his predecessor in order to reflect that this was Peter's first CEO appointment. The salary of Yvonne Monaghan, the CFO, increased by 2.5% to £315,187 with effect from the same date.

Our focus during the year has been on the health, safety and wellbeing of our employees as well as the prudent management of the business. We issued a number of trading updates throughout 2020 which, inter alia, provided details of our increased financing arrangements with our banking syndicate, the placing in June which raised net proceeds of £82.7 million, the cash conservation measures put in place and the actions taken to control our costs. The combined effect of these actions means that we are well positioned to continue to invest in the business to support our long-term growth prospects.

During the course of 2020, and as a result of subdued demand in our hospitality business, a number of our HORECA sites were, and in some cases still are, mothballed. Through the utilisation of government support (the Coronavirus Job Retention Scheme) we have tried to protect as many viable jobs as possible, however, the significant reduction in volumes that we have experienced coupled with the protracted recovery in our end markets has meant that we have had to evaluate our staffing needs and take the necessary steps to right size our headcount to ensure that we avoid carrying excess costs. As part of this process, the Group sought to offer voluntary redundancy where possible, in order to reduce the level of any compulsory redundancies.

In recognition of the prevailing challenges and to acknowledge the impact of the pandemic on all our stakeholders, including our Shareholders, our people, our customers and the communities in which we operate, the Chairman, the Executive Directors and the Non-Executive Directors each took a voluntary reduction of 20% to their salary / fee for a period of seven months during 2020. Similarly, the Group Management Board took a voluntary reduction of 20% to their salary for a period of four months and a significant number of our employees in administrative and support roles who had not been furloughed also took a voluntary salary reduction of 10% for a period of three months. These voluntary reductions taken by so many of our employees during such difficult times is testament to the culture within our business, which defines who we are, what we stand for and how we do business and it is integral to the success of the Group. I would like to thank all of our people for their hard work and dedication during this difficult period.

The annual bonus scheme for 2020 was again based on an Adjusted Profit Before Taxation performance measure. As explained in further detail on page 92 of this report, the financial performance target was not met and, consequently, there will be no payment under the bonus plan for the Executive Directors for 2020.

Similarly, with regards to the LTIP, the Remuneration Committee assessed the extent to which the targets had been met for the award made in 2018, with performance measured over the three-year period to 31 December 2020. Taking into account both the Group's Total Shareholder Return (TSR) performance relative to the FTSE AIM All-Share Industrial Goods and Services net return index and Adjusted Earnings Per Share (EPS) performance relative to RPI, the Committee determined that the performance targets had not been met, that no discretion would be applied to the outcome and that, therefore, the LTIP award would lapse in full.

Remuneration Policy

During the year, the Committee reviewed the remuneration policy and its implementation, taking account of the 2018 UK Corporate Governance Code (the '2018 Code'), the Remuneration Regulations and general market developments. It takes seriously its role in ensuring the interests of colleagues, Shareholders and other key stakeholders are considered fairly and in the context of wider societal expectations.

The Committee believes that the Group's approach to executive remuneration is consistent with the principles of the 2018 Code. There is a clear linkage between the performance metrics and targets used in the incentive schemes and the long-term growth strategy for the business. As outlined in this report, we have a formal and transparent procedure for developing our executive remuneration policy. Discretion is exercised appropriately when reviewing and authorising remuneration outcomes. No such discretion was exercised in respect of 2020.

The remuneration policy is structured in line with the factors set out in Provision 40 of the 2018 Code. Pay is designed to be relatively simple and is disclosed transparently in this report. We take into account the Group's approach for the broader employee base when considering executive remuneration. The size of potential awards under the annual bonus scheme and the LTIP is not considered excessive in the context of wider market practice and the likelihood of rewards which would be inconsistent with performance is limited

Directors' Remuneration Report

Letter from Nick Gregg, Chairman of the Remuneration Committee

Continued >

– as demonstrated during 2020. We set targets under the incentive schemes which are designed to be challenging but achievable and which do not encourage inappropriate risk-taking. We believe that the strong ethical and governance culture across the Group is echoed by the rigour with which executive remuneration is considered by the Committee and the commitment to openness highlighted in this report. Taking into account practice at other companies, and the competitive market for senior talent, we believe that pay for the Executive Directors, both in terms of quantum and structure, is appropriate.

We are, however, aware of the following two areas where we do not fully comply with the 2018 Code provisions on remuneration:

1. We have not introduced a formal post-employment shareholding requirement for the Executive Directors. We believe that our current approach provides for a sufficient long-term alignment of interests between executives and Shareholders through, for example, the LTIP (which, as disclosed within the 2019 Directors' Remuneration Report now stipulates that, for awards granted in or after 2019, the further two-year holding period over and above the three-year performance period will continue to apply in the event of cessation of employment) and the existing personal shareholding requirement of 200% of basic salary (which applies during employment). At the present time we have decided not to go further than this but we will keep these matters under regular review as market practice in this area develops.

2. We have not fully aligned Executive Director pensions with the wider workforce. Provision for both the CEO and the CFO remains above the workforce average, although as disclosed last year we have moved the pension contribution rate for the CEO closer towards the rate payable to the wider workforce. The Directors' pension provision reflects historical entitlements and while we do not currently propose to make additional changes, we will also keep this under active review.

Looking Ahead

2021 will inevitably be another busy year for the Committee and will require a series of carefully balanced decisions.

Given current business and economic volatility and the resultant difficulty in forecasting financial performance, the Committee has yet to finalise the 2021 remuneration package for Executive Directors in respect of base salary, bonus and LTIP, as further explained on page 81 of this report. The Committee's current intention is to delay any decision on base salary and bonus until later in the year, enabling us to have better insight into COVID-19 related developments and the potential for market recovery as vaccines are deployed. For the LTIP, and in line with guidance from the Investment Association, it is our intention to grant the 2021 LTIP as normal following release of the 2020 annual results in March 2021 but to defer the target setting, for no more than six months from the date of grant, at which point the Committee will give full consideration to the performance of the Group. This will enable us to set targets in light of the then prevailing circumstances, ensuring they are calibrated appropriately, are suitably challenging and are in-line with business performance.

Any increases to base salary, together with the specific targets relating to the 2021 bonus plan will be retrospectively disclosed in next year's Directors' Remuneration Report. In respect of the LTIP, the performance targets, performance period and grant levels will be announced to the market at the time of any grant and will also be disclosed in next year's Directors' Remuneration Report.

The Committee remains sensitive to the issues affecting executive remuneration and the views expressed by investors, the UK Government and the wider public. Our primary aim is to ensure that executive pay continues to support the delivery of our business strategy, and that outcomes are appropriately aligned with the interests of our stakeholders. Whilst we believe that there should be an appropriate bonus and LTIP opportunity, careful consideration will be given to all relevant factors in determining incentive outcomes including underlying performance and the experience of stakeholders. The Committee will also be particularly thoughtful as to the extent to which the discretion available to it under the policy may need to be applied to any formula driven payments, to ensure that the Executive Directors do not benefit unduly from windfall gains when the market recovers. We will continue to keep a close eye on wider market practice, the expectations of our stakeholders and, of course, what is in the best interests of Johnson Service Group PLC.

As we have done for many years, we will put our Directors' Remuneration Report to Shareholders for approval at the 2021 AGM. I hope you agree that the decisions we have made during the year, together with the prudent and mindful approach we have adopted in respect of 2021 remuneration decisions, are positive and that you will continue to support the resolution relating to remuneration. In the meantime, should you have any questions, I am contactable via the Company Secretary.

Nick Gregg
Chairman, Remuneration Committee

19 March 2021

Directors' Remuneration Report
COVID-19 Impact on Executive Remuneration

The following table summarises the key components of executive remuneration and the decisions made by the Remuneration Committee in response to COVID-19:

Element of Remuneration	Committee Decision	Rationale
2020 temporary salary reductions	Base salaries were reduced by 20% for the period 1 April 2020 to 31 October 2020. The fee payable to the Chairman was also reduced by 20% throughout the same period. Whilst not a matter for the Committee, the fees payable to the Non-Executive Directors were also reduced by 20% over the same period.	The Committee took into consideration the wider stakeholder experience, including employees, Shareholders, customers and the communities in which we operate and considered it appropriate to apply the temporary reduction.
2020 bonus plan outcome	No interventions were made to the formulaic outcome of the bonus plan and, as such, no bonus is payable in respect of 2020.	Similar to the rationale for the temporary salary reductions, the Committee took into consideration the wider stakeholder experience, including employees, Shareholders, customers and the communities in which we operate and considered it appropriate not to adjust the formulaic outcome of the bonus plan.
2018 LTIP vesting	No adjustments to the LTIP were made during the year. The award lapsed in full in line with performance against the targets.	The award lapsed in accordance with the level of achievement against the performance conditions. Again, the Committee took into consideration the wider stakeholder experience, including employees, Shareholders, customers and the communities in which we operate and considered it appropriate not to adjust the formulaic outcome of the LTIP performance conditions.
2021 salary review	The decision on any increase to 2021 base salary will be deferred until such later date this year that any increase to be awarded to the wider employee population is determined.	The Committee will consider the general pay and employment conditions of all employees within the Group prior to assessing the level of any salary increase for the Executive Directors.
2021 bonus plan design	The maximum potential annual bonus for the CEO and CFO is currently expected to remain at 125% and 110%, respectively, of base salary, however, targets will not be set until later in the year. The specific targets relating to the 2021 bonus plan will be retrospectively disclosed in next year's Directors' Remuneration Report.	Given current business and economic volatility and the difficulty in forecasting financial performance, the Committee determined it appropriate to delay setting bonus targets for 2021. The Committee currently anticipates that any bonus targets for 2021 will, as is usually the case, be weighted towards financial performance.
2021 LTIP award	The LTIP will be granted as normal following release of the 2020 annual results in March 2021, however, given the current uncertainties caused by COVID-19, and in line with the guidance from the Investment Association, it is our intention to defer the target setting for the 2021 LTIP for no more than six months from the date of grant, at which point the Committee will give full consideration to the performance of the Group. The targets, once set, will be announced to the market and will also be disclosed in next year's Directors' Remuneration Report.	Given current business and economic volatility and the difficulty in forecasting and setting long-term earnings per share performance targets, the Committee determined it appropriate to delay the setting of targets until later in the year when it would anticipate having better visibility of our long-term financial performance. The Committee is aware that awards should be subject to performance targets which are stretching and challenging whilst aligned with the short and long term performance of the Group and its strategy as well as the interests of Shareholders.

Directors' Remuneration Report

Committee Summary

REMUNERATION COMMITTEE

Membership and Attendance

Throughout 2020, the Remuneration Committee (the 'Committee') comprised of the two Independent Non-Executive Directors and has been chaired by Nick Gregg. The Chairman of the Company was also invited to attend the meetings. 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.

	Member Since	Eligible to Attend[1]	Meetings Attended[1]
Nick Gregg (Committee Chairman)	Jan 2016	6	6
Chris Girling	Aug 2018	6	6

Note 1: Includes scheduled and unscheduled meetings.

Main Responsibilities

In line with the authority delegated by the Board, the Committee sets the Company's Remuneration Policy and is responsible for determining remuneration terms and conditions of employment for the Chairman of the Board, Executive Directors and those members of the Group Management Board whom are not Executive Directors.

The Committee:

- ensures that the Executive Directors are appropriately incentivised to enhance the Group's performance and rewarded for their contribution to the success of the business by designing, monitoring and assessing incentive arrangements, including setting stretching targets and assessing performance and outcomes against them;
- reviews the remuneration arrangements for other senior executives within the Group, namely those members of the Group Management Board whom are not Executive Directors;
- in undertaking its responsibilities above, reviews and monitors the remuneration and related policies and culture applying to the wider workforce, taking these into account when considering, developing and setting remuneration policies and packages for Executive Directors and the Group Management Board; and
- maintains an active dialogue with Shareholders, ensuring their views and those of their advisors are sought and considered when setting executive remuneration.

The Committee regularly reports to the Board on how it has discharged its responsibilities. The full terms of reference of the Committee are available on the Company's website, or on request to the Company Secretary.

EXTERNAL ADVISORS

The Committee seeks and considers advice from independent remuneration advisors where appropriate. The current appointed advisors, Korn Ferry, were selected through a thorough process led by the Chairman of the Committee and were appointed by the Committee in June 2019.

The Chairman of the Committee has direct access to the advisors as and when required, and the Committee determines the protocols by which the advisors interact with management, in particular the Company Secretary, in support of the Committee. The advice and recommendations of the external advisors are used as a guide, but do not serve as a substitute for thorough consideration of the issues by each Committee member. Advisors attend Committee meetings as and when required by the Committee.

Korn Ferry is a member of the Remuneration Consultants' Group and, as such, voluntarily operates under the Remuneration Consultants' Group Code of Conduct in relation to executive remuneration consulting in the UK. This is based upon principles of transparency, integrity, objectivity, competence, due care and confidentiality by executive remuneration consultants. Korn Ferry has confirmed that it has adhered to that Code of Conduct throughout the year for all remuneration services provided to the Group and therefore the Committee is satisfied that its advice is independent and objective. The Remuneration Consultants' Group Code of Conduct is available at remunerationconsultantsgroup.com.

Fees payable in respect of services provided to the Committee are as follows:

	2020 £000	2019 £000
Korn Ferry (note 1)	**12**	27
Hill Dickinson (note 2)	**–**	2
	12	29

Note 1: Fees payable during the current and prior year relate to advice on market practice, governance updates, provision of market data on executive reward, reward consultancy, attendance at Committee meetings and ad-hoc advice.

Note 2: Hill Dickinson, the Company's corporate lawyers, were engaged during the prior year to provide legal advice on, inter alia, changes to the malus and clawback provisions within the bonus and LTIP schemes.

Directors' Remuneration Report

Remuneration Policy

OVERVIEW

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 periodically benchmarked against rewards available for equivalent roles in a suitable comparator group with the aim of paying neither significantly above nor below the market 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 remuneration 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.

Prior to proposing the adoption of new or amended employee share schemes, the Company will consult in advance with, and seek feedback from, major Shareholders. New schemes may need to be proposed in order for the Company to be able to continue to operate its executive and all employee share schemes, for example, due to the incumbent scheme nearing the end of its lifetime. Existing schemes may need to be amended to reflect current or emerging best practice. Following any consultation process, the adoption of new or amended employee share schemes will then be proposed at the next relevant AGM (as evidenced at the 2018 AGM).

Full details of all current schemes are included within this Report.

Directors' Remuneration Report

Remuneration Policy

Continued >

REMUNERATION POLICY TABLE

The current remuneration of Executive Directors comprises base salary, taxable benefits, annual bonus, pension and a Long-Term Incentive Plan (LTIP). Details of how the various components of remuneration are delivered are set out below.

Component and Link to Strategy	Operation	Maximum Opportunity	Performance Measures
Base Salary Reflects the individual's role, experience and contribution. Set at levels to attract and retain individuals of the calibre required to lead the business and to ensure no over reliance on variable pay.	Base salaries are reviewed annually with any increases normally taking effect on 1 January of each year. Salaries are appropriately benchmarked and reflect the role, job size and responsibility as well as the performance and effectiveness of the individual.	Whilst there is no prescribed formulaic maximum, any increases will take into account prevailing market and economic conditions as well as increases for the wider workforce. Increases may be above this when an Executive Director progresses in the role, gains substantially in experience, there is a significant increase in the scale of the role, or was appointed on a salary below the market. These will be appropriately explained in the relevant year's annual report.	None.
Taxable Benefits To provide a competitive level of benefits in order to attract and retain individuals of the calibre required to lead the business.	Taxable benefits, which are not performance related, principally include, but are not limited to, the provision of a car or car allowance and private medical insurance for Executive Directors and their dependants.	The cost of providing these benefits can vary in accordance with market conditions, which will, therefore, determine the maximum value.	None.
Pension To ensure the Company can provide a fully competitive level of benefits in order to attract and retain individuals of the calibre required to lead the business.	Executive Directors are invited to participate in the Company's defined contribution pension scheme or to take a cash alternative allowance in lieu of pension entitlement. In addition, the current Executive Directors are both deferred members of the Company's defined benefit pension scheme.	For the Company's pension cash allowance (or pension contribution as appropriate), the CEO was entitled to a maximum of 14% of base salary in 2019. As disclosed last year, having regard to recent developments in executive pensions, the Committee determined that the CEO's maximum entitlement in 2020 will be capped at the cash value of his 2019 entitlement. For 2020, this equated to a contribution rate of 9.9% on the CEO's full (unreduced) salary. The CFO is entitled to a maximum of 17.8% of base salary. For all new executive appointments to the Board, the employer pension contribution rate will be aligned with that available to the majority of the wider workforce, such rate currently being approximately 6%. Further details are set out on page 92.	None.

REMUNERATION POLICY TABLE (CONTINUED)

Component and Link to Strategy	Operation	Maximum Opportunity	Performance Measures
Annual Bonus To incentivise and reward the achievement of stretching one-year key performance targets set by the Committee at the start of each financial year.	The annual bonus is earned by the achievement of one-year performance targets set by the Committee at the start of each financial year and is delivered in cash. Performance targets are based on the Group's financial results. The Committee retains the discretion to adjust the targets to take account of events which were not foreseen or allowed for at the start of the year when targets were set, for example, acquisitions in the year. The Committee also retains the discretion to adjust the bonus outcomes and/or targets to ensure that they reflect the underlying business performance. No adjustments were made to the performance targets in relation to the impact on the business of COVID-19. The annual bonus is subject to malus and/or clawback. The Chairman and the Non-Executive Directors are not eligible to participate in the annual bonus scheme.	The maximum amount payable to the CEO is 125% of base salary; the target award is 62.5% of base salary, with a further maximum of 62.5% for enhanced performance. The maximum amount payable to the CFO is 110% of base salary; the target award is 55% of base salary, with a further maximum of 55% for enhanced performance. In both cases, no bonus is payable for below threshold performance but increases on a straight-line basis to target payout and from target to maximum.	Performance is measured over the financial year. Performance measures are determined by the Committee prior to the start of each financial year with a view to promoting the Company's business strategy and Shareholder value. The minimum performance target threshold in 2020 was linked to the Group's Adjusted Profit Before Taxation measure. No bonus is payable for below threshold performance; maximum payout requires performance significantly ahead of the minimum performance target threshold.

Directors' Remuneration Report

Remuneration Policy

Continued >

REMUNERATION POLICY TABLE (CONTINUED)

Component and Link to Strategy	Operation	Maximum Opportunity	Performance Measures
LTIP To incentivise and reward Executive Directors for the delivery of longer-term financial performance and Shareholder value. Share-based to provide alignment with Shareholder interests.	An annual conditional award of ordinary shares which may be earned after a single three-year performance period, based on the achievement of stretching performance conditions. Awards granted during or after 2019 require participants to hold vested LTIP shares (net of any shares sold to meet tax and social security liabilities) for a period of two years post vesting. Calculations of the achievement of the performance targets are independently performed and are approved by the Committee. To ensure continued alignment between Executive Directors' and Shareholders' interests, the Committee also reviews the underlying financial performance of the Group and retains its discretion to adjust vesting if it considers that performance is unsatisfactory. Malus and clawback rules operate in respect of the LTIP.	Annual LTIP awards may be made at the following levels of base salary: CEO: 125% CFO: 110%	The Committee will select the performance measures and weightings prior to the grant of awards that support the Company's longer-term strategy and shareholder value from time to time. The performance conditions currently attached to the awards are linked to the Company's Total Shareholder Return (TSR) and Earnings per Share (EPS) performance: • 50 per cent of an award will vest by reference to the annualised growth in the Company's net return index ('TSR') over the 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. • 50 per cent of an 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. Further details are set out on page 96 .

NOTES TO THE REMUNERATION POLICY TABLE

The Remuneration Policy for Executive Directors differs from that of other members of the Group Management Board solely in respect of quantum of the various components and remuneration. Executive Directors have a greater proportion of their total remuneration package at risk than other employees, however, the structure and principles of incentives are broadly consistent. The wider employee population of the Group will receive remuneration that is considered to be appropriate in relation to their geographic location, level of responsibility and performance.

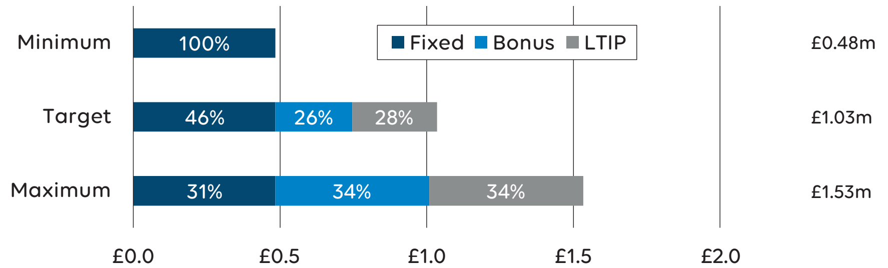
ILLUSTRATIONS OF THE APPLICATION OF THE REMUNERATION POLICY

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.

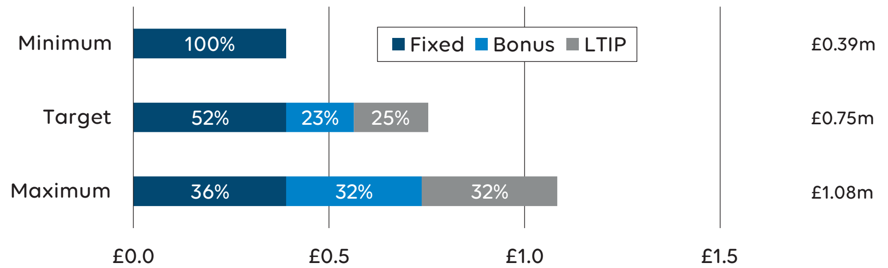
Given current business and economic volatility and the difficulty in forecasting financial performance, the Committee has yet to finalise the remuneration package for Executive Directors in respect of 2021, as further explained on page 81 of this report. As a consequence, but in order to still provide a meaningful illustration, the charts below show an example of the remuneration that could have been receivable by Executive Directors in office at 1 January 2020 under the policy set out in the 2019 Directors' Remuneration Report.

Each bar gives an indication of the minimum amount of remuneration payable, remuneration payable at target and at maximum performance to each Executive Director under the policy. Each of the bars is broken down to show how the total under each scenario is made up of fixed elements of remuneration, the annual bonus and the LTIP.

Peter Egan
Illustration Only



Yvonne Monaghan
Illustration Only



The above illustration is based on a number of assumptions:

- fixed remuneration includes:
  - annual base salary as at 1 January 2020 (excluding the effect of the 20% salary reduction, that was effective during the period 1 April 2020 to 31 October 2020 inclusive, in response to the COVID-19 pandemic);
  - value of taxable benefits in 2019 as shown in the single figure table on page 91; and
  - pension cash alternative allowance as at 1 January 2020 (again, excluding the effect of the 20% salary reduction referred to above).
- variable remuneration at minimum, target and maximum payout has been assumed at 0%, 50% and 100% respectively of maximum bonus opportunity;
- variable remuneration at minimum, target and maximum payout has been assumed at 0%, 55% and 100% respectively of maximum LTIP opportunity; and
- no share price appreciation or dividend accrual has been incorporated in the values of the LTIP.

Directors' Remuneration Report

Remuneration Policy

Continued >

MALUS AND CLAWBACK

To reflect best practice, and to align with Shareholder interests, the Committee introduced malus and clawback provisions in relation to all annual bonus and LTIP schemes (together 'Awards') granted on or after 1 January 2015.

Those provisions enabled 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 enabled 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 included, but were not limited to:

- a material misstatement of the Company's audited financial results;
- a miscalculation of the extent to which a performance target has been met;
- a material failure of risk management by the Company; and
- serious reputational damage to the Company.

During 2019, the circumstances in which the Committee may apply the malus and clawback provisions were broadened to specifically include:

- misconduct by a participant; and
- a material downturn in the financial position of the Company.

The Committee also resolved that:

- the period for discovery of the circumstances for malus and clawback be increased from two years to three years from payment of bonuses and vesting of LTIP awards; and
- for the annual bonus, broaden the recovery methods to specifically include the ability to reduce future award levels and unvested and vested unexercised share incentive awards; and
- for the avoidance of any doubt, make it clear within the scheme documentation that, where the Committee is of the opinion that the formulaic outcome is either not reflective of the underlying performance of the Company or does not accord with the Shareholder experience, or for any other circumstances that the Committee, acting fairly and reasonably, considers appropriate, then it shall have the discretion to adjust the formulaic outcome.

The additional provisions above apply to Awards granted on or after 1 January 2020.

PERSONAL SHAREHOLDING REQUIREMENT AND HOLDING PERIODS

In order that their interests are linked with those of Shareholders, Executive Directors were previously expected to build up and maintain a personal shareholding in the Company, equal to at least the value of base salary, over a period of five years from appointment.

In light of developments in best practice, and in order to ensure continued alignment between Executive Directors' and Shareholders' interests, the Committee amended the policy in 2019 such that Executive Directors are now expected to build and maintain a personal shareholding in the Company equal to at least 200% of the value of base salary. For the purpose of this requirement, the net of tax number of vested but unexercised share awards, which are not subject to any further performance conditions, will be included. The Committee agreed that, whilst the period in which an Executive Director is expected to build up a personal shareholding in the Company should remain as five years, in recognition of the significantly increased shareholding requirement such five year period should commence from 31 December 2019, or date of appointment if later. The Committee will monitor progress annually.

The Committee has also considered whether Executive Directors should be required to hold any shares for a further period after vesting or exercise of an LTIP award, subject to the need to finance any costs of acquisition and associated tax liabilities. The rules of the 2018 Long-Term Incentive Plan (the '2018 LTIP'), which were approved by Shareholders at the 2018 AGM, contain provisions which allow the Committee to require that shares acquired from vesting LTIP awards must be retained for a prescribed period post vesting.

Accordingly, the grant of awards under the 2018 LTIP in 2019 and 2020, and for all other grants thereafter, are subject to a two year post-vesting holding period over and above the three year vesting period of an LTIP award (the 'Holding Period'). The Holding Period will continue to apply in the event of cessation of employment, save where cessation is by reason of death in which case the Holding Period shall immediately be deemed to have ended.

APPROACH TO RECRUITMENT REMUNERATION

The Committee would expect to apply the same Remuneration Policy as that which applies to existing Executive Directors when considering the recruitment of a new Executive Director.

Nevertheless, other arrangements may be established specifically to facilitate recruitment of a particular individual, albeit that any such arrangement would be made within the context of minimising the cost to the Company. An example might be the need to provide a level of compensation for forfeiture of bonus entitlements and/or unvested long term incentive awards from an existing employer, if any, or the additional provision of benefits in kind and other allowances, such as relocation, education and tax equalisation, as may be required in order to achieve a successful recruitment. Any arrangement established specifically to facilitate the recruitment of a particular individual would be intended to be of comparable form, timing, commercial value and capped as appropriate. The quantum, form and structure of any buyout arrangement will be determined by the Committee taking into account the terms of the previous arrangement being forfeited. The buyout may be structured as an award of cash or shares, however, the Committee will normally have a preference for replacement awards to be made in the form of shares, deliverable no earlier than the previous awards.

Where an Executive Director is appointed from either within the Company or following corporate activity/reorganisation, the normal policy would be to honour any legacy incentive arrangements to run off in line with the original terms and conditions.

The policy on the recruitment of new Non-Executive Directors would be to apply the same remuneration elements as for the existing Non-Executive Directors. It is not intended that variable pay, cash supplements, day rates or benefits in kind be offered, although in exceptional circumstances such remuneration may be required in currently unforeseen circumstances.

EXECUTIVE DIRECTORS' SERVICE AGREEMENTS

It is the Company's policy that Executive Directors have rolling service agreements. Peter Egan is employed under a service agreement dated 30 March 2018, as amended by a Variation Letter dated 21 December 2018 relating to his appointment to Chief Executive Officer from 1 January 2019. Yvonne Monaghan is employed under a service agreement dated 14 January 2004, as amended with the appointment to Chief Financial Officer on 31 August 2007.

The length of Board service as at 31 December 2020 for Peter Egan and Yvonne Monaghan was two years, nine months and 13 years, four months respectively.

The current Executive Directors' service agreements contain the key terms shown in the table below:

Provision	Detailed Terms
Remuneration[1]	• base salary, pension and benefits • car benefit • family private health insurance • life assurance • 30 days' paid annual leave • participation in the annual bonus plan, subject to plan rules • participation in the LTIP, subject to plan rules
Change of Control	• no special contractual provisions apply in the event of a change of control
Notice Period	• 12 months' notice from the Company • 6 months' notice from the director
Termination[2,3]	• Payment in lieu of notice for a period of up to 12 months
Restrictive Covenants	• during employment and for a period of up to 12 months after leaving

Note 1: **Whilst service agreements outline the components of remuneration payable, they do not prescribe how remuneration levels may be adjusted from year to year.**

Note 2: **In the event of termination without cause, the Company has a contractual obligation to compensate the Executive Director for the unexpired period of his or her notice. The Company will seek to reduce this payment by means of the Executive Director's duty to mitigate this payment wherever possible.**

Note 3: **Whilst unvested awards will ordinarily lapse upon termination, the Committee may in its absolute discretion allow for awards to continue until the normal vesting date or to be accelerated (for example on death), subject to achievement of the attendant performance conditions. In such circumstances, awards vesting will normally be prorated on a time apportioned basis, unless the Committee determines otherwise. Any such discretion in respect of leavers would only be applied by the Committee to 'good leavers' where it considers that continued participation is justified, for example, by reference to performance prior to the date of leaving. The malus and clawback provisions would continue to apply in the event that any such discretion was exercised.**

Directors' Remuneration Report

Remuneration Policy

Continued >

CHAIRMAN'S SERVICE AGREEMENT

The Chairman has a fixed term appointment. The fee for the Chairman, which is commensurate with his experience and contribution to the Group, is reviewed annually with any increase generally taking effect on 1 January. The Chairman does not participate in decisions regarding his own remuneration. The Chairman is not eligible for pension scheme membership, bonus or incentive arrangements. Costs in relation to business expenses and travel will be reimbursed. The Chairman's appointment is terminable without compensation on three months' notice from either side.

The Chairman is expected to devote such time as is necessary for the proper fulfilment of the role. Whilst this is not ordinarily expected to exceed 40 days per annum, the nature of the role makes it impossible to be specific about the maximum time commitment.

The Chairman is encouraged, but is not required, to hold a personal shareholding in the Company.

At 31 December 2020, the unexpired terms of the Chairman's letter of appointment was:

	Date of Latest Letter of Appointment	Service Agreement Start Date	Service Agreement End Date	Unexpired Term at 31 December 2020
Bill Shannon	26 February 2020	8 May 2020	7 May 2021	**4 months**

NON-EXECUTIVE DIRECTORS' SERVICE AGREEMENTS

Non-Executive Directors each have fixed term appointments. Fees payable to the Non-Executive Directors, which are commensurate with their experience and contribution to the Group, are reviewed annually by the Board, with any increase ordinarily taking effect on 1 January. Non-Executive Directors do not participate in decisions regarding their own remuneration. Non-Executive Directors are not eligible for pension scheme membership, bonus or incentive arrangements. Costs in relation to business expenses and travel will be reimbursed. A Non-Executive Director's appointment is terminable without compensation on three months' notice from the Company and one month's notice from the individual.

Non-Executive Directors are expected to devote such time as is necessary for the proper fulfilment of the role. Whilst this is not, ordinarily, expected to exceed 20 days per annum, the nature of the role makes it impossible to be specific about the maximum time commitment.

Non-Executive Directors are encouraged, but are not required, to hold a personal shareholding in the Company.

At 31 December 2020, the unexpired terms of the Non-Executive Directors letters of appointment were:

	Date of Latest Letter of Appointment	Service Agreement Start Date	Service Agreement End Date	Unexpired Term at 31 December 2020
Chris Girling	29 August 2018	29 August 2018	28 August 2021	**8 months**
Nick Gregg	16 October 2018	1 January 2019	31 December 2021	**1 year**

Subsequent to the year end, Jock Lennox was appointed to the Board as an Independent Non-Executive Director on 5 January 2021. His initial term of appointment is three years.

Directors' Remuneration Report

Annual Remuneration Report

SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED)

	Note	Peter Egan 2020 £000	Peter Egan 2019 £000	Yvonne Monaghan[6] 2020 £000	Yvonne Monaghan[6] 2019 £000
Fixed Pay					
Base Salary	1	**371**	338	**278**	308
Taxable Benefits	2	**17**	16	**49**	19
Pension	3	**39**	43	**50**	55
		427	397	**377**	382
Performance Related Pay					
Bonus	4	**–**	254	**–**	203
LTIP – Corporate Performance	4	**–**	104	**–**	301
LTIP – Share Price Growth	4,5	**–**	(3)	**–**	(9)
		–	355	**–**	495
Single Total Figure of Remuneration[7]		**427**	752	**377**	877

Note 1: The base salary payable to each of Peter Egan and Yvonne Monaghan in 2019 was £338,250 and £307,500 respectively. As set out on page 80 of the 2019 Annual Report and Accounts, the base salary payable to each of Peter Egan and Yvonne Monaghan in 2020 was expected to be £420,000 and £315,187 respectively. However, in response to the COVID-19 pandemic, the Executive Directors agreed to a 20% reduction in their salary for the period 1 April 2020 through to 31 October 2020. The figures in the table above for 2020 therefore reflect the revised base salaries net of the 20% temporary reduction.

Note 2: Taxable benefits relate to the provision of a car allowance and private medical insurance. Peter Egan's car benefit for the year was £14,500 (2019: £14,500) and his private medical insurance benefit was £2,199 (2019: £1,742). Yvonne Monaghan's car benefit for the year was £17,500 (2019: £17,500) and her private medical insurance benefit was £1,759 (2019: £1,393). In 2020 only, an amount of £30,159 was also payable to Yvonne Monaghan in respect of holidays having to be cancelled at the Company's request for business reasons.

Note 3: Details of the amounts shown for Pension are set out on page 92.

Note 4: Details of the performance measures and weighting as well as the achieved results for the bonus and LTIP components are shown on pages 92 and 95 respectively. No bonus was deferred.

Note 5: The amounts shown for 2019 differ to those which were previously disclosed in the 2019 Annual Report and Accounts.

In the 2019 Annual Report and Accounts, the amount shown for the LTIP award was the indicative value based on the average market price of Johnson Service Group PLC shares over the three month period from 1 October 2019 to 31 December 2019 (179.92 pence) of LTIP awards, granted in 2017, that had become receivable as a result of the achievement of performance conditions relating to the three year performance period to 31 December 2019.

The revised figure now shown within the 2019 comparative is the value based on the market price of Johnson Service Group PLC shares on the date of vesting (27 March 2020: 106.40 pence).

Note 6: As set out within the Director biographies on page 48, Yvonne Monaghan is also a Non-Executive Director of The Pebble Group plc and, prior to stepping down in September 2020, was also a Non-Executive Director of NWF Group plc. She received, and retained, total fees of £67,475 and £44,416 in each of 2020 and 2019 respectively for her services to these other organisations.

Note 7: Other than as described in Note 1 above, the Executive Directors did not waive any emoluments in respect of the years ended 31 December 2020 and 31 December 2019.

Directors' Remuneration Report

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PENSIONS

Executive Directors are contractually entitled to receive retirement benefits, which are calculated on base salary, under one or more of the Group's contributory defined benefit or defined contribution schemes. Details of the schemes are given in note 25 of the Consolidated Financial Statements.

Defined Benefit Entitlement

Each Executive Director who served during the year has left active pensionable service in the Johnson Group Defined Benefit Scheme (the 'JGDBS'), which is of the defined benefit type, and is entitled to a preserved benefit. 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 31 December 2020 £000	Accrued pension entitlement at 31 December 2019 £000
Peter Egan	**13**	13
Yvonne Monaghan	**59**	55

Yvonne Monaghan took a partial transfer of benefits from the JGDBS on 31 March 2012.

Defined Contribution Entitlement – Peter Egan

From 1 January 2015, Peter became a deferred member of the JGDBS. From that date, he was contractually entitled to a monthly employer pension contribution, equal to up to 14% of his monthly salary, which was paid to the JSG Pension Plan (the 'Plan'), a defined contribution scheme. The majority of employees within the Group are eligible to participate in the Plan. Employer contribution rates to the Plan are on a matching plus basis determined with reference to the employee's own pension contribution together with their salary banding. The employer contribution rate that is currently available to the majority of the wider workforce is approximately 6%, whilst the maximum employer contribution is 14%, based upon a 7% employee contribution, for all employees currently earning an annual salary greater than £111,022. With effect from April 2019, Peter opted to receive a cash alternative allowance in lieu of an employer pension contribution. From that date, the cash alternative allowance payable to Peter was 12.3% of his base salary – adjusted downwards from the 14% referred to above in order to take account of the impact of employer's national insurance.

Had Peter received a cash alternative allowance for the whole of 2019, it would have equated to £41,605. As previously disclosed, having regard to recent developments in executive pensions and in order that the employer rate in respect of Peter progresses towards the rate applicable to that for the majority of the wider workforce, the Committee determined that Peter's entitlement in 2020 would be capped at the cash value of his 2019 cash alternative entitlement. The effect of this is that as Peter's salary increases, his cash alternative allowance, as a percentage of salary, will progress towards that available to the majority of the wider workforce. The cash alternative allowance payable in the year to Peter was £38,838 (2019: £31,204). In 2019 only, and prior to him opting to receive a cash alternative allowance in lieu of an employer pension contribution, Peter also received an employer pension contribution of £11,839.

Defined Contribution Entitlement – Yvonne Monaghan

From 1 January 2012, Yvonne opted to become a deferred member of the JGDBS and is contractually entitled to receive a monthly cash alternative allowance equal to 17.8% of her monthly salary. The cash alternative allowance payable in the year to Yvonne was £49,558 (2019: £54,735).

2020 BONUS ACHIEVEMENT

The annual bonus is earned by the achievement of one-year performance targets set by the Committee, ordinarily at the start of each financial year, adjusted accordingly to take account of events which were not foreseen or allowed for at the start of the year when targets were set, for example, acquisitions or changes in accounting policy.

Performance targets for 2020 are based on the Group's financial results using the Adjusted Profit Before Taxation ('Adjusted PBT') result but excluding notional interest. No bonus is payable for below minimum / threshold performance but increases on a straight-line basis to target performance and from target to maximum.

The performance targets for 2020 are as set out below:

	Minimum £m	Target £m	Maximum £m	Achieved £m	Bonus Achieved as % of Maximum Opportunity
Adjusted PBT (excluding notional interest)	47.0	50.8	61.0	(16.9)	0.0

The Committee increased the 2020 target to reflect the impact of the customer contracts purchased in February 2020, which were not included in the original target.

The financial performance target was not met and, consequently, there will be no pay out under the bonus plan for the Executive Directors for 2020.

INTERESTS IN SHARE CAPITAL

The interests of the Directors who were in office at 31 December 2020, together with the interests of their close family, in the shares of the Company at the start and close of the financial year, were as follows:

	Beneficial		Conditional (note 4)		
	31 December 2020 Ordinary shares of 10p each	**31 December 2019 Ordinary shares of 10p each**	**31 December 2020 LTIP/SAYE options**	**31 December 2019 LTIP/SAYE options**	**Share ownership guidelines**
Peter Egan	**221,804**	151,868	**714,204**	585,521	Note 1
Yvonne Monaghan (note 3)	**624,955**	614,086	**736,998**	768,963	Note 1
Bill Shannon	**155,434**	125,000	**n/a**	n/a	Note 2
Chris Girling	**17,333**	8,638	**n/a**	n/a	Note 2
Nick Gregg	**33,695**	15,000	**n/a**	n/a	Note 2

Note 1: **At its meeting on 26 February 2020, and following dialogue with major institutional Shareholders in 2019, the Committee agreed that Executive Directors would be expected to build and maintain a personal shareholding in the Company equal to at least 200% of the value of their base salary. Previously, Executive Directors were expected to build up and maintain a personal shareholding in the Company equal to at least the value of their base salary. Details of each Executive Director's personal shareholding is set out in the table below.**

Note 2: **Non-Executive Directors are encouraged, but are not required, to hold a personal shareholding in the Company.**

Note 3: **In addition to the beneficial and conditional interests shown above, Yvonne Monaghan is a Trustee of the Johnson Brothers Employee Benefit Trust (the "Trust"). The Trust is governed by a Trust deed dated 18 August 1936 and was set up for the benefit of employees or ex-employees of the Company or their respective widows, widowers, children or other dependants. The Trust owns 588,452 Ordinary shares of 10 pence each in the Company. The Company considers this to be a Non-Beneficial interest.**

Note 4: **Further details of the split between LTIP (with performance conditions attached) and SAYE (no performance conditions attached) options are shown below.**

Note 5: **There have been no changes in the Directors' interests in the shares of the Company during the period 31 December 2020 up until the date of signing this report.**

The extent to which each Executive Director has achieved their personal shareholding requirement, further details of which are set out on page 88, is set out below; all values (including share price) are as at 31 December 2020:

	Beneficial Shareholding (No.)	Conditional Shareholding[1] (No.)	Deemed Shareholding (No.)	Share Price (p)	Value of Deemed Shareholding (£000)	Base Salary (£000)	Value of Deemed Shareholding as a % of Base Salary
Peter Egan	221,804	57,507	279,311	140	391	420	93.1%
Yvonne Monaghan	624,955	152,569	777,524	140	1,089	315	345.7%

Note 1: **Vested shares, which have not yet been exercised, together with unvested shares, which are not subject to a further performance condition, can count to the shareholding requirement on a net of tax basis.**

In respect of Peter Egan, the 95,000 options granted on 27 March 2017 under the 2009 LTIP together with the 7,157 options granted on 4 October 2017 under the SAYE Scheme are not subject to any further performance conditions and consequently, on a net of tax basis, represent a further 57,507 shares.

In respect of Yvonne Monaghan, the 274,364 options granted on 27 March 2017 under the 2009 LTIP together with the 7,157 options granted on 4 October 2017 under the SAYE Scheme are not subject to any further performance conditions and consequently, on a net of tax basis, represent a further 152,569 shares.

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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 (or date of appointment if later) and close (or date of resignation if earlier) of the financial year were as follows:

	Date of Grant	At 31 December 2019	Options Granted During Year	Options Lapsed During Year	Options Cancelled During Year	Options Exercised During Year	At 31 December 2020	Option Price
Peter Egan								
Scheme 1	27 March 2017	95,000	–	–	–	–	**95,000**	nil
Scheme 4	4 October 2017	7,157	–	–	–	–	**7,157**	125.75p
Scheme 1	28 February 2018	153,042	–	(153,042)	–	–	**-**	nil
Scheme 2	5 March 2019	330,322	–	–	–	–	**330,322**	nil
Scheme 2	3 March 2020	–	266,497	–	–	–	**266,497**	nil
Scheme 3	3 March 2020	–	15,228	–	–	–	**15,228**	197.00p
		585,521	281,725	(153,042)	–	–	**714,204**	
Yvonne Monaghan								
Scheme 1	27 March 2017	274,364	–	–	–	–	**274,364**	nil
Scheme 4	4 October 2017	7,157	–	–	–	–	**7,157**	125.75p
Scheme 1	28 February 2018	223,185	–	(223,185)	–	–	**-**	nil
Scheme 2	5 March 2019	264,257	–	–	–	–	**264,257**	nil
Scheme 2	3 March 2020	–	175,992	–	–	–	**175,992**	nil
Scheme 3	3 March 2020	–	15,228	–	–	–	**15,228**	197.00p
		768,963	191,220	(223,185)	–	–	**736,998**	

Scheme 1 - The Johnson Service Group 2009 Long-Term Incentive Plan (the '2009 LTIP')
Scheme 2 - The Johnson Service Group 2018 Long-Term Incentive Plan (the '2018 LTIP')
Scheme 3 - The Johnson Service Group 2018 Long-Term Incentive Plan CSOP Section (the '2018 Approved LTIP')
Scheme 4 – The Johnson Service Group Sharesave Plan ('SAYE Scheme')

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

Details of the 2009 LTIP, the 2018 LTIP, the 2018 Approved LTIP and the SAYE Scheme are given on pages 96 to 97 of the Directors' Remuneration Report.

AWARDS EXERCISED IN 2020

No Director exercised any awards during 2020. Details of awards exercised during 2019 are set out on page 75 of the 2019 Annual Report and Accounts.

AWARDS LAPSED IN 2020

Under the 2009 LTIP, awards were granted to certain employees on 28 February 2018 with an exercise price of £nil (the '2018 Award'). The closing mid-market share price of Johnson Service Group PLC on the day immediately preceding the date of grant was 136.4 pence. Peter Egan was granted 153,042 options and Yvonne Monaghan was granted 223,185 options. The performance period was the three financial years starting 1 January 2018 and ending 31 December 2020. The performance conditions are as set out below within 'Overview of Share Option Schemes'.

Whilst the award would not be capable of vesting until at least 28 February 2021, the performance period ended on 31 December 2020. The extent to which the performance conditions were met is set out below:

	Minimum Growth/ Return (per annum)	Maximum Growth/ Return (per annum)	Actual Growth/ Return (per annum)	% of Award Vesting	No. of Options to Vest (Peter Egan)	No. of Options to Vest (Yvonne Monaghan)
EPS (over RPI)	3%	8%	n/a[1]	0%	nil	nil
TSR (over Index)	0%	7%	(4.4%)	0%	nil	nil
					nil	nil

Note 1: The compound annual growth rate is not calculable as the EPS figure at the end of the performance period is negative.

As a result, at its meeting on 12 March 2021, the Remuneration Committee resolved that no discretion would be applied to the above outcome and hence the options would lapse, with effect from the end of the performance period.

OUTSTANDING AWARDS

2017 Award

Awards were granted, under the 2009 LTIP, to certain employees on 27 March 2017 with an exercise price of £nil. The closing mid-market share price of Johnson Service Group PLC on the day immediately preceding the date of grant was 109.75 pence. Peter Egan was granted 95,000 options; Yvonne Monaghan was granted 274,364 options. The performance period was the three financial years starting 1 January 2017 and ending 31 December 2019. The performance conditions are as set out below within 'Overview of Share Option Schemes'. The performance period ended on 31 December 2019 and the performance conditions were met as follows:

	Minimum Growth/ Return (per annum)	Maximum Growth/ Return (per annum)	Actual Growth/ Return (per annum)	% of Award Vesting	No. of Options to Vest (Peter Egan)	No. of Options to Vest (Yvonne Monaghan)
EPS (over RPI)	3%	8%	8.4%	100%	47,500	137,182
TSR (over Index)	0%	7%	10.2%	100%	47,500	137,182
					95,000	274,364

2019 Award

Awards were granted, under the 2018 LTIP, to certain employees on 5 March 2019 with an exercise price of £nil. The closing mid-market share price of Johnson Service Group PLC on the day immediately preceding the date of grant was 128.0 pence. Peter Egan was granted 330,322 options, equivalent to 125% of his base salary at the time; Yvonne Monaghan was granted 264,257 options, equivalent to 110% of her base salary at the time. The performance period is the three financial years starting 1 January 2019 and ending 31 December 2021. The performance conditions are as set out below within 'Overview of Share Option Schemes'. If the minimum performance criteria were to be achieved, 25 per cent of the scheme interests would become receivable.

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2020 Award
Awards were granted, under the 2018 LTIP, to certain employees on 3 March 2020 with an exercise price of £nil. In addition, linked awards were granted on the same date, under the 2018 Approved LTIP, with an exercise price of 197 pence each. The closing mid-market share price of Johnson Service Group PLC on the day immediately preceding the date of grant was 197 pence.

The number of options granted to each of the Executive Directors was as follows:

	2018 LTIP	2018 Approved LTIP
Peter Egan	266,497	15,228
Yvonne Monaghan	175,992	15,228

The performance period is the three financial years starting 1 January 2020 and ending 31 December 2022. The performance conditions are as set out below within 'Overview of Share Option Schemes'. If the minimum performance criteria were to be achieved, 25 per cent of the scheme interests would become receivable.

Holding Period
The 2019 and 2020 awards are subject to an additional holding period for two years from the date on which the award vests (the 'Holding Period'). During the Holding Period, which will continue to apply in the event of cessation of employment, the award holder may not normally dispose of any of the shares which vest except to cover any income tax or social security contributions arising on the exercise of the award.

OVERVIEW OF SHARE OPTION SCHEMES
2009 LTIP
To incentivise certain employees to maximise Shareholder value and to ensure the employees' services are retained, the Company adopted the 2009 LTIP, which was approved by a resolution of the Board on 7 May 2009. All employees of the Group were eligible to participate in the 2009 LTIP, although in practice, participants were limited to Executive Directors and Senior Management. Participants in the 2009 LTIP were selected by the Remuneration Committee.

Eligible participants were granted awards entitling them to receive, subject to the rules of the 2009 LTIP, 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 2009 LTIP normally occurs after a three year performance period.

Performance Conditions
The performance conditions attached to the awards are linked to the Company's Total Shareholder Return and Earnings per Share performance:

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

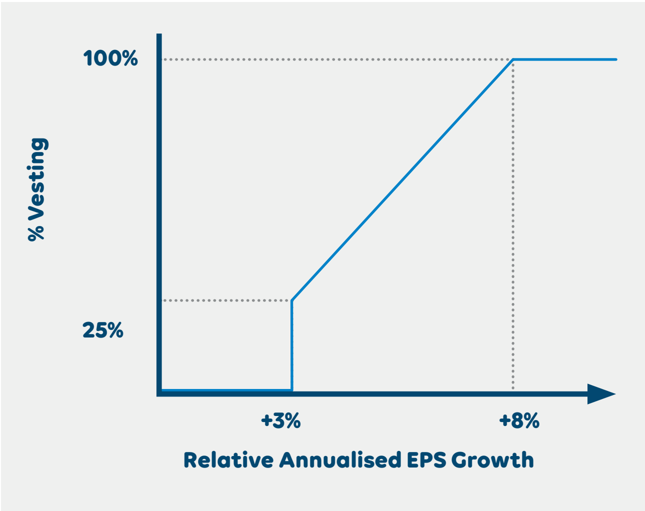
- The remaining 50 per cent of the award will vest by reference to the annualised growth in the Company's adjusted fully diluted earnings per share from continuing operations ('EPS') over the performance period relative to the annualised growth in the retail price index ('RPI') over the performance period. 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 is 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.

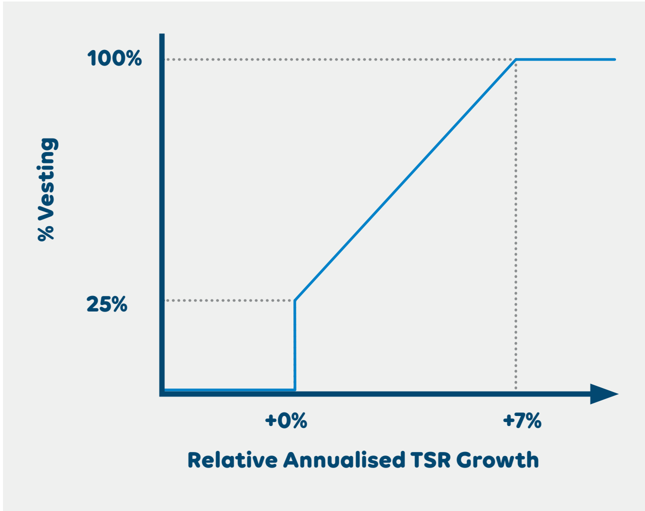
For the purpose of calculating TSR and Index growth, the average of the net return index over the dealing days falling in the period of one month ending on the last day of the performance period will be compared to the average of the net return index over the dealing days falling in the period of one 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.

The above performance conditions, used for both the 2017 Award and 2018 Award, were selected to incentivise award holders to maximise Shareholder value. The charts below demonstrate the effect on vesting of the above performance conditions:





2018 LTIP

Awards could only be granted under the 2009 LTIP until 4 July 2018. The Committee, therefore, adopted a new plan on substantially the same terms as the 2009 LTIP in order for the Company to be able to continue to operate its executive and senior management incentive arrangements after this date. The 2018 LTIP was approved by Shareholders at the 2018 Annual General Meeting; a summary of the principal features of the rules of the 2018 LTIP is included within the 2018 Notice of Annual General Meeting.

As with the 2009 LTIP, the 2018 LTIP comprises an 'unapproved' section, under which nil cost awards are made.

The 2018 LTIP rules specifically include malus and clawback provisions, to reflect the fact that such provisions have been applicable to LTIP awards granted by the Company from 2015. In addition, to take into account developments in best practice, the rules of the 2018 LTIP contain provisions which allow the Committee to require that shares acquired from vesting LTIP awards must be retained for a prescribed period post vesting.

The first award under the 2018 LTIP was granted in March 2019 and a further award was granted in March 2020. The performance conditions for these awards are the same as those applying to the awards granted under the 2009 LTIP, as set out above.

2018 Approved LTIP

The rules of the 2018 LTIP also include a 'CSOP' section (the '2018 Approved LTIP'), under which UK tax-advantaged market value options are awarded and which are linked to the nil cost awards under the 2018 LTIP. The linked awards give the holder the same potential gross gain as if they had just received the 2018 LTIP award, however, as the 2018 Approved LTIP is tax favoured, in certain circumstances all or part of any gain on the 2018 LTIP award will be received through the 2018 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 2018 LTIP are achieved, the extent to which they are achieved and also on how much of the gain (if any) can be delivered through the 2018 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 2018 LTIP arrangement.

On 3 March 2020, certain employees were granted awards under the 2018 Approved LTIP, linked to the awards granted on the same date under the 2018 LTIP, at an exercise price of 197 pence.

SAYE Scheme

The SAYE Scheme is open to all employees, including Executive Directors, who have completed two years' 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 29 of the Consolidated Financial Statements.

Directors' Remuneration Report

Annual Remuneration Report

Continued >

NON-EXECUTIVE DIRECTORS' REMUNERATION (AUDITED)

Details of the amounts received by the Chairman and the Non-Executive Directors during the year ended 31 December 2020 are as follows:

	2020 £000	2019 £000
Bill Shannon	**122**	135
Chris Girling	**52**	58
Nick Gregg	**47**	52
	221	245

The figures for 2019 reflect the annual fee payable to the Chairman and the Non-Executive Directors for the period 1 January 2019 to 31 December 2019. The Board approved an increase to those fees of 2.5%, with effect from 1 January 2020, such that the annualised fee payable to each of Bill, Chris and Nick in 2020 would have been £138,375, £59,100 and £53,100 respectively. However, in response to the COVID-19 pandemic, the entire Board agreed to a 20% reduction in their salary / fee for the period 1 April 2020 through to 31 October 2020. The figures in the table above for 2020 therefore reflect the 2.5% increase together with the 20% temporary reduction detailed above..

TOTAL DIRECTOR REMUNERATION

The aggregate total amount of remuneration received by all Directors in office during the year ended 31 December 2020, together with the aggregate total amount of remuneration received by all Directors in office during the year ended 31 December 2019, is shown below:

	2020 £000	2019 £000
Executive Directors	**804**	1,629
Chairman & Non-Executive Directors	**221**	245
	1,025	1,874

PAYMENTS TO PAST DIRECTORS

Chris Sander, former CEO, retired from the Board on 31 December 2018. Save for the payment of the annual bonus which was earned in 2018 and payable in April 2019, as disclosed within the 2018 Annual Report and Accounts, no payments of money or other assets were paid to him during 2019 or 2020 in respect of his services as an Executive Director. Chris did, however, exercise LTIP options during each of 2019 and 2020 which had been previously granted to him whilst serving as an Executive Director. Details of the exercise in 2020 are set out below whilst details of the exercises in 2019 are set out on page 79 of the 2019 Annual Report and Accounts. Other than as described below, there are no further options outstanding in relation to Chris Sander.

2017 Award

On 27 March 2017, Chris was granted an option over 456,120 Ordinary shares of 10 pence each in the Company with an exercise price of £nil. The performance period was the three financial years starting 1 January 2017 and ending 31 December 2019. In respect of good leavers, and as set out within the Remuneration Policy, the Committee may in its absolute discretion allow for awards to continue until the normal vesting date and be satisfied, subject to achievement of the attendant performance conditions. In such circumstances, awards vesting will normally be prorated on a time apportioned basis. To reflect Chris's performance prior to the date of him stepping down from the Board, and subject always to achievement of the attendant performance conditions, the Committee confirmed that the number of options vesting in respect of the 2017 award be prorated to two-thirds of the award granted to him.

The performance conditions, calculated as set out above within 'Overview of Share Option Schemes', were met as follows

	Minimum Growth/ Return (per annum)	Maximum Growth/ Return (per annum)	Actual Growth/ Return (per annum)	% of Award Vesting	No. of Options Vesting
EPS (over RPI)	3%	8%	8.4%	100%	152,040
TSR (over Index)	0%	7%	10.2%	100%	152,040
					304,080

Chris exercised his option in June 2020. The gross gain, at the point of exercise and prior to any taxation liabilities and dealing costs, was £351,990.

2018 Award

On 28 February 2018, Chris was awarded options over 371,036 Ordinary shares of 10 pence each in the Company, in each case with an exercise price of £nil. The performance period was the three financial years starting 1 January 2018 and ending 31 December 2020. The performance conditions are as set out above within 'Overview of Share Option Schemes'.

As for the 2017 Award, the Committee's intention was that to reflect Chris's performance prior to the date of him stepping down from the Board, and subject always to achievement of the attendant performance conditions, the number of options vesting in respect of the 2018 award be prorated to one-third of the award granted to him.

As set out on page 95, the performance conditions were not met and, as a result, at its meeting on 12 March 2021, the Remuneration Committee resolved that no discretion would be applied to the above outcome and hence the options would lapse, with effect from the end of the performance period.

PAYMENTS FOR LOSS OF OFFICE

There were no loss of office payments made to former directors during the year.

IMPLEMENTATION OF REMUNERATION POLICY IN 2021

The Committee anticipates the remuneration policy to apply as follows in the year ending 31 December 2021:

	Peter Egan	Yvonne Monaghan
Base Salary	Note 1	Note 1
Taxable Benefits	Car allowance; Medical insurance	Car allowance; Medical insurance
Pension	Capped at the cash value of 2019 entitlement	17.8% of Base salary
Bonus	Note 1	Note 1
LTIP	Up to 125% of Base Salary See note 1 for further details	Up to 110% of Base Salary See note 1 for further details

Note 1: **Given current business and economic volatility and the resultant difficulty in forecasting financial performance, the Committee has yet to finalise the 2021 remuneration package for Executive Directors in respect of base salary, bonus and LTIP, as further explained on page 81 of this report. The Committee's current intention is to delay any decision on base salary and bonus until later in the year, enabling us to have better insight into COVID-19 related developments and the potential for market recovery as vaccines are deployed. For the LTIP, and in line with guidance from the Investment Association, it is our intention to grant the 2021 LTIP as normal following release of the 2020 annual results in March 2021 but to defer the target setting, for no more than six months from the date of grant, at which point the Committee will give full consideration to the performance of the Group. This will enable us to set targets in light of the then prevailing circumstances, ensuring they are calibrated appropriately, are suitably challenging and are in-line with business performance.**

CEO PAY RATIO

Johnson Service Group PLC provides high quality textile rental and related services across a range of sectors throughout the UK and currently employs some 4,500 people. The majority of these employees work either within one of our processing facilities or in distribution. Irrespective of the specific role, we aim to apply the same reward principles for all employees, in particular, that overall remuneration should be competitive when compared to similar roles in other organisations from which we draw our talent.

Although the Company is not listed on the Main Market of the London Stock Exchange, and hence is not required by law to publish the ratio of the CEO's pay to that of the wider employee base, as a matter of good practice we have decided to do so. We are aware that year-to-year movements in the pay ratio will be driven largely by our CEO's variable pay outcomes. These movements will significantly outweigh any other changes in pay within the organisation. Whatever the CEO pay ratio, the Company will continue to invest in competitive pay for all employees.

Directors' Remuneration Report
Annual Remuneration Report
Continued >

The total pay and benefits of our employees at the 25th, 50th and 75th percentile and the ratios between the CEO and these employees, using the CEO's single total remuneration figure are as follows:

	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2020			
Single total remuneration figure: £427,000			
Total Pay & Benefits	£18,351	£22,040	£26,915
CEO Pay Ratio	23:1	19:1	16:1
2019[1]			
Single total remuneration figure: £822,000			
Total Pay & Benefits	£17,964	£26,762	£31,525
CEO Pay Ratio	46:1	31:1	26:1

Note 1: Comparative figures for 2019 are as previously disclosed in our 2019 Annual Report. Consequently, the single total figure of remuneration, and hence in turn the resultant CEO pay ratios, does not reflect the adjustments required in 2020 to the LTIP figures for 2019, in line with statutory reporting requirements, to show the actual value of the LTIP award upon vesting in March 2020.

The pay ratio regulations provide companies with a number of options for gathering the data required to calculate the ratio. We have chosen to use "Option B" to calculate the CEO pay ratio which involves the use of data previously gathered for gender pay gap reporting purposes. This option was chosen given the size and complexity of the exercise required to produce these ratios using other means and on the basis that the Company has already completed comprehensive data collation and analysis for the purposes of gender pay gap reporting.

The significant reduction in each of the percentile pay ratios compared to the previous year is predominantly driven by the CEO's variable pay outcome in each of 2020 and 2019. However, as explained in further detail within the 'Gender Pay Gap Reporting' disclosure below, the year on year variance in ratios has been further skewed as a result of the following:

a) a significant proportion of employees within the lower, lower-middle and upper-middle quartiles were furloughed and hence excluded from the gender pay gap reporting analysis; and

b) the majority of other employees in management, administrative and support roles who had not been furloughed, and whom tend to sit within the higher quartiles, had voluntarily agreed to a temporary salary reduction of either 10% or 20% and hence were also excluded from the gender pay gap reporting analysis.

GENDER PAY GAP REPORTING

Background

Under legislation that came into force in April 2017, all companies with 250 or more employees must publish and report specific figures about their gender pay gap. In respect of the Group, the legislation applies to Johnsons Textile Services Limited (the "Reporting Company") which for the period under review employed the vast majority of employees within the Group.

Employers must publish the gap in pay between men and women on both a mean basis (average hourly salary) and a median basis (pay per hour based on the person 'in the middle' of the distribution of pay). In relation to bonus pay, employers are required to disclose both a mean and median basis for average bonus pay received. Furthermore, the percentage of employees receiving bonuses by gender must be disclosed. In addition, employers are required to disclose the distribution of gender by pay quartile – in other words, splitting the workforce into four groups based on their pay and showing the proportion of males and females in each group.

The information provided below reflects the results of the most recent comprehensive data collation and analysis for the purposes of our external gender pay gap reporting. The 'Gender Pay Gap' calculations relate to the pay period in which the snapshot date, 5 April 2020, falls for each full-pay relevant employee only. The 'Gender Bonus Gap' calculations relate to the period 6 April 2019 to 5 April 2020 for all relevant employees.

Gender Pay Gap

The Company provides the following information in respect of its Gender Pay Gap:

Difference in the hourly rate of pay (mean)	**8.3%**
Difference in the hourly rate of pay (median)	**12.3%**

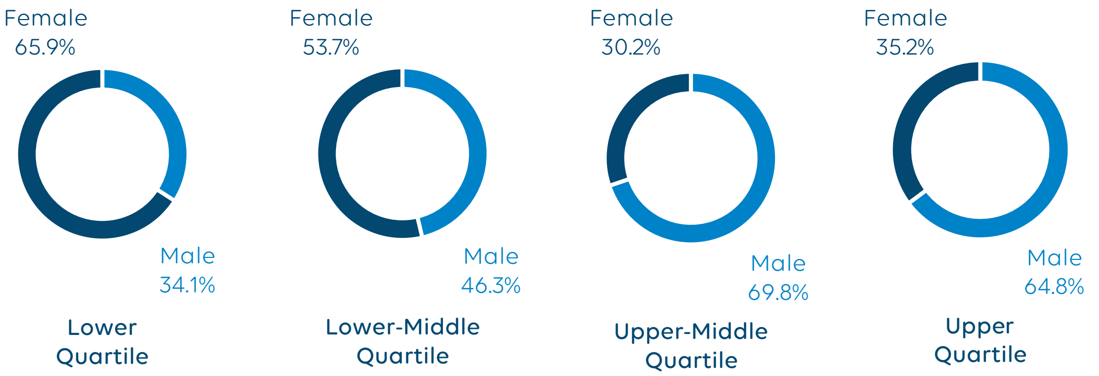
Gender Bonus Gap

The Company provides the following information in respect of its Gender Bonus Gap:

Difference in bonus pay (mean)	**2.2%**
Difference in bonus pay (median)	**51.5%**
Percentage of male employees who receive bonus pay	**29.3%**
Percentage of female employees who receive bonus pay	**23.9%**

Distribution of Male and Female Employees by Quartile

The proportions of male and female full-pay relevant employees in the lower, lower-middle, upper-middle and upper quartile bands were as follows:



Impact of COVID-19

Only full-pay relevant employees, defined as any employee who is employed on the snapshot date and who is paid their usual full basic pay, are included within the hourly rate of pay Gender Pay Gap calculations and the Distribution of Male and Female Employees by Quartile (together, the 'GPG Calculations').

As at the snapshot date, 5 April 2020, a significant proportion of our employees, particularly those employed within our HORECA division, were on furlough and, as a result, receiving 80% of their normal earnings. In addition, the majority of other employees in management, administrative and support roles who had not been furloughed had voluntarily agreed to a temporary salary reduction of either 10% or 20% with effect from 1 April 2020. As such, a significant number of employees did not receive their usual full basic pay as at the snapshot date and were therefore not considered full-pay relevant employees for the purposes of the GPG Calculations, a decrease of 3,645 employees in comparison to the 2019 GPG Calculations.

Further Explanatory Commentary

Despite the impact of COVID-19, the results do show that, as in previous years, there is a gender gap. Whilst the agreed salary reductions reduced the impact of there currently being fewer females than males in senior and leadership roles on our gender pay gap, it continued to have a material impact on our gender bonus gap, which is based on the number of employees employed at the snapshot date, irrespective of whether they received their usual full basic pay. Both gender pay gap and bonus gap are also significantly influenced by two industry related factors:

1) laundries operate large transport fleets and hence employ a significant number of drivers. The role generally commands a higher pay scale and is predominantly populated by males and

2) laundry operations are very labour intensive with such roles being predominantly in the lower quartiles. A higher proportion of these roles are currently performed by females.

We continue to take action to address the gap and to make sure our employment policies and practices are fair. This includes actively reviewing decisions around annual pay, bonus pay and promotion opportunities and the Group will continue to endeavour to provide a training and development platform for all individuals to grow, both personally and in their work role, irrespective of gender.

Fresh Linen Limited ('Fresh Linen')

At the snapshot date, which was prior to an internal reorganisation undertaken by the Group which resulted in the acquisition of the trade and assets of Fresh Linen by Johnsons Textile Services Limited on 30 June 2020, Fresh Linen employed some 300 employees and therefore was also required to report under the Gender Pay Gap legislation for 2020. Again, the impact of COVID-19 meant that a significant number of employees were on furlough or had voluntarily agreed to a temporary salary reduction. These circumstances resulted in there only being three full-pay relevant employees as at the snapshot date, all of whom were male. As such, we are unable to report on the GPG Calculations for Fresh Linen.

Directors' Remuneration Report

Annual Remuneration Report

Continued >

The Gender Bonus Gap information is as follows:

Difference in bonus pay (mean)	**58.5%**
Difference in bonus pay (median)	**57.8%**
Percentage of male employees who receive bonus pay	**61.4%**
Percentage of female employees who receive bonus pay	**68.2%**

The Gender Bonus Gap information for Fresh Linen is significantly influenced by the same two industry related factors as disclosed above for Johnsons Textile Services Limited.

For the 2020/2021 Gender Pay Gap reporting, and following the acquisition of the trade and assets of Fresh Linen as referred to above, the Fresh Linen employees will form part of the Johnsons Textile Services Limited disclosure.

EMPLOYEE ENGAGEMENT

As we reported last year, during 2019 we engaged an external research company to undertake an employee engagement survey within our Johnsons Workwear business. The response rate was a very encouraging 77% and the results of the confidential survey enabled managers to produce local action plans designed to make their part of the business an even greater place to work. A total of 26 initiatives were identified, split into five key pillar groups (give something back, promote health and wellbeing, training and development, trust in leadership and active listening). Whilst the COVID-19 pandemic has led to the delay of a number of these initiatives being implemented, 18 had been completed by the end of January 2021 with the remaining initiatives in progress. Examples of the initiatives completed to date include the provision of free WiFi in canteen areas, charitable donations, 'baby boxes' being given to expectant families and the setting up of an Employee Assistance Programme, which provides access to a free and confidential counselling service offering mental health, financial and legal support. Further initiatives over the coming months, and when conditions allow, will include recommend a friend schemes, volunteering days, new employee uniforms, teambuilding events and 'meet the MD' sessions.

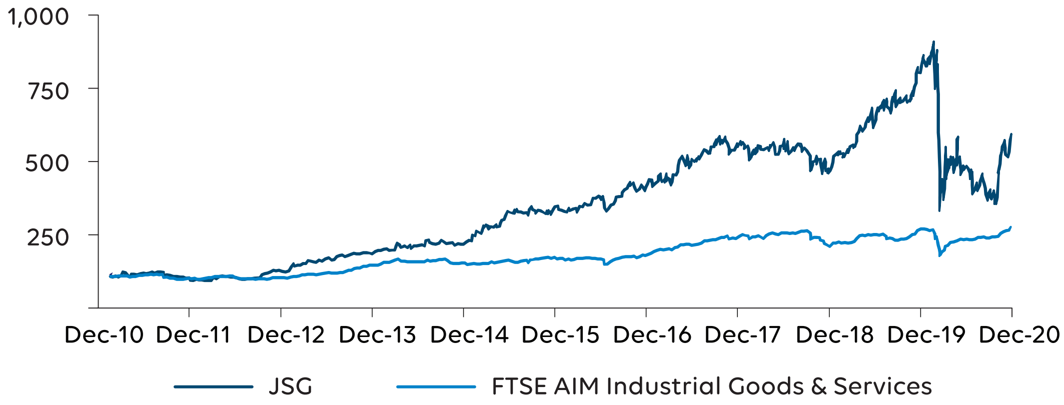
In addition to the above, the Group has also worked in close partnership with a UK registered charity, the 'Fashion & Textile Children's Trust', who specialise in offering grants to families working within the business and who are suffering with specific financial hardship issues. We intend to continue partnering with them in supporting their fundraising efforts to support the children of families working within the fashion and textiles sector.

The Board are aware that whilst surveys are a powerful way to engage people, and are a useful source of information, they are not, on their own, sufficient as an indicator of workforce views. Consequently, prior to the COVID-19 pandemic, we were in the process of organising local focus groups with employees in order to discuss and better understand the results of the survey in greater detail. Peter Egan, Chief Executive Officer, and myself were due to attend certain of the focus group meetings. Those meetings were, unfortunately, postponed as a result of COVID-19. Notwithstanding that, Peter and I did meet with Johnsons Workwear management, together with the external research company that undertook the employee engagement survey, in order to more fully understand the results of the survey and the initiatives thereon.

In 2021, when conditions allow, it is our intention to rearrange the meetings with employees referred to above and to engage an external research company to undertake a further employee engagement survey within our Johnsons Workwear business. We also intend to extend the employee engagement survey across our HORECA business in order to develop a wider understanding of our employees' views and to extend our initiatives further.

TOTAL SHAREHOLDER RETURN

The performance graph below shows the Company's TSR performance against the performance of the FTSE AIM Industrial Goods and Services Index over the ten-year period to 31 December 2020. The FTSE AIM Industrial Goods and Services Index has been selected for this comparison as, in the opinion of the Directors, it best represents the general sector in which the Group operates.



RELATIVE IMPORTANCE OF SPEND ON PAY

The following table sets out the amounts payable in dividends and total employee costs in respect of the years ended 31 December 2020 and 31 December 2019. The Committee does not consider that there are any other significant distributions or payments outside the ordinary course of business that warrant disclosure.

	2020 £m	2019 £m	% Change
Dividends payable (note 1)	–	4.3	(100.0%)
Total employee costs (note 2)	**110.7**	149.6	(26.0%)

Note 1: **Whilst the Board recognises the importance of dividends to Shareholders, this had to be balanced with the impact that COVID-19 has had on our business. As previously announced, and in order to conserve cash resources in response to the pandemic, the Board does not propose to declare a dividend in respect of 2020. In addition, the final proposed dividend in respect of the year ending 31 December 2019 was also withdrawn. The Board will keep future dividends under review and will look to reinstate its dividend policy as trading returns to more normalised levels.**

Note 2: **Total employee costs in 2020 are stated net of £28.2 million of grant receivable from the Coronavirus Job Retention Scheme**

OTHER DETAILS

The mid-market price of the Ordinary shares of 10p each on 31 December 2020 and 31 December 2019 was 140.0 pence and 196.0 pence respectively. During the year, the mid-market price of the Ordinary shares of 10p each ranged between 80.0 pence and 223.0 pence (2019: 116.0 pence and 201.5 pence).

ANNUAL GENERAL MEETING

The table below shows the voting outcome at the 2020 AGM, held on 5 May 2020, for the 2019 Directors' Remuneration Report.

No. of Votes 'For'[1]	% of Votes Cast	No. of Votes 'Against'	% of Votes Cast	Total No. of Votes Cast	No. of Votes 'Withheld'[2]
278,426,667	97.96%	5,786,031	2.04%	284,212,698	810,785

Note 1: **Includes 'Discretionary' votes.**

Note 2: **A vote 'Withheld' is not a vote in law.**

The Committee welcomed the endorsement of the 2019 Directors' Remuneration Report by Shareholders. At the 2021 AGM, due to be held on 5 May 2021, Shareholders will be invited to vote on the Directors' Remuneration Report for 2020.

Nick Gregg
Chairman, Remuneration Committee

19 March 2021

3.
GROUP FINANCIAL STATEMENTS

Independent Auditors' Report to the members of Johnson Service Group PLC

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

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

- give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2020 and of the Group's and Company's loss and the Group's and Company's cash flows for the year then ended;
- have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report & Accounts (the "Annual Report"), which comprise: the Consolidated and Company Balance Sheets as at 31 December 2020; the Consolidated Income Statement, the Consolidated and Company Statements of Comprehensive Income, the Consolidated and Company Statements of Cash Flows, and the Consolidated and Company Statements of Changes in Shareholders' Equity for the year then ended; the Statement of Significant Accounting Policies; and the notes to the financial statements.

Separate opinion in relation to international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union

As explained in the Statement of Significant Accounting Policies in the Group financial statements, the Group, in addition to applying international accounting standards in conformity with the requirements of the Companies Act 2006, has also applied international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

In our opinion, the Group financial statements have been properly prepared in accordance with international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

Audit scope

- We focused our work over the Group's reporting packs for the key operating components; Johnsons Workwear, Johnsons Stalbridge, Johnsons Hotel Linen and London Linen.
- We performed procedures over two Group companies, Johnson Service Group PLC (the parent Company of the Group) and Johnson Group Properties PLC, and the consolidation adjustments.
- The components where we performed our audit work, together with procedures over the consolidation adjustments, accounted for at least 95% of Group revenue and at least 95% of absolute adjusted operating profit/loss from continuing operations.

Key audit matters

- Accounting for complex customer arrangements (Group)
- Impairment of goodwill, intangible and tangible fixed assets (Group)
- Impairment of investments (Company)
- Impact of COVID-19 (Group and Company)
- Going concern (Group and Company)

Materiality

- Overall Group materiality: £1,848,000 (2019: £2,600,000) based on 5% of three year average of the absolute adjusted operating profit/loss (2020), 5% of adjusted operating profit (2019). Overall Company materiality: £1,070,000 (2019: £716,000) based on 0.5% of net assets.
- Performance materiality: £1,386,000 (Group) and £802,000 (Company).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Capability of the audit in detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined in the Auditors' responsibilities for the audit of the financial statements section, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the Group and industry, we identified the principal risks of non-compliance with laws and regulations related to health and safety laws, UK tax legislation, and environmental legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Obtained an understanding of the legal and regulatory framework applicable to the Group and how the Group is complying with that framework;
- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes including those of the Board and Audit Committee;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations;
- Challenging assumptions and judgments made by management in their significant accounting estimates, in particular in relation to the valuation of goodwill, intangible and tangible fixed assets (see related key audit matter below); and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgment, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Impairment of goodwill, intangible and tangible fixed assets, impairment of investments, impact of COVID-19 and going concern are new key audit matters this year. Accounting for the acquisition of Fresh Linen Holdings Limited, which was a key audit matter last year, is no longer included because no business combinations took place in the year. Otherwise, the key audit matters below are consistent with last year.

Key audit matter	How our audit addressed the key audit matter
Accounting for complex customer arrangements (Group) Refer to page 71 of the Audit Committee Report and page 121 of the Statement of Significant Accounting Policies. The Group, through the trading components, grant 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 based on the level of spend. We focused on this area because the amount of 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 Consolidated Income Statement, and as a payable at the year end, relies on a manual process, which is inherently more prone to error than systems-based processes. We also focused on the completeness of the Consolidated Income Statement charge and year end provision due to the risk of potential omission given the manual nature of the process.	To test customer rebates, we: ➔ recalculated, for a sample of customers, the customer rebate expense recognised within the Consolidated Income Statement in the year, and provided for at the balance sheet date; ➔ compared sales recorded in the year, and the contractual rebate arrangements agreed with each customer, to the Directors' calculation of the rebate expense; ➔ compared the provision made at the prior year end to the amounts paid in 2020 in respect of those provisions; ➔ 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 to make sure that all rebate arrangements had been identified by the Directors'; and ➔ agreed amounts paid to customers post period end to source documentation to check they had been accounted for in the right accounting period. Based on the procedures performed and the evidence obtained, we found management's accounting for complex customer arrangements to be reasonable.

Independent Auditors' Report to the members of Johnson Service Group PLC

Key audit matter	How our audit addressed the key audit matter
Impairment of goodwill, intangible and tangible fixed assets (Group) Refer to page 71 of the Audit Committee Report, page 123 of the Statement of Significant Accounting Policies and note 12 of the Consolidated Financial Statements. Management performs an annual impairment test on a cash generating unit level to support the carrying values of goodwill, intangible and tangible fixed assets. The total value of those assets at the balance sheet date is £265.8 million. No impairment charge has been recognised against these balances in the current financial year. The large magnitude of the balance, and the numerous assumptions made, add to the judgmental nature of the carrying value.	To assess the value in use impairment assessment performed by the Directors' we have performed the following: ➔ evaluated and assessed the reasonableness of the Group's future cash flow forecasts, and the process by which they were prepared, including assessing the revenue and costs included in the forecasts based on our understanding of the Group. We found the assumptions in the cash flow forecast to appropriately incorporate the impact of COVID-19 and are consistent with our understanding; ➔ tested the Directors' historical budgeting accuracy by evaluating whether previous budgets had been achieved. We note, with the exception of the impact of COVID-19 on the budgets for 2020, management have historically budgeted accurately; ➔ tested the Directors' key assumptions for long-term growth rates outside the budget period, by comparing them to, and finding them broadly in line with, forecast inflation rates in the UK; ➔ considered the discount rate by engaging experts to agree the inputs into the calculation, including the cost of debt, equity risk premium and the beta factor; and ➔ we performed sensitivity analysis over the key drivers of the cash flow forecasts, being the recovery post COVID-19, the terminal growth rate and the discount rate used. Based on the procedures performed and the evidence obtained, we found management's value in use impairment assessment to be reasonable.
Impairment of investments (Company) Refer to page 169 of the Statement of Significant Accounting Policies and note 7 of the Company Financial Statements. The investment balance of £565.7 million is considered annually for impairment, with an impairment charge of £2.9 million recognised against this balance in the current financial year. The principal risk is that the investment values may not be supported and that the impairment charge may not be sufficient. As a result of previous restructuring, strategic reviews and acquisitions made, the carrying value of investments is considered an area of heightened risk. The large magnitude of the balance, and the assumptions made when assessing the valuation of investments add to the judgmental nature of the balance.	To assess the value in use impairment assessment performed by the Directors' we have performed the following: ➔ evaluated and assessed the reasonableness of the Group's future cash flow forecasts, and the process by which they were prepared, including assessing the revenue and costs included in the forecasts based on our understanding of the Group. We found the assumptions in the cash flow forecast to appropriately incorporate the impact of COVID-19 and are consistent with our understanding; ➔ tested the Directors' historical budgeting accuracy by evaluating whether previous budgets had been achieved. We note, with the exception of the impact of COVID-19 on the budgets for 2020, management have historically budgeted accurately; ➔ engaged experts to assess the discount rate by testing the inputs into the calculation, including the cost of debt, equity risk premium and the beta factor; ➔ we performed sensitivity analysis over the key drivers of the cash flow forecasts, being the recovery post COVID-19, the terminal growth rate and the discount rate used; and ➔ in the cases whereby an investment balance is supported by the net assets of the related company, we have considered the accuracy and recoverability of this value. Based on the procedures performed and the evidence obtained, we found management's value in use impairment assessment to be reasonable.

Key audit matter	How our audit addressed the key audit matter
Impact of COVID-19 (Group and Company) Refer to the Chief Executive's Operating Review and page 119 of the Statement of Significant Accounting Policies. Similar to most businesses in the hospitality sector, COVID-19 has had a significant adverse impact on the performance of the Group following the enforced closures of its customers in the restaurant, catering and hotel markets in March 2020 and subsequent restrictions on re-openings. The key areas of the financial statements most impacted by the increased uncertainty are detailed below: ➔ The Directors have considered the appropriateness of the going concern basis of preparation in the Group's financial statements; ➔ The impairment assessment of goodwill, intangible and tangible fixed assets; ➔ The accounting and reporting of Coronavirus Job Retention Scheme ("CJRS"); and ➔ The recoverability of trade receivables has been considered in light of the increased uncertainty over customers ability to pay.	In response to the key areas identified as being significantly impacted by COVID-19, we performed the following procedures: ➔ our work and conclusions in respect of going concern are set out in the going concern section below; ➔ our work and conclusions in respect of the impairment of assets are set out in the "impairment of goodwill, intangible and tangible fixed assets" section above; ➔ we have reviewed management's calculations and recalculated a sample of employee claims. We have engaged experts to assess whether the CJRS requirements have been complied with; ➔ we assessed the reasonableness of management's IFRS 9 expected credit loss model; and ➔ we assessed whether the nature and extent of the disclosure made by management was sufficiently complete to articulate the impact of the pandemic on the business and its sector, supported by the information available to date. As a result of these procedures, we concluded that the impact of COVID-19 has been appropriately evaluated and reflected in the preparation of the financial statements.
Going concern (Group and Company) Refer to page 52 of the Directors' Report and page 117 of the Statement of Significant Accounting Policies. The Group extended its committed debt facilities in May 2020. The revised facilities comprise a £135 million revolving credit facility, which matures in August 2023, together with a £40 million accordion facility, which is due to mature in May 2022 but which may be extended for a further one year, subject to lender approval. At the same time as extending its bank facilities, the Group renegotiated its banking covenants such that the pre-existing covenants were replaced, up to and including the December 2021 covenant test date, with a maximum net debt and a minimum EBITDA threshold. From March 2022, the covenants will revert to a leverage and interest covenant test. The going concern status of the Company is intrinsically linked to that of the Group. COVID-19 has significantly impacted the operations of the Group resulting in a loss after tax of £27.1 million for the 12 months to 31 December 2020. As a result there is a heightened risk over meeting the minimum EBITDA banking covenant until December 2021 and the interest cover covenant post this period. The Directors have considered the appropriateness of the going concern basis of preparation in the Group's and Company's financial statements and concluded that this is appropriate.	Our evaluation of the Directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included the procedures detailed in the 'Conclusions relating to going concern' section further below.

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 and the Company, the accounting processes and controls, and the industry in which they operate.

We identified six components that required a full scope audit of their financial information due to either their size or risk characteristics. These were Johnsons Workwear, Johnsons Stalbridge, London Linen, Johnsons Hotel Linen, Johnson Service Group PLC and Johnson Group Properties PLC. We also audited material consolidation journals. All audit work was performed by the Group audit team.

Our audit scope was determined by considering the significance of each component's contribution to revenue and absolute adjusted operating profit/loss, and individual financial statement line items, with specific consideration to obtaining sufficient coverage over significant risks.

Independent Auditors' Report to the members of Johnson Service Group PLC

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 on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

	Financial statements – Group	Financial statements – Company
Overall materiality	£1,848,000 (2019: £2,600,000).	£1,070,000 (2019: £716,000).
How we determined it	2020: 5% of three year average of the absolute adjusted operating profit/loss 2019: 5% of adjusted operating profit	0.5% of net assets
Rationale for benchmark applied	Adjusted operating profit/loss from continuing operations 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), and exceptional items. Given that current year performance has been impacted by COVID-19, we consider using an average of three years absolute operating profit/loss to be more suitable.	Net assets is appropriate as it is not a profit oriented Company. The main source of income is dividend income provided by other Group companies. The Company holds all investments in subsidiaries and therefore net assets is deemed a generally acceptable auditing benchmark.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was £1,756,000 to £84,000. Certain components were audited to a local statutory audit materiality that was also less than our overall Group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% of overall materiality, amounting to £1,386,000 for the Group financial statements and £802,000 for the Company financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount at the upper end of our normal range was appropriate.

We agreed with those charged with governance that we would report to them misstatements identified during our audit above £92,400 (Group audit) (2019: £130,000) and £53,500 (Company audit) (2019: £35,800) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the directors' assessment of the Group's and the Company's ability to continue to adopt the going concern basis of accounting included:

- we obtained management's forecasts and information for the period to December 2022, which included the expected impact of COVID-19;
- we evaluated and assessed the process by which the Group's future cash flow forecasts were prepared;
- we agreed the opening position of the Group's cash flow forecasts to the January 2021 management accounts. We also agreed the gross debt and cash per the 2020 audited financial statements to the cash flow forecast;
- we have reviewed the arithmetical accuracy of management's forecasts;
- we assessed and challenged management's key assumptions in the going concern model, including the forecast sales, margins, capital expenditure and other costs assumptions over the next 12 months;
- we evaluated the appropriateness of the severe but plausible cash flow forecast used in management's determination of the going concern basis of preparation, which included an assessment and sensitivity analysis of the key assumptions underpinning the cash flows throughout the going concern period;
- we obtained the terms of the Group's financing facility and the covenants in place in relation to this facility, and determined that the Group's base case and severe but plausible forecasts show compliance with all covenant conditions for at least 12 months from the date of the approval of financial statements;
- we have gained an understanding of the potential mitigating actions that the Directors' could implement to meet the requirements of the covenants; and

- we have reviewed management's disclosures in the Annual Report in relation to the Directors' going concern conclusions and are satisfied that they are consistent with the assessment performed.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the Group's and the Company's ability to continue as a going concern.

In relation to the Company's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the directors' statement in the financial statements about whether the directors considered it appropriate to adopt the going concern basis of accounting.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Directors' Remuneration

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Corporate governance statement

ISAs (UK) require us to review the directors' statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Company's compliance with the provisions of the UK Corporate Governance Code, which the Listing Rules of the Financial Conduct Authority specify for review by auditors of premium listed companies. Our additional responsibilities with respect to the corporate governance statement as other information are described in the Reporting on other information section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included within the Corporate Governance Report is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The directors' confirmation that they have carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report & Accounts that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The directors' statement in the financial statements about whether they considered it appropriate to adopt the going concern basis of accounting in preparing them, and their identification of any material uncertainties to the Group's and Company's ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The directors' explanation as to their assessment of the Group's and Company's prospects, the period this assessment covers and why the period is appropriate; and
- The directors' statement as to whether they have a reasonable expectation that the Company will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Independent Auditors' Report to the members of Johnson Service Group PLC

Our review of the directors' statement regarding the longer-term viability of the Group was substantially less in scope than an audit and only consisted of making inquiries and considering the directors' process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the Group and Company and their environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The directors' statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the Group's and Company's position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the audit committee.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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.

OTHER REQUIRED REPORTING

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained 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
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements and the part of the Directors' Remuneration Report to be audited are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Jonathan Studholme (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
19 March 2021

Consolidated Income Statement

	Note	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Revenue	1	**229.8**	**350.6**
Operating (loss)/profit	2	**(27.4)**	**42.7**
Operating (loss)/profit before amortisation of intangible assets (excluding software amortisation) and exceptional items	1	**(12.1)**	**52.8**
Amortisation of intangible assets (excluding software amortisation)		(11.0)	(10.1)
Exceptional items	6		
– Business acquisition costs		–	–
– Restructuring costs		(5.8)	–
– Insurance claims		2.5	–
– Impairment losses re insurance claims		(1.0)	–
Operating (loss)/profit	2	**(27.4)**	**42.7**
Finance cost	7	(4.9)	(4.6)
(Loss)/profit before taxation		**(32.3)**	**38.1**
Taxation credit/(charge)	9	5.2	(7.2)
(Loss)/profit for the year attributable to equity holders		**(27.1)**	**30.9**
(Loss)/earnings per share	11		
Basic (loss)/earnings per share		**(6.6)p**	**8.4p**
Diluted (loss)/earnings per share		**(6.6)p**	**8.3p**
Adjusted basic (loss)/earnings per share		**(3.4)p**	**10.6p**
Adjusted diluted (loss)/earnings per share		**(3.4)p**	**10.5p**

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
(Loss)/profit for the year		**(27.1)**	**30.9**
Items that will not be subsequently reclassified to profit or loss			
Re-measurement and experience losses on post-employment benefit obligations	25	(9.4)	(4.5)
Taxation in respect of re-measurement and experience losses		1.7	0.7
Change in deferred tax due to change in tax rate		0.2	–
Items that may be subsequently reclassified to profit or loss			
Cash flow hedges (net of taxation) – fair value losses	26	(2.9)	(0.2)
– transfers to administrative expenses	26	1.8	0.1
– transfers to finance cost	26	0.6	0.2
Total other comprehensive loss for the year		**(8.0)**	**(3.7)**
Total comprehensive (loss)/income for the year		**(35.1)**	**27.2**

The notes on pages 131 to 163 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Shareholders' Equity

	Share Capital £m	Share Premium £m	Merger Reserve £m	Capital Redemption Reserve £m	Hedge Reserve £m	Retained Earnings £m	Total Equity £m
Balance at 31 December 2018	**36.8**	**15.7**	**1.6**	**0.6**	**(0.6)**	**136.3**	**190.4**
Prior year change in accounting standard	–	–	–	–	–	0.2	0.2
Restated balance at 1 January 2019	36.8	15.7	1.6	0.6	(0.6)	136.5	190.6
Profit for the year	–	–	–	–	–	30.9	30.9
Other comprehensive income/(loss)	–	–	–	–	0.1	(3.8)	(3.7)
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**0.1**	**27.1**	**27.2**
Share options (value of employee services)	–	–	–	–	–	0.8	0.8
Purchase of own shares by EBT	–	–	–	–	–	(0.2)	(0.2)
Current tax on share options	–	–	–	–	–	0.3	0.3
Deferred tax on share options	–	–	–	–	–	0.2	0.2
Issue of share capital	0.2	0.4	–	–	–	–	0.6
Dividend paid	–	–	–	–	–	(12.0)	(12.0)
Transactions with Shareholders recognised directly in Shareholders' equity	**0.2**	**0.4**	**–**	**–**	**–**	**(10.9)**	**(10.3)**
Balance at 31 December 2019	**37.0**	**16.1**	**1.6**	**0.6**	**(0.5)**	**152.7**	**207.5**
Loss for the year	–	–	–	–	–	(27.1)	(27.1)
Other comprehensive loss	–	–	–	–	(0.5)	(7.5)	(8.0)
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(0.5)**	**(34.6)**	**(35.1)**
Share options (value of employee services)	–	–	–	–	–	0.4	0.4
Deferred tax on share options	–	–	–	–	–	(0.2)	(0.2)
Issue of share capital	7.4	0.2	–	–	–	75.3	82.9
Transactions with Shareholders recognised directly in Shareholders' equity	**7.4**	**0.2**	**–**	**–**	**–**	**75.5**	**83.1**
Balance at 31 December 2020	**44.4**	**16.3**	**1.6**	**0.6**	**(1.0)**	**193.6**	**255.5**

The Group has an Employee Benefit Trust (EBT) to administer share plans and to acquire shares, using funds contributed by the Group, to meet commitments to employee share schemes. At 31 December 2020 the EBT held 8,388 shares (2019: 12,468)

Consolidated Balance Sheet

	Note	As at 31 December 2020 £m	As at 31 December 2019 £m
Assets			
Non-current assets			
Goodwill	12	130.9	130.5
Intangible assets	13	27.7	36.7
Property, plant and equipment	14	107.2	104.0
Right of use assets	15	38.5	39.0
Textile rental items	16	35.6	56.8
Trade and other receivables	18	0.4	0.7
Deferred income tax assets	23	–	2.6
		340.3	**370.3**
Current assets			
Inventories	17	1.4	2.3
Trade and other receivables	18	31.3	54.5
Current income tax assets		3.0	–
Cash and cash equivalents		7.8	8.3
		43.5	**65.1**
Liabilities			
Current liabilities			
Trade and other payables	19	64.8	69.2
Current income tax liabilities		–	4.5
Borrowings	21	1.0	10.9
Lease liabilities	22	5.5	5.6
Derivative financial liabilities	26	0.1	–
Provisions	24	2.0	1.4
		73.4	**91.6**
Non-current liabilities			
Post-employment benefit obligations	25	14.9	7.3
Deferred income tax liabilities	23	1.2	6.8
Trade and other payables	20	0.4	0.5
Borrowings	21	–	84.7
Lease liabilities	22	35.1	34.8
Derivative financial liabilities	26	2.0	0.5
Provisions	24	1.3	1.7
		54.9	**136.3**
Net assets		**255.5**	**207.5**
Equity			
Capital and reserves attributable to the company's shareholders			
Share capital	29	44.4	37.0
Share premium	31	16.3	16.1
Merger reserve		1.6	1.6
Capital redemption reserve		0.6	0.6
Hedge reserve		(1.0)	(0.5)
Retained earnings		193.6	152.7
Total equity		**255.5**	**207.5**

The notes on pages 131 to 163 are an integral part of these Consolidated Financial Statements.

The financial statements on pages 113 to 163 were approved by the Board of Directors on 19 March 2021 and signed on its behalf by:

Yvonne Monaghan
Chief Financial Officer

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Cash flows from operating activities			
(Loss)/profit for the year		(27.1)	30.9
Adjustments for:			
Taxation (credit)/charge	9	(5.2)	7.2
Total finance cost	7	4.9	4.6
Depreciation and impairment		66.2	66.1
Amortisation	13	11.2	10.2
Loss on disposal of tangible fixed assets		0.8	–
Loss on disposal of textile rental items		0.2	–
Decrease in inventories		0.9	0.6
Decrease/(increase) in trade and other receivables		23.7	(0.5)
(Decrease)/increase in trade and other payables		(0.2)	2.2
Deficit recovery payments in respect of post-employment benefit obligations		(1.9)	(1.9)
Share-based payments	30	0.4	0.8
Increase/(decrease) in provisions		0.2	(0.2)
Commodity swaps not qualifying as hedges		0.3	–
Exceptional items relating to investing activities		(2.5)	–
Cash generated from operations		71.9	120.0
Interest paid		(4.0)	(4.6)
Taxation paid		(3.4)	(9.3)
Net cash generated from operating activities		**64.5**	**106.1**
Cash flows from investing activities			
Acquisition of businesses (net of cash and overdrafts acquired)	34	(0.9)	(8.5)
Purchase of other intangible assets		(1.2)	(2.3)
Purchase of property, plant and equipment		(20.4)	(18.8)
Proceeds from insurance claims		2.5	–
Purchase of software		(1.0)	(1.2)
Proceeds from sale of property, plant and equipment		0.2	0.3
Purchase of textile rental items		(28.1)	(48.2)
Proceeds received in respect of special charges	16	2.1	2.3
Net cash used in investing activities		**(46.8)**	**(76.4)**
Cash flows from financing activities			
Proceeds from borrowings		58.0	88.0
Repayment of borrowings		(143.0)	(91.1)
Capital element of leases		(6.1)	(13.2)
Purchase of own shares by EBT		–	(0.2)
Proceeds from issue of Ordinary shares	29	82.9	0.6
Dividend paid		–	(12.0)
Net cash used in financing activities		**(8.2)**	**(27.9)**
Net increase in cash and cash equivalents		**9.5**	**1.8**
Cash and cash equivalents at beginning of year		(2.9)	(4.7)
Cash and cash equivalents at end of year	36	**6.6**	**(2.9)**
Cash and cash equivalents comprise:			
Cash		7.8	8.3
Overdraft		(1.2)	(11.2)
Cash and cash equivalents at end of year		**6.6**	**(2.9)**

The notes on pages 131 to 163 are an integral part of these Consolidated Financial Statements.

Statement of Significant Accounting Policies

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

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

The Group and Company financial statements were authorised for issue by the Board on 19 March 2021.

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. These financial statements and notes have been rounded to the nearest £0.1 million, unless otherwise stated.

The Consolidated Financial Statements of the Group have been prepared on a going concern basis in accordance with international accounting standards in conformity with the requirements of the Companies Act and international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union. 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 and defined benefit pension plans where plan assets are measured at fair value.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment 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'.

Going Concern

Background and Summary

The Directors have adopted the going concern basis in preparing these financial statements after careful assessment of identified principal risks and, in particular, the possible adverse impact on financial performance, specifically on revenue and cash flows, of restrictions imposed by the UK Government and the devolved authorities in response to COVID-19. The going concern status of the Company is intrinsically linked to that of the Group.

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, 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 26 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.

Going Concern Assessment

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

The current and plausible future impact of COVID-19 and the related macroeconomic environment on the Group's activities and performance has been considered by the Board in preparing its going concern assessment. The Group has prepared a base case scenario, reflecting an initial set of assumptions around financial projections and trading performance, together with various, more pessimistic, expectations for market developments over the remainder of 2021 and 2022 to reflect subdued trading conditions. The specific assumptions used within the base case scenario, with regard to the assumed dates for the staged reopening of hospitality, follow those set out within the UK Government's recently announced four-step roadmap for the easing of restrictions across England. It is assumed that arrangements within the devolved geographies will follow a similar roadmap.

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

1) Cash Flows and Sensitivity Analysis

In assessing going concern, the Directors considered a variety of scenarios in the context of the COVID-19 pandemic. These scenarios are not the forecasts of the Group or Company but are designed to stress test liquidity and covenant compliance. EBITDA used within the scenarios is that used for bank covenant purposes which, for 2021, is defined as adjusted operating profit before property, plant and equipment depreciation, rental stock depreciation and software amortisation. In 2022, the definition is amended to also exclude right of use asset depreciation. The three most relevant scenarios, in ascending order of severity, reviewed to test going concern are as follows:

Base Case Scenario

This scenario assumes that the HORECA market gradually begins to reopen during the second quarter. April assumes a modest increase in current volumes, based on the planned reopening of gyms, outdoor hospitality and self-catering holiday accommodation on 12 April whilst May assumes a more stepped increase as a result of the planned reopening of indoor hospitality (pubs and restaurants), hotels and B&Bs on 17 May. By June 2021, this scenario assumes that volumes have reached between 50% and 70% of normalised levels, such range reflecting the nuances of specific sub-markets within the overall HORECA market, for example, restaurants, hotels, contract catering. Volumes increase month on month thereafter, reaching a maximum of 85% of normalised volumes by September 2021 with modest increases thereafter to reach 90% of normalised volumes by December 2021. Further modest monthly increases are then assumed throughout 2022.

Statement of Significant Accounting Policies Continued >

Delay in lifting of restrictions scenario

In this scenario the gradual recovery in the HORECA market that is assumed within the Base Case is delayed by two months, up to and including September 2021, reaching a maximum of 75% of normalised volumes in September 2021. Revenue in, and beyond, the final quarter of 2021 is then consistent with that assumed in the Base Case, reflective of a successful vaccine rollout and pent up consumer demand.

Severe but Plausible Scenario

This scenario largely mirrors that within the 'Delay in Lifting of Restrictions Scenario' above, however, further restrictions are assumed during the winter months (for example, maximum group sizes of six) which subdues volumes further.

2) Covenants

As previously announced, at the same time as extending its bank facilities in 2020, the Group also renegotiated its banking covenants such that the pre-existing covenants were replaced, up to and including until the December 2021 covenant test date, with a maximum net debt and a minimum EBITDA threshold. From March 2022, the covenants will revert to a leverage and interest covenant test. In all three scenarios above, the financial projections indicate that the Group would remain in compliance with the financial covenants in its bank facilities. A decline in underlying EBIT / EBITDA well in excess of that contemplated in the scenarios would need to persist throughout the period for a covenant breach to occur. The Directors do not consider such a scenario plausible.

The Group also has a number of mitigating actions under its control (not all of which were included in the scenarios) including minimising capital expenditure to critical requirements, further reducing levels of discretionary spend and rationalising its overhead base in order to be able to meet the covenant tests.

3) Liquidity

The Group extended its committed debt facilities in May 2020. The revised facilities comprise a £135.0 million revolving credit facility, which matures in August 2023, together with a £40.0 million accordion facility, which is due to mature in May 2022 but which may be extended for a further one year, subject to lender approval. Quarterly covenant tests allow for maximum bank borrowings of £155.0 million at each quarter end from September 2020 through to September 2021, reducing to £145.0 million for the quarter ending December 2021. Thereafter, the maximum net debt covenant falls away and is effectively replaced with a leverage covenant.

Following the successful equity placement that raised net proceeds of £82.7 million, the Group repaid its bank borrowings. As a consequence, the bank facilities available to the Group provide significant liquidity in all scenarios modelled.

Going Concern Statement

After considering the current financial scenarios, the severe but plausible sensitivities and the facilities available to the Group and Company, the Directors have a reasonable expectation that the Group and Company have adequate resources for their operational needs, will remain in compliance with the financial covenants set out in the bank facility agreement and will continue in operation for at least the next 12 months from the date of approving both the Group and Company financial statements. As a consequence, and having reassessed the principal risks and uncertainties, the Directors considered it appropriate to adopt the going concern basis in preparing the Group and Company financial statements.

Changes in accounting policy and disclosures

(a) New and amended standards adopted by the Group

The following new standards, and amendments to standards, have been adopted by the Group for the first time for the financial year beginning on 1 January 2020:

- Amendments to IFRS 3, 'Business combinations', definition of a business;
- Amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors' definition of material; and
- Amendments to the conceptual framework
- Amendments to IFRS 16, COVID-19 related rent concessions
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

The adoption of these standards did not have a material impact on the Group Consolidated Financial Statements.

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

- Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16.

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Group:

COVID-19 accounting policies

The Group's trading has been impacted by the various UK government restrictions throughout the year ended 31 December 2020. During the year, the Group has experienced reduced customer demand across its business and in particular in the HORECA division from its end customers. Recognising this the UK government has made available certain reliefs and support schemes from which the Group has been able to benefit. Given the temporary nature of these reliefs and their material impact on the reported performance of the Group, relevant accounting policies are set out below.

The Directors have considered whether the benefit of government support to counter the financial impact of 'COVID-19' should be reported as an Exceptional credit but given the severe impact of the pandemic on the underlying trading numbers and that the reliefs were introduced by government to mitigate the trading impact, the Directors do not believe that to do so would be meaningful. Given that the support is inextricably linked to the prevailing imposed lockdown and operating restrictions the directors are of the opinion that to separately identify all forms of support is impractical and not meaningful. However, where notes to the financial statements lend themselves to cross-referencing and quantifying external support such as the disclosures of payroll, additional information has been given.

Furlough and the Coronavirus Job Retention Scheme (CJRS)

The Group has utilised the CJRS extensively throughout the various national restrictions imposed during 2020. The scheme has allowed up to 80% of the normal earnings of individuals who have been furloughed, up to a cap of £2,500 per month per employee to be claimed under the scheme. The Group pays the furlough wages and then lodges a claim to the government for reimbursement. Typically, the claims have been made on a monthly basis in arrears. The government claim is accounted for on an accruals basis and therefore in the Consolidated Income Statement matches the payroll cost of furloughed employees. Unpaid claims to government are included in Trade and other receivables in the Consolidated Balance Sheet. In the year to 31 December 2020, £28.2 million has been included with Consolidated Income Statement.

VAT and PAYE deferrals

VAT liabilities that fell due between 20 March 2020 and the end of June 2020 were deferred with the approval of HMRC, in addition to PAYE liabilities that fell due in March 2020 and April 2020. PAYE due on furlough wages funded by government has not been deferred. The Group took advantage of the initial deferral to further support the cash position during uncertain times. All PAYE liabilities have since been paid however as at 31 December 2020, £10.6 million of VAT has been deferred. This is expected to be repaid in monthly instalments through 2021. Amounts deferred are shown in current Trade and other payables in the Consolidated Balance Sheet.

Judgments made in applying accounting policies

In the course of preparing these financial statements, certain judgments are made by the Group in the process of applying the Group's accounting policies. Those that have the most significant effect on either the amounts recognised in the Financial Statements or the presentation thereof are discussed below.

Going Concern

The Board have considered the uncertainty that the COVID-19 pandemic has caused on the future financial performance of the Group as part of the Group's adoption of the going concern basis in the preparation of the Consolidated Financial Statements. The Consolidated Financial Statements are prepared on a going concern basis. The Board have made judgments about the impact and timing of easing of restrictions which are currently in place. Additional information on the judgment management has applied in adopting the going concern assumption is included in the basis of preparation of these accounts on page 117.

Sources of estimation and uncertainty

The Group makes estimates and assumptions concerning the future. Whilst such estimates and assumptions are believed to be reasonable under the circumstances, the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that are considered to 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:

(a) Post-employment benefit obligations

The Group operates two post retirement defined benefit arrangements (note 25). Asset valuations are based on the fair value of scheme 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, flexible retirement options 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. Any of these differences could impact the assets or liabilities recognised in the Balance Sheet in future years.

(b) Impairment of trade receivables

Provisions for impairment of trade receivables are measured at an amount equal to lifetime expected credit losses in accordance with the accounting policy set out on page 126. The Group considers that, given the widespread impact that the COVID-19 pandemic is having globally with the resulting economic downturn, there is additional uncertainty when determining the assumptions used in calculating expected future credit losses. Further details are included in note 18.

Forward looking statements

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

Statement of Significant Accounting Policies Continued >

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 accounting periods of subsidiary undertakings are co-terminus with those of the Company. Inter-company transactions, balances and unrealised gains and losses 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.

Inter-company transactions include those relating to internal property leases between Johnson Group Properties PLC (the property holding company of the Group) and each of our other businesses. Following adoption of IFRS 16 'Leases' from 1 January 2019, each of the lessees are now required to recognise an asset (the right to use the leased item) and a financial liability to pay rentals. The accounting for lessors has not significantly changed. On consolidation, each of the right of use asset, lease liability, depreciation and interest recognised by the lessee, relating to internal property leases, is therefore eliminated.

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. Where consideration due to vendors is deferred, but is not contingent on future events, it is included in consideration when assessing the total acquisition cost and is accrued within trade and other payables until such a time that the amounts are settled. Where consideration due to vendors is contingent on future events, management's assessment of the fair value of the amounts payable are included in consideration when assessing the total acquisition cost and is accrued within trade and other payables until such a time that the amounts are settled. 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 immediately in the Consolidated Income Statement. As per IFRS 3, where new information is obtained within the measurement period about facts and circumstances that existed as at the acquisition date and, if known, would have affected the amounts recognised as at that date, the fair value of assets and liabilities acquired should be adjusted accordingly. The measurement period does not exceed one year from the acquisition date. Costs directly attributable to acquisitions are expensed to the Consolidated Income Statement as an exceptional item.

Segment reporting

Operating segments are identified 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. For reporting purposes, operating segments are aggregated into reporting segments where operating segments are considered to have similar economic conditions and characteristics and where the aggregation of operating segments provides information that enables users to evaluate the nature and financial effects of the business activities in which the Group engages and the economic environments in which it operates.

Alternative Performance Measures (APMs)

Throughout the Annual Report and Financial Statements, we refer to a number of APMs. APMs are used by the Group to provide further clarity and transparency of the Group's financial performance. The APMs are used internally by management to monitor business performance, budgeting and forecasting, and for determining Directors' remuneration and that of other management throughout the business.

APMs used by the Group are as follows:

- adjusted operating profit or loss, which refers to continuing operating profit or loss before amortisation of intangible assets (excluding software amortisation) and exceptional items (note 1);
- adjusted profit or loss before taxation, which refers to adjusted operating profit or loss less total finance cost (note 8);
- adjusted EBITDA, which refers to adjusted operating profit or loss plus the depreciation charge for property, plant and equipment, textile rental items and right of use assets plus software amortisation (note 8);
- net debt, adjusted to exclude the impact of the adoption of IFRS 16 (note 36); and
- adjusted earnings per share which refers to earnings per share calculated based on adjusted profit or loss after taxation (note 11).

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

Revenue recognition

Revenue recognition is based on the principle that revenue is recognised when control of a good or service transfers to a customer. Revenue is measured based on the consideration specified in a contract with a customer and is recognised when a customer obtains control of the services. The Group's service contracts are defined as having a single performance obligation whereby the Group has an obligation to provide the customer with clean garments or linen. The point of the customer obtaining control is therefore defined as occurring at various points in time across the life of a contract as deliveries of clean garments or linen are made.

Where sale of goods occur, revenue is recognised at a point in time when goods are delivered to customers.

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, similar taxes, discounts, rebates and after eliminating sales within the Group.

Customers are generally invoiced weekly or monthly in arrears for service contracts with 30 day credit terms. Invoices are raised to customers for the sale of goods following delivery.

Revenue from goods and services provided to customers not invoiced as at the balance sheet date is recognised as accrued income within trade and other receivables. This typically arises where the timing of the related billing cycle occurs in a period after the performance obligation is satisfied. When the right to consideration is conditional only on the passage of time, as in this case where no further performance obligations are required, the balance does not meet the definition of a contract asset and is classified as accrued income.

Interest receivable on bank deposits and other items is not classed as revenue but included within finance income.

Contract modifications occur on a regular basis to record price changes or a change in stock requirements for customers. The Group accounts for a contract modification when it is approved by the parties to the contract. Following a contract modification, the customer is billed in line with the delivery of the remaining performance obligations. A modification is accounted for as an adjustment to the original contract, either prospectively or through a cumulative catch-up adjustment depending on whether the remaining goods or services in the contract are distinct. The Group accounts for a modification prospectively if the goods or services in the modification are distinct from those transferred before the modification. The remaining consideration in the original contract not yet recognised as revenue is combined with the additional consideration promised in the modification to create a new transaction price that is then allocated to all remaining performance obligations (that is, both those not yet completed in the original contract and those added through the modification). This effectively accounts for the modification as a termination of the original contract and the inception of a new contract for all performance obligations that remain unperformed. This would be the case for a price change or change of stock requirements mid-contract.

The breakdown of revenue from ordinary activities used within the Group to assess the performance is presented, by operating segment, in the Segment Analysis (note 1).

The Group applies the practical expedient included in paragraph 121 of IFRS 15 and does not disclose information about its remaining performance obligation for contracts as the Group recognises revenue in line with the value of the goods and services received by the customer to date.

Rebates

Rebates payable to customers, and receivable from suppliers, are recognised in line with relevant contractual terms. Rebates payable to customers are contingent on the occurrence or non-occurrence of a future event e.g. the customer meeting certain agreed criteria. Rebates are recorded using the most likely method (the single most likely amount in a range of possible consideration amounts). Accruals are made for each individual rebate based on the specific terms and conditions of the customer agreement. Management makes estimates on an ongoing basis, primarily based on current customer spending, historic data and its accumulated experience, in order to assess customer revenues and to calculate total rebates earned to be recorded as deductions from revenue. Rebates are charged directly to the Consolidated 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 Consolidated Income Statement, or as a reduction in the value of acquired textile rental items, dependent on the nature of goods acquired from suppliers.

Contract assets

The incremental costs to directly obtain a contract with a customer are capitalised and recognised within contract assets where management expects to recover those costs. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained are recognised as an expense in the period where incurred. Contract assets are subsequently amortised over the period consistent with the Group's transfer of the related goods or services to the customer.

The costs capitalised include sales commission paid to employees where payment is identified as relating directly to the signing of a customer contract. Where consideration is paid to customers relating to a contract for a period over which services will be provided, the Group also capitalises these costs. The costs are amortised over the average contract life.

Management is required to determine the recoverability of contract related assets at each reporting date. An impairment exists if the carrying amount of any asset exceeds the amount of consideration the Group expects to receive in exchange for providing the associated goods and services, less the remaining costs that relate directly to providing those goods and services under the relevant contract. An impairment is recognised immediately where such losses are forecast.

The movement in the contract asset balance in the period therefore represents additional payments made, subsequent amortisation and any required impairment.

Contract assets are included in the Balance Sheet within trade and other receivables, as shown in note 18, in line with the disclosure requirements of IFRS 15.

Statement of Significant Accounting Policies Continued >

Exceptional items

Items that are material in size, non-operating or non-recurring in nature are presented as exceptional items in the Consolidated 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 certain properties, one off gains or losses relating to pension liabilities, gains and losses related to capital insurance claims and expenses incurred and the subsequent reorganisation cost in relation to business acquisitions.

Employee benefits

Post-employment benefits

The Group operates 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 Consolidated 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 Consolidated 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.

Other post-employment benefit obligations

The Group provides unfunded post-retirement healthcare benefits to a limited number of current and future 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 year in which they arise.

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 Consolidated 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 at the grant date of the award is recognised in the Consolidated 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 Consolidated Income Statement with a corresponding adjustment to equity 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 Consolidated 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 Consolidated 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.

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 an accrual where it is contractually obliged or where there is a past practice that has created a constructive obligation.

Termination benefits

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

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.

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 suffer an impairment are reviewed for possible reversal of the impairment at each reporting date. Value in use calculations are considered first 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 28 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 1 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 Consolidated 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 Consolidated 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 (four to ten 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 ten years).

Other intangible assets

Other intangible assets comprise customer contracts and relationships, recognised at cost. 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 (three to ten years).

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 the weighted average cost of capital for the Group.

Statement of Significant Accounting Policies Continued >

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, vehicles and fixtures is two to fifteen 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 26 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 Consolidated 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 10 to 25 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 Consolidated Income Statement during the financial year in which they are incurred.

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

The cost of property, plant and equipment acquired through business combinations is accounted for as the fair value of assets acquired.

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

Right of use assets and Lease liabilities

Under IFRS 16, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases where costs are charged to the Consolidated Income Statement on a straight line basis over the lease term.

At the date of lease inception, the Group determines whether the arrangement is a lease or contains a lease, while examining if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In its assessment of whether an arrangement conveys the right to control the use of an identified asset, the Group assesses whether it has the following two rights throughout the lease term:

(a) The right to obtain substantially all the economic benefits from use of the identified asset; and

(b) The right to direct the identified asset's use.

Where a contract is deemed to contain a lease, the lease liability is initially recognised at the commencement day and measured at an amount equal to the present value of the lease payments during the lease term (the non-cancellable period) that are not yet paid.

Lease payments, excluding non-lease components (which are charged to the Consolidated Income Statement on a straight line basis over the lease term) such as service costs, are discounted using the incremental borrowing rate of the lessee, since the interest rate implicit in the Group's leases is not readily determinable. The incremental borrowing rate is the rate that the Group would have to pay for a loan of a similar term, and with similar security, to obtain an asset of similar value. The Group consults with its main bankers to determine what interest rate they would expect to charge the Group to borrow money to purchase a similar asset to that which is being leased.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a break clause. Periods after extension options/break clauses are only included in the lease term if the lease is reasonably certain to be extended or not be terminated.

Break clause options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of being able to make decisions regarding the Group's processing facilities in order to manage the needs of the Group. The majority of break clauses held are exercisable by either the Group or the lessor.

At the commencement date, it is unlikely that management would consider a break clause to be reasonably certain of being exercised given management would be unlikely to enter into a new lease agreement for a term which it was not their current intention to utilise in full. The lease term is reassessed if a break clause is exercised or the likelihood of exercise becomes reasonably certain. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group. An example of a significant change for the Group may include changing economic conditions and customer requirements impacting the Group's activities or long term strategy.

All property break clause options held by the Group have not been included in the lease liability unless otherwise stated i.e. the periods after the break clauses have been included in the lease term. This is due to the fact the Group could not move the plants to other locations without significant cost and disruption, for reasons such as the Group will have made significant leasehold improvements to the property to meet the requirements of a laundry processing facility, the costs involved in moving plant and machinery, the availability of a workforce and the lack of suitable alternative premises.

Variable lease payments that depend on an index or a rate, are initially measured using the index or rate existing at the commencement of the lease and are included in the measurement of the lease liability. The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Each subsequent lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period using the effective interest method.

The right of use asset is initially recognised at the commencement day and measured at cost, consisting of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date, plus any initial direct costs incurred by the Group, less any lease incentives received.

The right of use asset is subsequently depreciated in accordance with the requirements in IAS 16 'Property, Plant and Equipment' which results in depreciation on a straight-line basis over the shorter of the asset's useful life and the lease term on a straight-line basis. IAS 36 'Impairment of Assets' is also applied to determine whether the right of use asset is impaired and to account for any impairment loss identified. An impairment can be recognised where onerous property leases are identified which can occur where a particular property becomes non-trading but for which the Group still has a remaining lease obligation. The net book value of the right of use asset is written down to £nil.

Reassessment of a lease occurs where there is a change in cash flows based on contractual clauses that have been part of the contract since inception. Any remeasurement of the lease liability results in a corresponding adjustment of the right of use asset. If the carrying amount of the right of use asset has already been reduced to zero, the remaining remeasurement is recognised in profit or loss. The Group remeasures the lease liability to reflect those revised lease payments only when there is a change in the cash flows, using an unchanged discount rate. Reassessment of leases in the Group occurs where lease consideration changes due to a market rent review clause or changes to variable lease payments dependent on an index or rate.

A modification to a lease occurs where there is a change in scope of the lease, or the consideration for a lease, that was not part of the original terms and conditions. Where the modification increases the scope of the lease by adding the right to use one or more underlying assets, and the consideration increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the contract's circumstances, the Group accounts for the modification as a separate lease.

In all other cases, on the initial date of the lease modification, the Group allocates the consideration in the modified contract to the contract components, determines the revised lease term and measures the lease liability by discounting the revised lease payments using a revised discount rate. This occurs in the case where the Group agrees property lease term extensions that were not contractual as part of the original lease.

IASB has provided lessees with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 e.g. payment holidays, payment deferments and payment waivers, is a lease modification. The relief applies to annual reporting periods starting on or after 1 June 2020 albeit early adoption is permitted, which the Group has taken advantage of.

The practical expedient outlined by the IASB only applies to lessees' rent concessions occurring as a direct consequence of the COVID-19 pandemic, and only if all of the following conditions are met:

1. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
2. any reduction in lease payments affects only payments due on or before 30 June 2021; and
3. there is no substantive change to other terms and conditions of the lease.

Concessions received by the Group meeting the above criteria include rental discounts received from suppliers relating to commercial vehicles which had been taken off the road when not in use. The Group has applied the practical expedient to all of these leases, meaning that instead of treating the changes as a lease modification resulting in an adjustment to both the right of use asset and lease liability, the waiver of lease payments is treated as a variable lease payment i.e. the lease liability is reduced by the present value of the discount received with a corresponding credit to the Consolidated Income Statement.

Rentals payable in respect of operating leases (net of any incentives received from the lessor) for short term and low value leases are charged to the Consolidated Income Statement on a straight line basis over the lease term.

Lease payments are presented in the Consolidated Statements of Cash Flows as follows:

- short term lease payments relating to low value assets are presented within cash flows from operating activities
- payments for the interest element of recognised lease liabilities are included within interest paid within cash flows from operating activities
- payments for the capital element of recognised lease liabilities are presented within cash flows from financing activities

For lessor accounting, leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Sublet income is therefore recognised on a straight line basis over the lease term.

Assets financed by leasing or hire purchase arrangements, which give rights approximating to ownership, and which had an outstanding liability on transition to IFRS 16 were transferred from Property, plant and equipment to be disclosed within Right of use assets. Where such agreements expire and ownership is transferred, the cost and accumulated depreciation of the relevant assets are transferred back to Property, plant and equipment.

Textile rental items

Textile rental items which principally comprise workwear garments, cabinet towels, linen and dust mats are initially treated as inventories. 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. Issued textile rental items bought through acquisition of other businesses are accounted for as the fair value of issued textile rental items acquired. This will be the deemed cost of these items.

Statement of Significant Accounting Policies Continued >

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 textile rental items are damaged and no charges are levied, an impairment loss is charged to the Consolidated Income Statement.

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

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.

Under IFRS 9, the Group applies the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables.

The Group continues to establish a provision for impairment of trade receivables 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. In addition, IFRS 9 requires the Group to consider forward looking information and the probability of default when calculating expected credit losses. The measurement of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating the range of possible outcomes as well as incorporating the time value of money. The expected loss rates are based on the payment profiles of sales over the year and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on factors affecting the ability of the customers to settle the receivables. Trade receivables have been grouped for this analysis based on shared credit risk characteristics, including operating segment and region in which the customer operates. The model considers indicators such as actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customers' ability to meet its obligations.

Further to the above model, trade receivables are specifically impaired where there are indicators of significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, or there is default or delinquency in payments.

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 Consolidated 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 Consolidated Income Statement. Only when amounts are confirmed irrecoverable, are they written off to the Consolidated Income Statement.

Cash and cash equivalents

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

In accordance with IAS 32: 'Financial instruments: Presentation', even where banking arrangements have a right of set off, bank overdrafts are not netted against cash and cash equivalents, with the resulting net position shown as either a bank overdraft or a cash balance as appropriate, but are instead 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. Where no borrowings exist to offset transaction costs, these costs are presented in current or non-current assets.

Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

Net debt

Net debt is defined as borrowings and lease liabilities, less cash and cash equivalents.

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. Provisions are discounted where the impact is deemed to be material.

Property

Provision is made 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 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.

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 years 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.

Government grants

Government grants are recognised at fair value when there is reasonable assurance that the conditions associated with the grants have been complied with and the grants will be received. Grants compensating for expenses incurred are recognised as a deduction of the related expenses in the Consolidated Income Statement on a systematic basis in the same periods in which the expenses are incurred.

Foreign currency translation

The financial statements are presented in pound sterling, which is the functional and presentational currency of the Group and 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 Consolidated 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

The Group enters into both interest rate swaps and commodity swaps to hedge against the Group's exposure to changes in interest rates and price changes in respect of diesel. 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).

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 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 Consolidated Income Statement.

Statement of Significant Accounting Policies Continued >

Amounts accumulated in equity are recycled in the Consolidated Income Statement in the years 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 Consolidated 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 Consolidated Income Statement.

Interest recognised in the Consolidated Income Statement as a result of the changes in fair value and settlement of interest rate swaps is disclosed within cash flows from operating activities as part of the Consolidated Statement of Cash Flows.

The 'Amendments to IAS 39 and IFRS 7 Interest Rate Benchmark Reform' provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness continues to be recorded in the Consolidated Income Statement.

In summary, the reliefs provided by the amendments that apply to the Group are:

- When considering the 'highly probable' requirement, the Group has assumed that the GBP LIBOR interest rate on which our hedged interest rate risk exposure is based does not change as a result of IBOR reform.
- In assessing whether there is an economic relationship between the hedged item and the hedging instrument, the Group has assumed that the GBP LIBOR interest rate on which the interest payments and the interest rate swap that hedges it are based is not altered by IBOR reform.
- The Group has not recycled the cash flow hedge reserve relating to the period after the reforms are expected to take effect.

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 Consolidated 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' equity.

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 year in which the dividends are approved by the Company's Shareholders. Interim dividends are recognised when paid.

Shareholders' equity

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.

Share premium

Amounts in excess of the nominal value of Ordinary shares issued are recognised in share premium except where 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.

Capital redemption reserve

Amounts in respect of the redemption of certain of the Company's ordinary shares are recognised in the Capital redemption reserves.

Merger reserve

The merger reserve represents the difference arising on completion of the relevant mergers in accordance with applicable accounting standards.

Hedging reserve

The hedging reserve represents the accumulated movements in the Group's derivative financial instruments that have been designated as hedging instruments. Amounts are transferred in and out of the reserve on the revaluation, or realisation, of identified hedging instruments.

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), price 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 companies. 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

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 26 of these Consolidated Financial Statements, the Group exposure to currency risk is minimal.

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 and lease liabilities. 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. Lease liabilities are calculated on commencement of a lease as the remaining lease payments discounted using the incremental borrowing rate of the Group, thus exposing the Group to fair value interest rate risk.

Further details are provided in the Principal Risks and Uncertainties section. Note 26 to the Consolidated Financial Statements provides additional disclosures regarding cash flow and fair value interest rate risk.

Price risk – Utilities and fuel

Key costs incurred by the Group in its operations include utilities costs for gas, electricity, water and effluent. The Group also incurs significant costs in respect of diesel given the size of the fleet of vehicles operated across the Group. Changes in utilities or fuel costs could have a material impact on the Group's financial performance.

The Group takes steps to mitigate the risk of price changes across both utilities and fuel as appropriate. In respect of gas and electricity, the Group enters contracts with suppliers to fix prices for determined periods, normally up to one year, ensuring the Group has appropriate visibility of future costs and to protect the Group, in the short term, over price volatility.

To try and mitigate the price risk associated with diesel costs the Group has entered into certain forward contracts with financial institutions to fix an element of the diesel cost being incurred by the Group. Contracts are in place to cover a portion of the Group's forecast diesel usage and allow for actual costs to be swapped for a fixed rate on a monthly basis. Additional details of the contracts entered into by the Group are included in note 26.

(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 customers, including outstanding receivables and committed transactions.

The Group's credit risk is relatively low as, 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.

With regards to credit exposures to customers, the Group applies the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables. The Group continues to establish a provision for impairment of trade receivables 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. In addition, IFRS 9 requires the Group to consider forward looking information and the probability of default when calculating expected credit losses. The measurement of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating the range of possible outcomes as well as incorporating the time value of money. The expected loss rates are based on the payment profiles of sales over the year and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on factors affecting the ability of the customers to settle the receivables. Trade receivables have been grouped for this analysis based on shared credit risk characteristics,

Statement of Significant Accounting Policies Continued >

including segment and region in which the customer operates. The model considers indicators such as actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customers' ability to meet its obligations. In the current year, this would include the impact of COVID-19 with ongoing lockdowns, customer closures, unemployment increases, the ability for customers to work from home and the wind down of the furlough scheme which are all factors impacting the ability of customers to settle outstanding debts and are factors that will continue to affect into 2021 and beyond. The Group's HORECA division therefore includes a higher risk of default of the customer base due to the significantly higher impact of the COVID-19 pandemic on the division's operations.

Further to the above model, trade receivables are specifically impaired where there are indicators of significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, or there is default or delinquency in payments.

Note 18 and Note 26 provide 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 21) and cash and cash equivalents (note 26)) 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 26.

Notes to the Consolidated Financial Statements

1 SEGMENT ANALYSIS

Segment information is presented based on the Group's management and internal reporting structure as at 31 December 2020.

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

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

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

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

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

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

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

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

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

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

The Board assesses the performance of the reporting segments based on a measure of operating profit, both including and excluding the effects of non-recurring items from the reporting segments, such as restructuring costs and impairments when the impairment is the result of an isolated, non-recurring or non-operating event. Interest income and expenditure are not included in the result for each reporting 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 (the property holding company of the Group) is credited back, where appropriate, to the paying company for the purpose of segmental reporting. There have been no changes in measurement methods used compared to the prior 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, derivative financial assets and cash and cash equivalents, all of which are managed on a central basis. Segment liabilities include lease liabilities but exclude current income tax liabilities, bank borrowings, derivative financial liabilities, post-employment benefit obligations and deferred income tax liabilities, all of which are managed on a central basis. These balances are part of the reconciliation to total assets and liabilities.

Exceptional items have been included within the appropriate reporting segment as shown on pages 132 to 133.

Workwear
Supply and laundering of workwear garments and protective wear.
- Workwear

HORECA
Linen services for the hotel, restaurant and catering sector.
- Stalbridge
- London Linen
- Hotel Linen

All Other Segments
Comprising of central and Group costs.

Notes to the Consolidated Financial Statements Continued >

1 SEGMENT ANALYSIS (Continued)

Year ended 31 December 2020	Workwear £m	HORECA £m	All Other Segments £m	Total £m
Revenue				
Rendering of services	127.1	100.3	–	227.4
Sale of goods	2.4	–	–	2.4
Total revenue	**129.5**	**100.3**	**–**	**229.8**
Result				
Operating profit/(loss) before amortisation of intangible assets (excluding software amortisation) and exceptional items	**23.3**	**(31.5)**	**(3.9)**	**(12.1)**
Amortisation of intangible assets (excluding software amortisation)	(0.1)	(10.9)	–	(11.0)
Exceptional items	(0.1)	(4.2)	–	(4.3)
Operating profit/(loss)	**23.1**	**(46.6)**	**(3.9)**	**(27.4)**
Total finance cost				(4.9)
Loss before taxation				**(32.3)**
Taxation credit				5.2
Loss for the year attributable to equity holders				**(27.1)**

		Discontinued Operations £m	Workwear £m	HORECA £m	All Other Segments £m	Total £m
Balance sheet information						
Segment assets		–	132.1	239.1	1.8	373.0
Unallocated assets:	Current income tax assets					3.0
	Cash and cash equivalents					7.8
Total assets						**383.8**
Segment liabilities		(3.5)	(47.1)	(55.0)	(3.5)	(109.1)
Unallocated liabilities:	Bank borrowings					(1.0)
	Derivative financial liabilities					(2.1)
	Post-employment benefit obligations					(14.9)
	Deferred income tax liabilities					(1.2)
Total liabilities						**(128.3)**
Other information						
Non-current asset additions						
– Property, plant and equipment		–	6.0	14.7	–	20.7
– Right of use assets		–	3.4	1.8	–	5.2
– Textile rental items		–	14.1	9.8	–	23.9
– Intangible software		–	1.0	–	–	1.0
– Customer contracts		–	–	1.2	–	1.2
Depreciation, impairment and amortisation expense						
– Property, plant and equipment		–	5.3	11.2	–	16.5
– Right of use assets depreciation		–	2.2	4.5	0.1	6.8
– Right of use assets impairment		–	0.1	–	–	0.1
– Textile rental items depreciation		–	17.7	24.5	–	42.2
– Textile rental items impairment		–	–	0.6	–	0.6
– Intangible software		–	0.2	–	–	0.2
– Customer contracts		–	0.1	10.9	–	11.0

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

		Discontinued Operations £m	Workwear £m	HORECA £m	All Other Segments £m	Total £m
Balance sheet information						
Segment assets		–	139.3	284.0	1.2	424.5
Unallocated assets:	Deferred income tax assets					2.6
	Cash and cash equivalents					8.3
Total assets						**435.4**
Segment liabilities		(3.5)	(39.3)	(65.6)	(4.8)	(113.2)
Unallocated liabilities:	Current income tax liabilities					(4.5)
	Bank borrowings					(95.6)
	Derivative financial liabilities					(0.5)
	Post-employment benefit obligations					(7.3)
	Deferred income tax liabilities					(6.8)
Total liabilities						**(227.9)**
Other information						
Non-current asset additions						
– Property, plant and equipment		–	5.6	13.9	–	19.5
– Right of use assets		–	1.7	4.8	–	6.5
– Textile rental items		–	20.5	25.6	–	46.1
– Intangible software		–	1.3	–	–	1.3
– Customer contracts		–	–	2.3	–	2.3
Depreciation and amortisation expense						
– Property, plant and equipment		–	4.6	9.3	–	13.9
– Right of use assets		–	2.2	4.9	–	7.1
– Textile rental items		–	17.9	27.2	–	45.1
– Intangible software		–	0.1	–	–	0.1
– Customer contracts		–	0.5	9.6	–	10.1

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

	2020 £m	2019 £m
Revenue		
Rendering of services	227.4	346.3
Sale of goods	2.4	4.3
Total revenue	**229.8**	**350.6**
Cost of sales	(156.5)	(197.6)
Administrative expenses	(38.6)	(42.5)
Distribution costs	(46.8)	(57.7)
Operating (loss)/profit before amortisation of intangible assets (excluding software amortisation) and exceptional items	**(12.1)**	**52.8**
Amortisation of intangible assets (excluding software amortisation)	(11.0)	(10.1)
Exceptional items	(4.3)	–
Operating (loss)/profit	**(27.4)**	**42.7**

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

	2020 £m	2019 £m
Employee benefit expense (note 4)	110.7	149.6
Auditors' remuneration (note 3)	0.6	0.5
Exceptional items (note 6)	4.3	–
Trade receivables impairment (note 18)	3.6	1.0
Insurance proceeds re business interruption costs	(1.9)	–
Business interruption costs	1.9	–
Amortisation of intangible assets: (note 13)		
Capitalised software	0.2	0.1
Customer contracts	11.0	10.1
Depreciation and impairment of:		
Tangible fixed assets (note 14)	16.5	13.9
Right of use assets (note 15)	6.9	7.1
Textile rental items (note 16)	42.8	45.1
Operating leases:		
Land and buildings	0.1	0.2
Sublet rental income	(0.3)	–
Plant and equipment	1.0	1.1

3 AUDITORS' REMUNERATION

	2020 £m	2019 £m
Fees payable for the audit of the Company	0.1	0.1
Fees payable for the audit of the Company's subsidiaries and pension schemes	0.4	0.3
Fees payable for services relating to tax compliance	0.1	0.1
	0.6	**0.5**

Included within the above is an amount of £20,000 (2019: £19,000) in respect of fees payable to the Company's auditors for services relating to the audit of the Company's pension schemes.

4 EMPLOYEE BENEFIT EXPENSE

	2020 £m	2019 £m
Wages and salaries	120.1	134.1
Social security costs	9.7	10.7
Furlough claims	(28.2)	–
Redundancy costs	5.2	0.1
Cost of employee share schemes (Note 30)	0.3	1.0
Private healthcare costs	0.4	0.4
Pension costs – defined contribution plans (Note 25)	3.2	3.3
Total	**110.7**	**149.6**

Redundancy costs of £5.1 million (2019: £nil) have been included within exceptional items.

The monthly average number of persons employed by the Group during the year was:

	2020	2019
Workwear	2,218	2,291
HORECA	3,368	3,494
All other segments	18	18
Total	**5,604**	**5,803**

5 DIRECTORS' EMOLUMENTS

Detailed disclosures that form part of these financial statements are given in the Directors' Remuneration Report on pages 79 to 103.

6 EXCEPTIONAL ITEMS

	2020 £m	2019 £m
Costs in relation to business acquisition activity	–	–
Restructuring costs	(5.8)	–
Insurance claims	2.5	–
Impairment losses re insurance claims	(1.0)	–
Total exceptional items	**(4.3)**	**–**

Of the exceptional items shown above £3.2 million relate to administrative expenses and £1.1 million relate to cost of sales.

CURRENT YEAR EXCEPTIONAL ITEMS

Restructuring costs

Restructuring costs include £4.7 million of redundancy costs relating to the realignment of the workforce in response to the impact of COVID-19 and £1.1 million in respect of the closure of the Workwear plant in Newmarket, of which £0.4 million related to redundancy costs.

Insurance claims and impairment losses

During the year, a Workwear processing plant was destroyed as a result of a fire. Plant and equipment with a net book value of £0.5 million and Textile rental items with a net book value of £0.2 million were destroyed and have been written off. Interim insurance proceeds of £1.5 million have been received. Negotiations are continuing with the insurers for a final settlement value which is expected in 2021.

A further Workwear processing plant was damaged as a result of flooding during the year. Plant and equipment with a net book value of £0.3 million has been written off. Interim insurance proceeds of £1.0 million have been received. Negotiations are continuing with the insurers for a final settlement value which is expected in 2021.

PRIOR YEAR EXCEPTIONAL ITEMS

Costs in relation to business acquisition activity

During the prior year, professional fees of £0.1 million were paid relating to the acquisition of Fresh Linen Holdings Limited, together with its trading subsidiary Fresh Linen Limited and a further dormant company Pure Laundry Limited ('Fresh Linen'). Further information relating to the acquisitions is provided in note 34. This was offset by £0.1 million of prior year credits relating to previous acquisitions.

Notes to the Consolidated Financial Statements Continued >

7 FINANCE COST

	2020 £m	2019 £m
Finance cost:		
– Interest payable on bank loans and overdrafts	2.0	2.4
– Discontinuance of hedge accounting on interest rate swaps previously designated as cash flow hedges	0.6	–
– Loss on interest rate swaps not qualifying as hedges	0.1	–
– Amortisation of bank facility fees	0.4	0.3
– Finance costs on lease liabilities relating to IFRS 16 (note 22)	1.7	1.8
– Notional interest on post-employment benefit obligations (note 25)	0.1	0.1
Total finance cost	**4.9**	**4.6**

Following the equity placing in June 2020 which raised £82.7 million, the Group repaid its loans outstanding at that date. Hedge accounting was therefore discontinued at that date as the Group no longer had any loans for the Group's interest rate swaps to economically hedge. Accordingly, the Mark to Market value of £0.6 million, as at 30 June 2020, was transferred from equity and recognised as an expense within finance costs. From July 2020, the change in fair value on interest rate swaps was recognised directly within finance costs resulting in a £0.1 million charge. Of the total £0.7 million charge to the Consolidated Income Statement in 2020 in relation to interest rate swaps, £0.6 million would have been charged in future periods had hedge accounting been applicable.

8 ALTERNATIVE PERFORMANCE MEASURES (APMs)

As discussed on page 120 of these Consolidated Financial Statements, throughout the Annual Report and Financial Statements, we refer to a number of APMs. A reconciliation of the APMs used are shown below:

	2020 £m	2019 £m
Adjusted (loss)/profit before taxation		
(Loss)/profit before taxation	(32.3)	38.1
Amortisation of intangible assets (excluding software amortisation)	11.0	10.1
Exceptional costs	4.3	–
Adjusted (loss)/profit before taxation	(17.0)	48.2
Taxation thereon	3.2	(9.1)
Adjusted (loss)/profit after taxation	**(13.8)**	**39.1**

	2020 £m	2019 £m
Adjusted EBITDA		
Operating (loss)/profit before amortisation of intangible assets (excluding software amortisation) and exceptional items	(12.1)	52.8
Software amortisation	0.2	0.1
Property, plant and equipment depreciation	16.5	13.9
Right of use asset depreciation	6.8	7.1
Textile rental items depreciation	42.2	45.1
Adjusted EBITDA	**53.6**	**119.0**

9 TAXATION

	2020 £m	2019 £m
Current tax		
UK corporation tax (credit)/charge for the year	(3.7)	9.4
Adjustment in relation to previous years	(0.4)	(0.5)
Current tax (credit)/charge for the year	**(4.1)**	**8.9**
Deferred tax		
Origination and reversal of temporary differences	(1.9)	(1.7)
Changes in tax rate	0.7	(0.2)
Adjustment in relation to previous years	0.1	0.2
Deferred tax credit for the year	**(1.1)**	**(1.7)**
Total (credit)/charge for taxation included in the Consolidated Income Statement	**(5.2)**	**7.2**

The tax (credit)/charge for the year is lower than (2019: the same as) the effective rate of Corporation Tax in the UK of 19% (2019: 19%). A reconciliation is provided below:

	2020 £m	2019 £m
(Loss)/profit before taxation	(32.3)	38.1
(Loss)/profit before taxation multiplied by the effective rate of Corporation Tax in the UK	(6.1)	7.2
Factors affecting taxation charge for the year:		
Tax effect of expenses not deductible for tax purposes	0.5	0.5
Changes in tax rate	0.7	(0.2)
Adjustments in relation to previous years	(0.3)	(0.3)
Total (credit)/charge for taxation included in the Consolidated Income Statement	**(5.2)**	**7.2**

Taxation in relation to amortisation of intangible assets (excluding software amortisation) has increased the credit for taxation on continuing operations by £1.2 million (2019: £1.9 million reduction to the charge). Taxation in relation to exceptional items has increased the credit for taxation on continuing operations by £0.8 million (2019: no change).

The Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will now not occur and the Corporation Tax Rate will be held at 19%. The Group has recognised deferred tax balances at 19% accordingly.

In the Budget 2021, the UK government announced that the rate of UK corporation tax will increase to 25% from 6 April 2023 for businesses with profits of £250,000 or more. The rate will remain at 19% until that date. The legislation to implement this new law has not been substantively enacted as of the date of this report, and therefore no adjustment to deferred tax balances has been recognised in the Consolidated Financial Statements. However, the impact of the rate change is not expected to be material to the Group.

Deferred income taxes at the balance sheet date have been measured at 19% (2019: 17%). The impact of the change in tax rates to 19% from 17% has been a £0.7 million charge (2019: £0.2 million credit) in the Consolidated Income Statement and a £0.2 million credit (2019: £nil) recognised within other comprehensive income.

During the year, a deferred taxation credit of £1.7 million (2019: £0.7 million credit) has been recognised in other comprehensive income in relation to post-employment benefit obligations.

During the year, £nil relating to current taxation (2019: £0.3 million credit) and a £0.2 million charge relating to deferred taxation (2019: £0.2 million credit) have been recognised directly in Shareholders' equity.

10 DIVIDENDS

On 20 March 2020, the Board issued a market update regarding the impact of COVID-19 on the business and confirming that, it would, at the upcoming Annual General Meeting on 5 May 2020, withdraw Resolution 3 in the Notice of Annual General Meeting relating to the final dividend payment in respect of 2019 of 2.35 pence per Ordinary share.

Furthermore, and as previously announced on 5 May 2020, the Board have decided not to pay dividends for the financial year ended 31 December 2020. In reaching these decisions, the Board considered the importance of a dividend to the Company's shareholders, the need to preserve the Company's liquidity and the exceptional circumstances that COVID-19 represented. The Board will keep future dividends under review and look to reinstate its dividend policy as trading returns to more normalised levels.

In respect of the financial year ended 31 December 2019, an interim dividend of 1.15 pence per Ordinary share was paid to Shareholders in November 2019, amounting to a distribution for the year of £4.3 million.

Notes to the Consolidated Financial Statements Continued >

11 EARNINGS PER SHARE

	2020 £m	2019 £m
(Loss)/profit for the financial year from continuing operations attributable to Shareholders	(27.1)	30.9
Amortisation of intangible assets from continuing operations (net of taxation)	9.8	8.2
Exceptional costs from continuing operations (net of taxation)	3.5	–
Adjusted (loss)/profit attributable to Shareholders	**(13.8)**	**39.1**

	No. of shares	No. of shares
Weighted average number of Ordinary shares	412,947,064	369,145,562
Potentially dilutive Ordinary shares	835,491	2,710,583
Diluted number of Ordinary shares	413,782,555	371,856,145

	Pence per share (p)	Pence per share (p)
Basic (loss)/earnings per share	(6.6)p	8.4p
Adjustments for amortisation of intangible assets	2.4p	2.2p
Adjustment for exceptional items	0.8p	–
Adjusted basic (loss)/earnings per share	(3.4)p	10.6p
Diluted (loss)/earnings per share	(6.6)p	8.3p
Adjustments for amortisation of intangible assets	2.4p	2.2p
Adjustment for exceptional items	0.8p	–
Adjusted diluted (loss)/earnings per share	(3.4)p	10.5p

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

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

For diluted earnings per share, the weighted average number of Ordinary shares in issue is adjusted to assume conversion of all potentially dilutive Ordinary shares. The Company has potentially dilutive Ordinary shares arising from share options granted to employees. Options are dilutive under the SAYE scheme, where the exercise price together with the future IFRS 2 charge of the option is less than the average market price of the Company's Ordinary shares during the year. Options under the LTIP schemes, as defined by IFRS 2, are contingently issuable shares and are therefore only included within the calculation of diluted EPS if the performance conditions, as set out in the Directors' Remuneration Report, are satisfied at the end of the reporting period, irrespective of whether this is the end of the vesting period or not.

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

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

12 GOODWILL

	2020 £m	2019 £m
Cost		
Brought forward	130.5	128.1
Business combinations (see note 34)	0.4	2.4
Carried forward	**130.9**	**130.5**
Accumulated impairment losses		
Brought forward	–	–
Carried forward	**–**	**–**
Carrying amount		
Opening	130.5	128.1
Closing	**130.9**	**130.5**

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) is as follows:

	2020 £m	2019 £m
Workwear	41.7	41.7
Stalbridge	19.1	19.1
London Linen	29.2	29.2
Hotel Linen (note a)	40.9	40.5
HORECA	89.2	88.8
Total	**130.9**	**130.5**

Note a: The net increase during the year relates to the goodwill of the 2019 acquisition of Fresh Linen increasing by £0.4 million as a result of a fair value adjustment to trade and other payables acquired (note 34).

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

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

	2020 £m	2019 £m
Workwear	259.7	596.8
Stalbridge	108.4	289.2
London Linen	60.5	170.1
Hotel Linen	149.1	464.7
HORECA	318.0	924.0
Total	**577.7**	**1,520.8**

The recoverable amount of a CGU is primarily determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets and forecasts, ordinarily covering three years, which are approved by the Board. Income and costs within the budget are derived on a detailed, 'bottom up' basis – all income streams and cost lines are considered and appropriate growth, or decline, rates are assumed for each, all of which are then reviewed, challenged and stress tested, firstly by senior management and ultimately by the Board. Income and cost growth forecasts are risk adjusted to reflect specific risks facing each CGU and take into account the markets in which they operate. Cash flows beyond the above period are, ordinarily, extrapolated using the estimated growth rate stated below, which does not exceed the long-term average growth rate for the markets in which the CGU's operate, into perpetuity. When assessing the recoverable amount for CGUs as at 31 December 2020, the forecasts covered the period to the end of 2022. The Group has stated that, as a result of COVID-19, it does not currently expect trading to normalise to 2019 levels until the second half of 2022. As a result, cash flows for 2023 were assumed, for the purpose of determining the recoverable amount of a CGU only, to be the same as for 2019. Cash flows beyond that period were then extrapolated using the estimated growth rate stated below. Other than as included in the financial forecasts, it is assumed that there are no material adverse changes in legislation that would affect the forecast cash flows.

Notes to the Consolidated Financial Statements Continued >

12 GOODWILL (Continued)

The pre-tax discount rate used within the recoverable amount calculations was 10.79% (2019: 6.62%) and is based upon the weighted average cost of capital reflecting specific principal risks and uncertainties. The discount rate takes into account, amongst other things, the risk free rate of return (derived from a 20 year government bond price), the market risk premium, size premium (2020 only) and beta factor reflecting the average Beta for the Group and comparator companies which are used in deriving the cost of equity.

The same discount rate has been used for each CGU as the principal risks and uncertainties associated with the Group, as highlighted on page 38 to 45, would also impact each CGU in a similar manner. The Board acknowledge that there are additional factors that could impact the risk profile of each CGU. These additional factors were considered by way of sensitivity analysis performed as part of the annual impairment tests. For example, a scenario in line with the "severe but plausible" scenario modelled for going concern purposes (page 118) was used to further sensitise for impairment. The sensitivity did not result in any impairment of goodwill relating to the CGUs. The level of headroom is predominantly dependent upon judgments used in arriving at future growth rates and the discount rate applied to cash flow projections. Key drivers to future growth rates are dependent on the Group's ability to maintain and grow income streams whilst effectively managing operating costs. The level of headroom may change if different growth rate assumptions or a different pre-tax discount rate were used in the cash flow projections. Where the value-in-use calculations suggest an impairment, the Board would consider alternative use values prior to realising any impairment, being the fair value less costs to dispose.

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

	2020	2019
Annual growth rate (after forecast period)	2.00%	1.23%
Risk free rate of return	0.72%	1.23%
Market risk premium	7.50%	6.25%
Beta Factor	1.05	0.72
Size Premium	3.00%	–
Cost of debt	2.25%	3.27%

Having completed the 2020 impairment review, no impairment has been recognised in relation to the CGUs (2019: no impairment). Sensitivity analysis has been performed in assessing the recoverable amounts of goodwill such that the growth rate for the forecast period was reduced to nil. Such a change did not result in any impairment of goodwill relating to the CGU. There are no changes to the key assumptions of growth rate or discount rate that are considered by the Directors to be reasonably possible, which would give rise to an impairment of goodwill relating to the CGUs.

13 INTANGIBLE ASSETS

	Capitalised Software £m	Other Intangible Assets £m	Total £m
Cost			
At 31 December 2018	**1.4**	**75.6**	**77.0**
Additions	1.3	2.3	3.6
Business combinations	–	4.0	4.0
At 31 December 2019	**2.7**	**81.9**	**84.6**
Additions	1.0	1.2	2.2
At 31 December 2020	**3.7**	**83.1**	**86.8**
Accumulated amortisation			
At 31 December 2018	**0.7**	**37.0**	**37.7**
Charged during the year	0.1	10.1	10.2
At 31 December 2019	**0.8**	**47.1**	**47.9**
Charged during the year	0.2	11.0	11.2
At 31 December 2020	**1.0**	**58.1**	**59.1**
Carrying amount			
At 31 December 2018	**0.7**	**38.6**	**39.3**
At 31 December 2019	**1.9**	**34.8**	**36.7**
At 31 December 2020	**2.7**	**25.0**	**27.7**

13 INTANGIBLE ASSETS (Continued)

Amortisation of capitalised software is included within administrative expenses in the Consolidated Income Statement in determining operating loss/profit before exceptional items. Amortisation of other intangible assets is shown separately on the face of the Consolidated Income Statement.

Other intangible assets comprise of customer contracts and relationships arising from business combinations together with the customer contracts acquired not as part of a business combination. 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 the weighted average cost of capital for the Group. For assets not acquired as part of a business combination, fair value is deemed to be the amounts to purchase the contracts plus associated costs less value of stock acquired.

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 (usually three to ten years). The longest estimated useful life remaining at 31 December 2020 is four years.

14 PROPERTY, PLANT AND EQUIPMENT

	Properties				
	Freehold £m	Long Leasehold £m	Short Leasehold £m	Plant and Equipment £m	Total £m
Cost					
At 31 December 2018	**23.0**	**6.2**	**8.6**	**137.7**	**175.5**
Transfers to right of use assets	–	–	–	(17.0)	(17.0)
At 1 January 2019	**23.0**	**6.2**	**8.6**	**120.7**	**158.5**
Business combinations	1.8	–	–	2.5	4.3
Additions	0.2	–	0.5	18.8	19.5
Disposals	–	–	–	(2.7)	(2.7)
Re-classification	–	–	0.5	(0.5)	–
Transfers from right of use assets	–	–	–	16.9	16.9
At 31 December 2019	**25.0**	**6.2**	**9.6**	**155.7**	**196.5**
Additions	–	–	1.1	19.6	20.7
Disposals	–	–	–	(6.6)	(6.6)
At 31 December 2020	**25.0**	**6.2**	**10.7**	**168.7**	**210.6**
Accumulated depreciation and impairment					
At 31 December 2018	**5.6**	**2.0**	**3.7**	**68.2**	**79.5**
Transfers to right of use assets	–	–	–	(5.1)	(5.1)
At 1 January 2019	**5.6**	**2.0**	**3.7**	**63.1**	**74.4**
Charged during the year	0.4	0.2	0.6	12.7	13.9
Eliminated on disposals	–	–	–	(2.4)	(2.4)
Transfers from right of use assets	–	–	–	6.6	6.6
At 31 December 2019	**6.0**	**2.2**	**4.3**	**80.0**	**92.5**
Charged during the year	0.4	0.1	0.7	15.3	16.5
Eliminated on disposals	–	–	–	(5.6)	(5.6)
At 31 December 2020	**6.4**	**2.3**	**5.0**	**89.7**	**103.4**
Carrying amount					
At 31 December 2018	**17.4**	**4.2**	**4.9**	**69.5**	**96.0**
At 31 December 2019	**19.0**	**4.0**	**5.3**	**75.7**	**104.0**
At 31 December 2020	**18.6**	**3.9**	**5.7**	**79.0**	**107.2**

Notes to the Consolidated Financial Statements Continued >

14 PROPERTY, PLANT AND EQUIPMENT (Continued)

The value of assets under construction at 31 December 2020 was £10.4 million (2019: £2.8 million within plant and equipment), £0.9 million of which is shown above in short leasehold assets and £9.5 million within plant and equipment. This includes £9.6 million for our HORECA Leeds site where the commissioning has been delayed.

Depreciation charges are recognised in cost of sales and administrative expenses depending on the assets to which the depreciation relates.

Following the adoption of IFRS 16 on 1 January 2019, the net book value of plant and equipment held under finance leases is no longer recognised within property, plant and equipment and is instead recognised within right of use assets (note 15).

The transfer of assets to right of use assets represents the reclassification of the cost and associated depreciation of finance lease assets at 1 January 2019 from property, plant and equipment. The transfer of assets from right of use assets represents the reclassification of the cost and associated depreciation of assets from right of use assets where the lease expired in the year and the asset is now owned.

15 RIGHT OF USE ASSETS

	Properties £m	Plant and Equipment £m	Total £m
Cost			
At 1 January 2019	**30.8**	**22.3**	**53.1**
Business combinations	–	0.7	0.7
Additions	4.3	2.2	6.5
Reassessment/modification of assets previously recognised	1.3	(0.1)	1.2
Transfers to property, plant and equipment	–	(16.9)	(16.9)
At 31 December 2019	**36.4**	**8.2**	**44.6**
Additions	3.4	1.8	5.2
Reassessment/modification of assets previously recognised	1.8	0.1	1.9
Disposals	(0.4)	(1.5)	(1.9)
At 31 December 2020	**41.2**	**8.6**	**49.8**
Accumulated depreciation and impairment			
At 1 January 2019	**–**	**5.1**	**5.1**
Charged during the year	3.3	3.8	7.1
Transfers to property, plant and equipment	–	(6.6)	(6.6)
At 31 December 2019	**3.3**	**2.3**	**5.6**
Charged during the year	4.2	2.6	6.8
Impairment losses	0.1	–	0.1
Disposals	(0.1)	(1.1)	(1.2)
At 31 December 2020	**7.5**	**3.8**	**11.3**
Carrying amount			
At 1 January 2019	**30.8**	**17.2**	**48.0**
At 31 December 2019	**33.1**	**5.9**	**39.0**
At 31 December 2020	**33.7**	**4.8**	**38.5**

Depreciation charges are recognised in distribution expenses and administrative expenses within the Consolidated Income Statement depending on the assets to which the depreciation relates.

The reassessment/modification of assets relates to rent increases and extensions to lease terms that have been agreed during the year.

During the current year, the Group announced the closure of the Newmarket site. As a result, the Group will utilise the break clause which was part of the original lease contract. The lease term was previously assumed to end in April 2027 but will instead end in April 2022. As such the lease term has been revised resulting in a disposal of £0.3 million. The remaining balance of £0.4 million relates to a number of other asset disposals which are, individually, not material. As the site has also closed from December 2020, an impairment of £0.1 million has been recognised in exceptional items within the Consolidated Income Statement.

The transfer of assets to property, plant and equipment represents the reclassification of the cost and associated depreciation of assets to property, plant and equipment where the lease expired in the year and the asset is now owned.

16 TEXTILE RENTAL ITEMS

	2020 £m	2019 £m
Cost		
Brought forward	125.1	120.6
Additions	23.9	46.1
Business combinations	–	1.7
Disposals	(46.9)	(38.7)
Special charges	(4.2)	(4.6)
Carried forward	**97.9**	**125.1**
Accumulated depreciation and impairment		
Brought forward	68.3	64.2
Charged during the year	42.2	45.1
Impairment losses	0.6	–
Disposals	(46.7)	(38.7)
Special charges	(2.1)	(2.3)
Carried forward	**62.3**	**68.3**
Carrying amount		
Opening	56.8	56.4
Closing	**35.6**	**56.8**

Depreciation charges and impairment losses are recognised in cost of sales within the Consolidated Income Statement.

17 INVENTORIES

	2020 £m	2019 £m
New textile rental items	0.9	1.2
Goods for resale	0.1	0.2
Raw materials and stores	0.4	0.9
	1.4	**2.3**

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

	2020 £m	2019 £m
Opening inventories	2.3	2.8
Purchases	31.3	57.2
Business combinations	–	0.1
Amounts transferred to textile rental items (note 16)	(23.9)	(46.1)
Amounts transferred to cost of sales	(8.3)	(11.7)
	1.4	**2.3**

The amounts above are net of an inventory provision of £0.9 million (2019: £0.5 million). There has been £0.4 million (2019: £0.1 million) stock provision recognised during the year within cost of sales in the Consolidated Income Statement.

Notes to the Consolidated Financial Statements Continued >

18 TRADE AND OTHER RECEIVABLES

	2020 £m	2019 £m
Amounts falling due within one year:		
Trade receivables	29.0	48.7
Less: provision for impairment of trade receivables	(3.6)	(2.4)
Trade receivables – net	25.4	46.3
Other receivables	3.4	2.3
Prepayments	1.3	2.0
Contract assets	0.6	0.7
Accrued income	0.6	3.2
	31.3	**54.5**
Amounts falling due after more than one year:		
Other receivables	0.2	0.3
Contract assets	0.2	0.4
	0.4	**0.7**
	31.7	**55.2**

Costs capitalised as contract assets during the year total £0.5 million (2019: £0.9 million). The charge recognised during the year relating to contract assets is £0.8 million (2019: £0.9 million). Costs capitalised in relation to contract assets are expected to be recoverable.

The maturity of financial assets (which comprise of current and non-current trade receivables, other receivables and accrued income) is analysed below:

	Gross £m	Provision £m	2020 Net £m	Gross £m	Provision £m	2019 Net £m
Trade receivables, other receivables and accrued income						
– Not yet due and up to 3 months overdue	31.2	(2.2)	29.0	52.9	(0.8)	52.1
– 3 to 6 months past due	1.3	(0.7)	0.6	0.9	(0.9)	–
– 6 to 12 months past due	0.6	(0.6)	–	0.4	(0.4)	–
– Over 12 months past due	0.1	(0.1)	–	0.3	(0.3)	–
	33.2	**(3.6)**	**29.6**	**54.5**	**(2.4)**	**52.1**

Under IFRS 9, the Group is required to utilise objective evidence as well as consider forward looking information and the probability of default when calculating expected credit losses. The maturity of financial assets is therefore used as an indicator as to the probability of default.

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

Under IFRS 9, the Group applies the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables. Forward looking loss rates for each debt aging category takes into account how overdue the debt is, the type of receivable, operating segment and region in which the customer operates, as well as other current market and trading conditions, including increased expected credit losses as a result of COVID-19. Further to the expected credit loss model, trade receivables are specifically impaired where there are indicators of significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, or there is default or delinquency in payments.

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 receivables.

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

	2020 £m	2019 £m
At 1 January	(2.4)	(2.1)
Provisions for receivables impairment	(3.6)	(1.0)
Amounts unused reversed	0.4	–
Receivables written off during the year as uncollectable	2.0	0.7
At 31 December	**(3.6)**	**(2.4)**

The creation and release of the provision for impaired receivables has been included in administrative expenses in the Consolidated 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.

18 TRADE AND OTHER RECEIVABLES (Continued)

All trade and other receivable balances at the balance sheet date are denominated in Sterling (2019: Sterling) and are held at amortised cost. Given the short term nature of current receivables there is deemed to be no difference between this and fair value. The difference between the book value and fair value of non-current trade and other receivables is deemed to be not material.

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.

19 TRADE AND OTHER PAYABLES (CURRENT)

	2020 £m	2019 £m
Trade payables	16.8	24.0
Other payables	4.1	3.8
Other taxation and social security liabilities	16.3	11.6
Deferred income	0.4	0.3
Deferred consideration	0.8	1.7
Accruals	26.4	27.8
	64.8	**69.2**

All trade and other payables balances at the balance sheet date are denominated in Sterling (2019: Sterling), and are held at amortised cost. Given the short term nature there is to be no difference between this and fair value.

Trade payables are unsecured and are usually paid within 60 days of recognition.

20 TRADE AND OTHER PAYABLES (NON-CURRENT)

	2020 £m	2019 £m
Deferred income	0.4	0.5
	0.4	**0.5**

The difference between the book value and fair value of non-current trade and other payables is not material.

21 BORROWINGS

	2020 £m	2019 £m
Current		
Overdraft	1.2	11.2
Bank loans	(0.2)	(0.3)
	1.0	**10.9**
Non-current		
Bank loans	(0.2)	84.7
	(0.2)	**84.7**
	0.8	**95.6**
The maturity of non-current bank loans is as follows:		
– Between one and two years	–	–
– Between two and five years	–	85.0
– Unamortised issue costs of bank loans	(0.2)	(0.3)
	(0.2)	**84.7**

At the 31 December 2020, borrowings were secured and drawn down under a committed facility dated 21 February 2014, as amended and restated from time to time. This amended facility comprised a £135.0 million rolling credit facility (including an overdraft) which runs to August 2023 and a £40.0 million rolling credit facility which runs to 22 May 2022 with the option for a one year extension.

Individual tranches are drawn down, in sterling, for periods of up to six months at LIBOR rates of interest prevailing at the time of drawdown, plus the applicable margin. The margin varies between 1.25% and 2.25%, but for the period to 31 March 2022 is fixed at 2.00%.

Notes to the Consolidated Financial Statements Continued >

21 BORROWINGS (Continued)

The secured bank loans are stated net of unamortised issue costs of £0.4 million (2019: £0.6 million) of which £0.2 million is included within current borrowings (2019: £0.3 million) and £0.2 million is included within non-current trade and other receivables (2019: £0.3 million within non-current borrowings) as there are no borrowings at the end of the period for the fees to be offset against. Details of the security are provided in note 28 to the Consolidated Financial Statements.

The Group has two net overdraft facilities for £5.0 million and £3.0 million with two of its principal bankers (2019: £5.0 million and £3.0 million).

As at 31 December 2020, the Group has in place the following hedging arrangements which have the effect of replacing LIBOR with fixed rates as follows:

- for £15.0 million of borrowings, LIBOR is replaced with 1.070% from 30 January 2019 to 29 January 2021; and
- for £15.0 million of borrowings, LIBOR is replaced with 1.144% from 30 January 2019 to 31 January 2022; and
- for £15.0 million of borrowings, LIBOR is replaced with 0.805% from 8 January 2020 to 9 January 2023.

Following the equity placing in June 2020 which raised £82.7 million, the Group repaid its loans outstanding at that date. Hedge accounting was therefore discontinued at that date as the Group no longer had any loans for the Group's interest rate swaps to economically hedge. The hedging arrangements are discussed further in note 26.

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.

22 LEASE LIABILITIES

	Properties £m	Plant and Equipment £m	Total £m
At 31 December 2018	**–**	**–**	**–**
Recognition of lease liability under IFRS 16	32.0	5.2	37.2
Previously recognised as finance lease obligations in borrowings	–	7.4	7.4
Opening lease liabilities recognised at 1 January 2019	**32.0**	**12.6**	**44.6**
Business combinations	–	1.3	1.3
Additions	4.1	2.4	6.5
Reassessment/modification of liabilities previously recognised	1.3	(0.1)	1.2
Lease liability payments (including finance costs)	(4.3)	(10.7)	(15.0)
Finance costs	1.4	0.4	1.8
At 31 December 2019	**34.5**	**5.9**	**40.4**
Additions	3.3	1.8	5.1
Reassessment/modification of liabilities previously recognised	1.8	0.1	1.9
Disposals	(0.3)	(0.4)	(0.7)
Lease liability payments (including finance costs)	(5.1)	(2.7)	(7.8)
Finance costs	1.6	0.1	1.7
At 31 December 2020	**35.8**	**4.8**	**40.6**

The reassessment/modification of leases relates to rent increases and extensions to lease terms that have been agreed during the year.

During the current year, the Group announced the closure of the Newmarket site. As a result, the Group will utilise the break clause which was part of the original lease contract. The lease term was previously assumed to end in April 2027 but will instead end in April 2022. As such the lease term has been revised resulting in a disposal of £0.3 million. The remaining balance of £0.4 million relates to a number of other lease disposals which are, individually, not material.

Lease liabilities are comprised of the following balance sheet amounts:

	2020 £m	2019 £m
Amounts due within one year (Lease liabilities, Current liabilities)	5.5	5.6
Amounts due after more than one year (Lease liabilities, Non-Current liabilities)	35.1	34.8
	40.6	**40.4**

22 LEASE LIABILITIES (Continued)

Lease liabilities are as follows:

	2020 £m	2019 £m
Not more than one year		
Minimum lease payments	7.2	7.2
Interest element	(1.7)	(1.6)
Present value of minimum lease payments	**5.5**	**5.6**
Between one and five years		
Minimum lease payments	21.0	20.6
Interest element	(4.6)	(4.6)
Present value of minimum lease payments	**16.4**	**16.0**
More than five years		
Minimum lease payments	26.0	26.4
Interest element	(7.3)	(7.6)
Present value of minimum lease payments	**18.7**	**18.8**

Future increases or decreases in rentals linked to an index or rate are not included in the lease liability until the change in cash flows takes effect. Of the remaining lease liability at 31 December 2020, £0.8 million (2019: £0.9 million) is subject to inflation-linked rentals, relating to the commercial vehicle fleet within the HORECA division. A further £34.1 million (2019 £32.7 million) is subject to rent reviews relating to the Group's property portfolio.

Following the adoption of IFRS 16, short term leases (those with an expected term of 12 months or less) and leases for low value assets, continue to be expensed on a straight line basis over the lease term, as under IAS 17. The expense relating to these payments was £1.0 million (2019: £1.3 million).

At 31 December 2020 the Group had committed to leases which had not yet commenced. The total future cash outflows for leases that had not yet commenced are £0.1 million (2019: £1.4 million) net of non-lease components as defined by IFRS 16.

Total cash outflow for leases, comprising capital and interest payments, for the year ended 31 December 2020 was £7.8 million (2019: £15.0 million).

Furthermore, the Group sublets properties under operating leases. Income recognised in the Consolidated Income Statement during the year total £0.3 million (2019: £0.3 million).

23 DEFERRED TAXATION

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current 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	
	2020 £m	2019 £m	2020 £m	2019 £m
Recognised deferred income tax assets and liabilities				
Depreciation less than capital allowances	–	–	(1.2)	(1.2)
Employee share schemes	0.3	0.6	–	–
Post-employment benefit obligations	2.8	1.2	–	–
Derivative financial liabilities	0.2	0.1	–	–
Trading losses	0.3	–	–	–
Other short term timing differences	0.8	0.7	–	–
Separately identifiable intangible assets	–	–	(4.4)	(5.6)
	4.4	**2.6**	**(5.6)**	**(6.8)**

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

Notes to the Consolidated Financial Statements Continued >

23 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/ (less than) Capital Allowances £m	Employee Share Schemes £m	Post-employment Benefit Obligations £m	Derivative Financial Instruments £m	Trading Losses £m	Other Short Term Timing Differences £m	Intangible Assets £m	Total £m
At 31 December 2018	**(0.9)**	**0.5**	**0.8**	**0.1**	**–**	**0.4**	**(6.7)**	**(5.8)**
(Charge)/credit to income	(0.3)	(0.1)	(0.3)	–	–	0.5	1.9	1.7
Deferred income tax liabilities acquired	–	–	–	–	–	(0.2)	(0.8)	(1.0)
Credit to Shareholders equity	–	0.2	–	–	–	–	–	0.2
Credit to other comprehensive income	–	–	0.7	–	–	–	–	0.7
At 31 December 2019	**(1.2)**	**0.6**	**1.2**	**0.1**	**–**	**0.7**	**(5.6)**	**(4.2)**
(Charge)/credit to income	–	(0.1)	(0.4)	–	0.3	0.1	1.2	1.1
Charge to Shareholders equity	–	(0.2)	–	–	–	–	–	(0.2)
Credit to other comprehensive income	–	–	2.0	0.1	–	–	–	2.1
At 31 December 2020	**(1.2)**	**0.3**	**2.8**	**0.2**	**0.3**	**0.8**	**(4.4)**	**(1.2)**

Deferred income taxes at the balance sheet date have been measured at a tax rate of 19.0% as at 31 December 2020 (2019: 17.0%). The impact of the change in tax rates to 19.0% has been a £0.7 million charge (2019: £0.2 million credit) in the Consolidated Income Statement and a £0.3 million credit (2019: £nil) within other comprehensive income.

The Group has estimated that £1.5 million of the Group's net deferred income tax liability will be realised in the next 12 months. This is management's current best estimate and may not reflect the actual outcome in the next 12 months.

24 PROVISIONS

	Property £m	Self Insurance £m	Total £m
At 31 December 2018	**2.7**	**0.6**	**3.3**
Utilised during the year	(0.1)	(0.1)	(0.2)
At 31 December 2019	**2.6**	**0.5**	**3.1**
Utilised during the year	(0.1)	(0.1)	(0.2)
Charged	0.4	–	0.4
At 31 December 2020	**2.9**	**0.4**	**3.3**

	2020 £m	2019 £m
Analysis of total provisions		
Current	2.0	1.4
Non-current	1.3	1.7
	3.3	**3.1**

Property

The property provision includes onerous property costs, 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 judgments 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. The majority of the property provision is expected to be utilised over a period of up to four years.

Self insurance

The self insurance provision is in respect of the estimated payments due to existing claimants under the self funded incapacity scheme over an estimated period of 12 years. This scheme is now closed.

25 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

Several defined contribution pension schemes are used within the Group. The total cost of employer contributions for the year was £3.2 million (2019: £3.3 million).

Pensions – defined benefit

The Group operates a defined benefit pension scheme, the Johnson Group Defined Benefit Scheme ('JGDBS'). The JGDBS was closed to future accrual on 31 December 2014.

A full actuarial valuation of the JGDBS was carried out at 30 September 2019 and has been updated to 31 December 2020 by an independent qualified actuary. The updated actuarial valuation at 31 December 2020 showed a deficit of £13.8 million (2019: £6.3 million). During the year, no employer or employee contributions were made (2019: £nil).

Deficit recovery payments of £1.9 million (2019: £1.9 million) were made to the Scheme during the year. Further deficit recovery payments of £1.9 million are expected to be made in 2021.

Within the Group's 2020 Interim Report and Accounts, disclosures were made in respect of the actuarial pension valuation as at 30 June 2020. On subsequent review of the support information provided for the purposes of the disclosure, an error was identified. The impact of the error was an overstatement of the fair value of scheme assets, as at 30 June 2020, by £10.3 million. As a result the post-employment benefit obligations at 30 June 2020 should have been a £9.0 million liability compared to the reported £1.3 million asset and the deferred tax asset thereon should have been £1.7 million compared to the reported deferred tax liability of £0.3 million. As a result, both retained earnings and net assets should have been £8.3 million lower. The error had no impact on the Consolidated Income Statement or the Consolidated Statement of Cashflows.

Actuarial assumptions

Considerations when calculating the IAS 19 liability

IAS19 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 Scheme. The weighted average duration of the defined benefit obligation is approximately 14 years (2019: 14 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.

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 and future expected long term differences between the RPI and CPI indices
Pension increases	Compatible with the rate of price inflation above taking into account the effects of scheme rules and valid expectations of discretionary increases based on best past practice
Demographic assumptions (e.g. rates of mortality and early retirement)	Compatible assumptions that lead to a best estimate of future cash flows

Notes to the Consolidated Financial Statements Continued >

25 POST-EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Assumptions used

	2020	2019
Rate used to discount scheme liabilities	1.35%	2.10%
Retail price inflation (RPI)	2.85%	3.00%
Consumer price inflation (CPI)	2.10%	2.05%
Rate of increase of pensions in payment (5.0% RPI linked)	2.81%	2.95%
Rate of increase of pensions in payment (2.5% RPI linked)	2.08%	2.15%
Rate of increase of pensions in payment (2.5% CPI linked)	1.75%	1.73%

Life expectancy at age 60 for current male pensioners is assumed to be 26.3 years (2019: 26.1 years). Life expectancy at age 60 for male future pensioners is assumed to be 26.6 years (2019: 26.5 years). "S2PXA 102%/99% males/females (YoB) CMI 2018 with a 1.25% long term trend rate with core parameters" has been used to derive these mortality rates (2019: "S2PXA 102%/99% males/females (YoB) CMI 2018 with a 1.25% 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 (2019: 100% of members will commute 25% of pension).

It has been assumed that 50% (2019: 50%) of future pensioners at retirement will exchange their non-statutory pension increases at retirement for a higher, but non-increasing pension.

Following the High Court ruling on 26 October 2018 regarding the equalisation of Guaranteed Minimum Pension ('GMP') benefit within the Lloyds pension scheme, the Scheme is required to adjust benefits to remove the inequalities between the GMP benefits awarded to males and females. The Group have historically included a reserve in the defined benefit obligation IAS19 valuation for GMP equalisation.

On 20 November 2020 the High court issued a supplementary ruling in the Lloyds bank GMP equalisation case with respect to members that have transferred out of their scheme prior to the ruling. The results of this mean that:

- Trustees are obliged to make transfer payments that reflect equalised benefits and are required to make top up payments where this was not the case in the past;
- A defined benefit scheme that received a transfer is concurrently obliged to provide equalised benefits in respect of the transfer payments; and
- There were no exclusions on the grounds of discharge forms, CETV legislation, forfeiture provisions or the Limitation Act 1980.

The full effect of this ruling can only be known following a detailed review of the history of Scheme membership movements, dating back as far as the early 1990s. This will take some time to complete. No allowance has been included in respect of the supplementary ruling on the grounds of immateriality.

Sensitivity of key assumptions

The table below gives an approximation of the impact on the IAS19 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/decrease discount rate by 0.10%	(£3.0 million)/£3.1 million
Increase/decrease price inflation assumption by 0.10%	£0.5 million/(£0.5 million)
1 year increase/decrease in life expectancy at age 60	£9.3 million/(£9.3 million)

The above sensitivities are applied to adjust the defined benefit obligations at the end of the reporting year. Whilst the analysis does not take account of the full distribution of cash flows expected under the Scheme, it does provide an approximation of the sensitivity of the assumptions shown. No changes have been made to the method and assumptions used in this analysis from those used in the previous year.

Private healthcare

The Group operates an unfunded defined benefit private healthcare scheme for eligible retirees. At 31 December 2020, the deficit of the scheme was £1.1 million (2019: £1.0 million). The Group accounted for a current service cost of £nil and a notional interest cost of £26,000 in the Consolidated Income Statement (2019: £nil and £26,000 respectively). The current service cost in 2021 is expected to be £nil with a notional interest cost of £26,000.

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 31 December 2020. As a result, an actuarial loss of £0.2 million was recognised within the Consolidated Statement of Comprehensive Income.

The latest review was performed using the projected unit credit method, and a discount rate of 1.40%. 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 5.50% throughout. There have been no material changes in circumstances since the last formal review.

25 POST-EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

An increase of 1.00% in the medical cost trend would increase the scheme liabilities by an estimated £0.1 million and the aggregate of the service cost and interest cost by an estimated £15,000 per annum. A decrease of 1% in the medical cost trend would reduce the scheme liabilities by an estimated £0.1 million and the aggregate of the service cost and interest cost by an estimated £15,000 per annum.

Post-employment benefit obligations disclosures

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

	2020 £m	2019 £m
Current service costs – charged to administrative expenses	–	–
Notional interest on post-employment benefit obligations	0.1	0.1
Total amounts charged to the Consolidated Income Statement	**0.1**	**0.1**

Current service costs are charged or credited to the Consolidated Income Statement in arriving at operating loss/profit before amortisation of intangible assets (excluding software amortisation) and exceptional items.

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

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

	2020 £m	2019 £m
Return on scheme assets excluding interest income	13.2	14.5
Re-measurement (losses)/gains arising from changes in demographic assumptions	(7.4)	4.5
Re-measurement losses arising from changes in financial assumptions	(21.5)	(23.1)
Experience gains/(losses) on liabilities	6.3	(0.4)
Total amounts recognised in the Consolidated Statement of Comprehensive Income	**(9.4)**	**(4.5)**

Amounts recognised in the Balance Sheet are as follows:

	2020 £m	2019 £m
Present value of funded obligations	(240.5)	(227.6)
Fair value of scheme assets	226.7	221.3
Net defined benefit pension obligations	(13.8)	(6.3)
Post-retirement healthcare obligations	(1.1)	(1.0)
Net post-employment benefit obligations	**(14.9)**	**(7.3)**

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

	2020 £m	2019 £m
Fair value of scheme assets at beginning of the year	221.3	208.7
Interest income	4.5	5.9
Return on scheme assets (excluding interest income)	13.2	14.5
Deficit recovery payments	1.9	1.9
Benefits paid – defined benefit pension obligations	(14.2)	(9.7)
Fair value of scheme assets at end of the year	**226.7**	**221.3**

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

	2020 £m	2019 £m
Fair value of scheme liabilities at beginning of the year	(228.6)	(213.3)
Interest expense	(4.6)	(6.0)
Re-measurement (losses)/gains from changes in demographic assumptions	(7.4)	4.5
Re-measurement losses from changes in financial assumptions	(21.5)	(23.1)
Experience gains/(losses) on liabilities	6.3	(0.4)
Benefits paid – defined benefit pension obligations	14.2	9.7
Fair value of scheme liabilities at the end of the year	**(241.6)**	**(228.6)**

Notes to the Consolidated Financial Statements Continued >

25 POST-EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Movements in post-employment benefit obligations were as follows:

	2020 £m	2019 £m
Opening post-employment benefit obligation	(7.3)	(4.6)
Notional interest	(0.1)	(0.1)
Deficit recovery payments	1.9	1.9
Re-measurement and experience losses	(9.4)	(4.5)
Closing post-employment benefit obligation	**(14.9)**	**(7.3)**

The major categories of scheme assets were as follows:

	Quoted Market Price Active Market £m	No Quoted Market Price Active Market £m	2020 Total Scheme £m	Quoted Market Price Active Market £m	No Quoted Market Price Active Market £m	2019 Total Scheme £m
Bonds	–	48.5	48.5	–	47.5	47.5
Liability driven investments	58.7	–	58.7	47.2	–	47.2
Real return funds	50.5	–	50.5	49.8	–	49.8
Alternative return seeking assets	–	59.5	59.5	0.6	67.3	67.9
Cash and cash equivalents	9.5	–	9.5	8.9	–	8.9
Total market value of assets	**118.7**	**108.0**	**226.7**	**106.5**	**114.8**	**221.3**

The assets of the pension scheme include no (2019: none) shares in the Group.

Scheme assets held with no quoted market price on active market are valued by the fund managers. The managers determine fair value of their holdings based on several factors. They may use secondary market prices, internal valuation models or independent valuations. This process adopted will vary by manager and asset class, although independent third parties are typically used to verify and support the net asset value valuations.

The Liability Driven Investments (LDI) shown above comprise of nominal and real LDI funds, investing in partly funded leveraged gilts and funds for liability matching and liquidity funds investing in pooled cash funds. Under these arrangements, if interest rates fall, the value of the LDI investments would be expected to rise, all else being equal, to help offset the expected increase in the present value placed on the schemes liabilities arising from a fall in the discount rate (and vice versa).

The deficit recognised in respect of the JGDBS is influenced by both the measurement of plan liabilities and the valuation of plan assets. The Trustee, in conjunction with the Group, has tried to ensure an appropriate balance of investments has been made by the scheme to mitigate potential price volatility in individual asset categories. The Group and Trustee regularly monitor the composition of plan assets and amend the composition accordingly to try and match scheme assets with the liabilities they are intended to fund. However, any underperformance of scheme assets could result in future increases in the deficit recognised on the JGDBS.

26 FINANCIAL INSTRUMENTS

Policies and strategies

Details of the Group's policies and strategies in relation to financial instruments are given within the Statement of Significant Accounting Policies.

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 18. 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

	2020 £m	2019 £m
Cash at bank and in hand		
Sterling	7.8	8.3
US Dollars	–	–
At 31 December	**7.8**	**8.3**

26 FINANCIAL INSTRUMENTS (Continued)

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.

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

	Rating	2020 £m	2019 £m
Cash at bank and in hand			
Royal Bank of Scotland	A-1	7.7	4.6
Lloyds Bank	A-1	0.1	3.7
Total cash and cash equivalents		**7.8**	**8.3**

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-1' is rated in the highest category by Standard & Poor's. The obligor's capacity to meet its financial commitment on the obligation is strong.

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	2020 Total Cash Flows £m	As per Balance Sheet £m	Future Interest Cost £m	2019 Total Cash Flows £m
Trade and other payables*	48.1	–	48.1	57.3	–	57.3
Overdraft	1.2	–	1.2	11.2	–	11.2
Bank loans**	–	–	–	85.0	–	85.0
Lease liabilities	40.6	13.6	54.2	40.4	13.8	54.2
Provisions	3.3	–	3.3	3.1	–	3.1
Derivative financial instruments	2.1	–	2.1	0.5	–	0.5
	95.3	**13.6**	**108.9**	**197.5**	**13.8**	**211.3**

* **Trade and other payables comprise both current and non-current payables as disclosed within notes 19 and 20, excluding other taxation and social security liabilities and deferred income:**

	Current £m	Non-Current £m	2020 Total £m	Current £m	Non-Current £m	2019 Total £m
Trade and other payables	64.8	0.4	65.2	69.2	0.5	69.7
Less: Other taxation and social security liabilities	(16.3)	–	(16.3)	(11.6)	–	(11.6)
Less: Deferred income	(0.4)	(0.4)	(0.8)	(0.3)	(0.5)	(0.8)
	48.1	**–**	**48.1**	**57.3**	**–**	**57.3**

** **IFRS 7 requires the contractual future interest cost of a financial liability to be included within the above table. As disclosed in note 21 of these financial statements, there are no bank loans 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 £2.1 million. Interest is payable at a rate of LIBOR prevailing at the time of drawdown plus the applicable margin, which ranges from 1.25% and 2.25%.**

Bank loans in the table above do not include unamortised bank fees:

	Current £m	Non-Current £m	2020 Total £m	Current £m	Non-Current £m	2019 Total £m
Bank loans	–	–	–	–	85.0	85.0
Less: Unamortised bank fees	(0.2)	(0.2)	(0.4)	(0.3)	(0.3)	(0.6)
	(0.2)	**(0.2)**	**(0.4)**	**(0.3)**	**84.7**	**84.4**

Notes to the Consolidated Financial Statements Continued >

26 FINANCIAL INSTRUMENTS (Continued)

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, where applicable.

	Trade and Other Payables £m	Overdrafts £m	Bank Loans £m	Leases Liabilities £m	Provisions £m	Derivative Financial Instruments £m	Total £m
As at 31 December 2020							
Due within one year	48.1	1.2	–	7.2	2.0	0.1	58.6
Due within one to two years	–	–	–	6.2	0.6	1.2	8.0
Due within two to five years	–	–	–	14.8	0.3	0.8	15.9
Due after more than five years	–	–	–	26.0	0.4	–	26.4
	48.1	**1.2**	**–**	**54.2**	**3.3**	**2.1**	**108.9**
As at 31 December 2019							
Due within one year	57.3	11.2	–	7.2	1.3	–	77.0
Due within one to two years	–	–	–	6.3	1.1	0.3	7.7
Due within two to five years	–	–	85.0	14.3	0.3	0.2	99.8
Due after more than five years	–	–	–	26.4	0.4	–	26.8
	57.3	**11.2**	**85.0**	**54.2**	**3.1**	**0.5**	**211.3**

	Fixed Rate Financial Liabilities £m	Floating Rate Financial Liabilities £m	Financial Liabilities on which no Interest is paid £m	Total £m
Interest rate risk profile				
As at 31 December 2020				
Sterling	54.2	1.2	53.5	108.9
As at 31 December 2019				
Sterling	99.2	51.2	60.9	211.3

Fixed rate financial liabilities

At 31 December 2020 the Group's fixed rate financial liabilities related to lease liabilities (2019: Bank borrowings subject to interest rate swaps and lease liabilities).

For lease liabilities, the weighted average interest rate incurred is 4.4% (2019: 4.1%) and the weighted average period remaining is 138 months (2019: 140 months).

Interest rate swaps

The Group enters into interest rate swaps (hedging instrument) to economically hedge the Group's borrowings (hedged item). The fair values of the hedging instrument and the hedged item move in the opposite direction because of the interest rate risk. Therefore, there is an economic relationship between the hedged item and the hedging instrument. The Group does not hedge 100% of its loans, therefore the hedged item is identified as a proportion of the outstanding loans up to the notional amount of the swaps.

Hedge ineffectiveness for interest rate swaps may occur due to differences in critical terms between the interest rate swaps and loans, due to changes in fair value affecting the hedging instrument, such as credit risk, which is not replicated on the hedged item or due to the effects of the forthcoming reforms to GBP LIBOR, because these might take effect at a different time and have a different impact on the hedged item and the hedging instrument. There was no ineffectiveness recognised within the Consolidated Income Statement during 2020 or 2019 in relation to the interest rate swaps. The quantity of the hedging instrument and the hedged item are the same when applying hedge accounting and are the same as that used for risk management purposes at a ratio of 1:1.

26 FINANCIAL INSTRUMENTS (Continued)

Following the equity placing in June 2020 which raised £82.7 million, the Group repaid its loans outstanding at that date. Hedge accounting was therefore discontinued at this date as the Group no longer had any loans for the Group's interest rate swaps to economically hedge. Accordingly, the Mark to Market value of £0.6 million, as at 30 June 2020, was transferred from equity and recognised as an expense within finance costs. From July 2020, the loss in fair value on interest rate swaps of £0.1 million was recognised directly within finance costs in the Consolidated Income Statement. The Group's borrowings remain at £nil as at 31 December 2020 hence hedge accounting remains not applicable and no amounts remain in the hedging reserve within equity. Of the total £0.7 million charge to the Consolidated Income Statement in 2020 in relation to interest rate swaps, £0.6 million would have been charged in future periods had hedge accounting been applicable.

At 31 December 2020, the Group had in place the following interest rate swaps which had the effect of replacing LIBOR with fixed rates as follows:

- for £15.0 million of borrowings, LIBOR is replaced with 1.070% from 30 January 2019 to 29 January 2021: and
- for £15.0 million of borrowings, LIBOR is replaced with 1.144% from 30 January 2019 to 29 January 2022: and
- for £15.0 million of borrowings, LIBOR is replaced with 0.805% from 8 January 2020 to 9 January 2023.

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 0 months (2019: 34 months).

The variation in the interest rate of floating rate financial liabilities (with all other variables held constant) required to increase or decrease post-tax profit for the year by £0.1 million is 1,007 basis points (2019: 24 basis points).

Fair values of financial liabilities

Bank loans are drawn down and interest set for no more than a six month period (2019: 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 dependent 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.

Commodity swaps

The Group enters into commodity swaps (hedging instrument) to economically hedge the Group's exposure to changes in diesel prices (hedged item). The fair values of the hedging instrument and the hedged item move in the opposite direction because of the price risk. Therefore, there is an economic relationship between the hedged item and the hedging instrument.

In prior years, the annual diesel usage of the Group in litres has been 100% hedged by the commodity swaps in place for that year. However, the Group recognised a partial discontinuation of hedge accounting in 2020 to reflect the expected reduction in diesel purchased following the announcements of various lockdowns and restrictions imposed across the UK in response to the COVID-19 pandemic. At March 2020, the Group recognised a partial discontinuation of hedge accounting of £0.6 million within distribution costs to reflect the lower diesel usage expected to be used for the remainder of 2020. Without a partial discontinuance of hedge accounting, this £0.6 million would have been recognised in the Consolidated Income Statement between April and December 2020. At 31 December 2020, there was a further partial discontinuation of hedge accounting of £0.3 million within distribution costs relating to diesel purchases no longer expected to occur in 2021 and 2022 for which the Group currently has hedging arrangements in place. This additional £0.3 million would not be recognised in the Consolidated Income Statement until 2021 and 2022 had there been no discontinuance of hedge accounting. The remaining diesel hedged is based on management forecasts of future diesel purchases and would meet the 'highly probable' assessment for hedge accounting.

Hedge ineffectiveness for price risk may occur due to differences in critical terms between the commodity swaps and diesel purchases such as payment date or due to changes in fair value affecting the hedging instrument, such as credit risk, which is not replicated on the hedged item. Ineffectiveness may also occur where diesel purchases were forecast but do not occur. There was no ineffectiveness recognised within the Consolidated Income Statement during 2020 or 2019 in relation to the commodity swaps. The quantity of the hedging instrument and the hedged item are the same when applying hedge accounting and are the same as that used for risk management purposes at a ratio of 1:1.

As at the balance sheet date, the Group has the following commodity swaps in place:

- 9.9 million litres of diesel at a weighted average price of 37.81 pence per litre for the period 1 January 2021 to 31 December 2021
- 6.0 million litres of diesel at a weighted average price of 36.30 pence per litre for the period 1 January 2022 to 31 December 2022

Notes to the Consolidated Financial Statements Continued >

26 FINANCIAL INSTRUMENTS (Continued)

For the proportion of our commodity swaps where hedge accounting is still applicable and thus any gains and losses on these swap contracts continue to be recognised in the hedging reserve as of 31 December 2020, these gains and losses will be continuously released to the Consolidated Income Statement within distribution costs until the end of the hedged period.

The movement in the Group's hedging reserve as disclosed in the Consolidated Statement of Changes in Shareholders' Equity relate to the interest rate and commodity swaps above:

	Interest rate swaps £m	Commodity swaps £m	Total £m
At 31 December 2018	0.1	0.5	0.6
Loss/(gain) in fair value of swaps recognised in OCI	0.3	(0.2)	0.1
Reclassified from OCI to profit or loss	(0.2)	(0.1)	(0.3)
Deferred tax	–	0.1	0.1
At 31 December 2019	**0.2**	**0.3**	**0.5**
Loss in fair value of swaps recognised in OCI	0.4	2.7	3.1
Reclassified from OCI to profit or loss	(0.6)	(1.8)	(2.4)
Deferred tax	–	(0.2)	(0.2)
At 31 December 2020	**–**	**1.0**	**1.0**

For both the years ended 31 December 2020 and 31 December 2019 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 2020 £m	Fair Value 2019 £m
Derivative financial instruments held:		
Current liabilities		
– Interest rate products – held for trading	(0.1)	–
Non-Current liabilities		
– Interest rate products – cash flow hedges	–	(0.2)
– Interest rate products – held for trading	(0.5)	–
– Commodity products – cash flow hedges	(1.2)	(0.3)
– Commodity products – held for trading	(0.3)	–

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classed as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period. Where available, market rates have been used to determine fair value.

The movement in the Group's derivative financial liabilities during the year is as follows:

	Interest rate swaps £m	Commodity swaps £m	Total £m
At 31 December 2018	(0.1)	(0.6)	(0.7)
(Loss)/gain in fair value of swaps recognised in OCI	(0.3)	0.2	(0.1)
Cash payments	0.2	0.1	0.3
At 31 December 2019	**(0.2)**	**(0.3)**	**(0.5)**
Loss in fair value of swaps recognised in OCI	(0.4)	(2.7)	(3.1)
Loss in fair value of swaps not qualifying as hedges recognised in profit or loss	(0.1)	(0.1)	(0.2)
Cash payments	0.1	1.6	1.7
At 31 December 2020	**(0.6)**	**(1.5)**	**(2.1)**

Fair value losses on interest rate swaps and commodity swaps not qualifying as hedges are recognised directly in profit or loss and are included within finance costs and distribution costs respectively within the Consolidated Income Statement.

26 FINANCIAL INSTRUMENTS (Continued)

Cash flows from operating activities includes a £0.3 million add back relating to commodity swaps not qualifying as hedges representing the partial discontinuation of hedge accounting of £0.3 million at 31 December 2020 for diesel purchases no longer expected to occur in 2021 and 2022 for which the Group currently has hedging arrangements in place. A £0.6 million add back relating to interest rate swaps not qualifying as hedges representing the valuation of the interest rate swaps outstanding at 31 December 2020 is recognised within total finance cost within cash flows from operating activities.

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

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 using a mark to market valuation 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 Group.

Capital risk management

The Group's key objectives when managing its capital structure is 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 interest cover and gearing ratios. The Group therefore manages capital which includes cash and cash equivalents, bank borrowings and lease liabilities.

We have previously managed our net debt (excluding IFRS 16 liabilities) at a ratio of less than two times an alternative measure of adjusted EBITDA (EBIT plus property, plant and equipment depreciation and capitalised software amortisation) compared to a bank covenant threshold of less than three times.

As previously mentioned, gearing, for bank purposes will, from March 2022, be calculated as adjusted EBITDA compared to total debt, including IFRS 16 liabilities, and the agreed covenant is for the ratio to be not more than 3 times. The Group's medium- to long-term intention is to return the capital structure such that we operate between 1 and 2 times on this basis, other than for short term specific exceptions. Under this framework, our capital allocation policy remains unchanged and will take into account the following criteria as part of a periodic review of capital structure:

- maintaining a strong balance sheet;
- continuing capital investment to increase processing capacity and efficiency;
- appropriate accretive acquisitions;
- operating a progressive dividend policy; and
- distributing any surplus cash to Shareholders.

Capital management by the Group also aims to maintain a progressive dividend cover of 3.0x. The Board considers this provides an appropriate return to Shareholders but also enables the Group to invest in the business, such as through strategic acquisitions, purchasing energy efficient equipment and improving production efficiencies.

Notes to the Consolidated Financial Statements Continued >

27 CONTINGENT ASSETS

During the year the Group made claims against its insurance policy in relation to a fire and a flood at two Workwear processing plants. £4.4 million of claims have been recognised within the Consolidated Income Statement during the year. £2.5 million of this income has been recognised in exceptional items as it relates to capital items and £1.9 million is included within adjusted operating profit offsetting against an equal value of associated business interruption costs.

Work is ongoing with the insurers such that the claims will likely be finalised in 2021. The insurance proceeds relating to capital items expected to be received during 2021 are between £7.0 million and £8.0 million. Further proceeds are likely to be received in relation to business interruption costs in line with expenditure as it is incurred.

28 CONTINGENT LIABILITIES

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

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

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

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

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

29 SHARE CAPITAL

Issued and Fully Paid	Shares	2020 £m	Shares	2019 £m
Ordinary shares of 10p each:				
– At start of year	369,760,824	37.0	367,574,210	36.8
– New shares issued	74,450,276	7.4	2,186,614	0.2
At end of year	**444,211,100**	**44.4**	**369,760,824**	**37.0**

Issue of Ordinary shares of 10p each

An analysis of the new shares issued in each year is shown below:

Issued and Fully Paid		Shares	2020 £	Shares	2019 £
Ordinary shares of 10p each:					
– Approved LTIP	Note a	–	–	150,000	15,000
– EBT	Note b	300,000	30,000	1,655,000	165,000
– SAYE	Note c	235,088	23,509	381,614	38,161
– Placing	Note d	73,915,188	7,391,519	–	–
New shares issued		**74,450,276**	**7,445,028**	**2,186,614**	**218,161**

Note a: Nil (2019: 150,000) Ordinary shares were allotted in relation to employee share option exercises. The total nominal value received was £nil (2019: £15,000).

Note b: 300,000 (2019: 1,655,000) 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 £30,000 (2019: £165,000). At the time of allotment, the EBT already held 12,468 (2019: 16,256) Ordinary shares of 10 pence each which, together with the 300,000 (2019: 1,655,000) newly allotted Ordinary shares of 10 pence each, were used to satisfy the exercise of 304,080 (2019: 1,654,934) LTIP options. In addition, the EBT sold no further shares (2019: 3,854 shares and retained the net proceeds).

Note c: 235,088 (2019: 381,614) SAYE Scheme options were exercised with a total nominal value of £23,509 (2019: £38,161).

29 SHARE CAPITAL (Continued)

Note d: During the year ended 31 December 2020, the Company placed 73.9 million Ordinary shares (the '2020 Placing') with existing and new institutional investors raising net proceeds of £82.7 million (gross proceeds of £85.0 million less costs of £2.3 million) of which £7.4 million was credited to share capital. The 2020 Placing shares represented approximately 19.99 per cent. of the Company's existing share capital. The 2020 Placing price of 115 pence per share was equal to a discount of 7 per cent. to the 10-day average closing mid-market price of 123.6 pence per share, and 2 per cent. to the 10-day volume weighted average price of 117.5 pence per ordinary share both ending on 28 May 2020, being the last practicable day prior to the publication of the announcement. Whilst the Directors were cognisant to the effect of any non-pre-emptive issuance on retail shareholders, due to the size of the transaction, and the short timeframe required to secure additional liquidity as part of the Company's response to the extreme circumstances of the COVID-19 pandemic, the 2020 Placing was undertaken on a non-pre-emptive basis using a cash box structure. The Company was, therefore, able to rely on Section 612 of the Companies Act 2006, which provides relief from the requirements under Section 610 of the Companies Act 2006 to create a share premium account. As such, no share premium was recorded in relation to the 2020 Placing shares and, instead, the net proceeds in excess of the nominal value of the 2020 Placing shares was credited to retained earnings. Such retained earnings are considered to be distributable for the purposes of the Companies Act 2006.

For the avoidance of doubt, existing share awards were not normalised to negate the dilutive effect of the 2020 Placing.

The total proceeds received on allotment in respect of all of the above transactions were £82.9 million (2019: £0.6 million) and were credited as follows:

	2020 £m	2019 £m
Share capital	7.4	0.2
Share premium	0.2	0.4
Retained earnings	75.3	–
	82.9	**0.6**

Potential issues of Ordinary shares of 10p 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 '2009 LTIP'), the 2018 Long-Term Incentive Plan (the '2018 LTIP') and the 2018 Long-Term Incentive Plan sub-plan ('2018 Approved LTIP') (together referred to as 'Executive Schemes') at prices ranging from nil to 197.0 pence.

Certain Group employees also hold options in respect of potential issues of Ordinary shares of 10p each granted pursuant to the Johnson Service Group Sharesave Plan (hereinafter referred to as the 'SAYE Scheme') at prices ranging from 82.75 pence to 155.75 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 31 December 2020, 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
2009 LTIP	27 March 2017	654,364	Note e	Nil
2018 LTIP	5 March 2019	894,319	Note e	Nil
2018 Approved LTIP	3 March 2020	106,596	Note e	197.0
2018 LTIP	3 March 2020	782,163	Note e	Nil
		2,437,442		
SAYE Scheme	1 October 2015	273,549	1 December 2020	82.75p
SAYE Scheme	4 October 2017	696,915	1 December 2020	125.75p
SAYE Scheme	4 October 2017	259,670	1 December 2022	125.75p
SAYE Scheme	3 October 2019	770,065	1 December 2022	155.75p
SAYE Scheme	3 October 2019	215,203	1 December 2024	155.75p
		2,215,402		
		4,652,844		

Note e: 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 Directors Remuneration Report.

The weighted average remaining contractual life of options outstanding at the end of the year is 1.10 years (2019: 1.65 years).

Notes to the Consolidated Financial Statements Continued >

30 SHARE BASED PAYMENTS

Executive Schemes

The 2009 Long-Term Incentive Plan (the '2009 LTIP') provides for an exercise price of nil. 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.

The 2018 Long-Term Incentive Plan (the '2018 LTIP') provides for an exercise price of nil. The 2018 Long-Term Incentive Plan also contains a sub-plan which permits the grant of options ('2018 Approved LTIP') for an exercise price equal to the quoted closing mid-market price of the Company shares on the business day immediately preceding the date of grant. The vesting period is generally three years and will be subject to a further holding period at the discretion of the Remuneration Committee. 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

During the year the Group recognised total expenses of £0.3 million (2019: £1.0 million) including an associated social security credit of £0.1 million (2019: £0.2 million charge) in relation to equity-settled share based payment transactions.

The average share price of Johnson Service Group PLC during the year was 130.0 pence (2019: 158.0 pence).

The aggregate gain made by Directors on the exercise of share options during the year was £nil (2019: £1.1 million). Further details are disclosed within the Directors Remuneration Report on pages 79 to 103.

Movements in the current and prior year in respect of all share schemes are summarised below:

	Number of Options	2020 Weighted Average Exercise Price (p)	Number of Options	2019 Weighted Average Exercise Price (p)
Executive schemes				
Outstanding at beginning of the year	2,758,951	–	4,235,685	3p
Granted during the year	888,759	24p	979,402	–
Exercised during the year	(304,080)	–	(1,804,934)	7p
Lapsed during the year	(906,188)	–	(651,202)	–
Outstanding at the end of the year	2,437,442	9p	2,758,951	–
Exercisable at the end of the year	654,364	–	–	–
SAYE schemes				
Outstanding at beginning of the year	2,667,460	130p	2,185,966	106p
Granted during the year	–	–	1,062,568	156p
Exercised during the year	(235,088)	96p	(381,614)	68p
Lapsed during the year	(216,970)	133p	(199,460)	120p
Outstanding at the end of the year	2,215,402	134p	2,667,460	130p
Exercisable at the end of the year	970,464	114p	–	–

For options outstanding at 31 December 2020, the exercise date and the exercise price are disclosed within note 29.

30 SHARE BASED PAYMENTS (Continued)

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 2020	Options Granted During 2019
Weighted average share price at date of grant (pence)	197	151
Weighted average exercise price (pence)	24	81
Weighted average fair value (pence)	151	61
Expected volatility (%)	25.6	24.5
Expected life (years)	3.0	3.3
Risk free interest rate (%)	0.2	0.5
Expected dividend yield (%)	2.0	2.1

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.

31 SHARE PREMIUM

	2020 £m	2019 £m
Balance brought forward	16.1	15.7
Received on allotment of shares	0.2	0.4
Balance carried forward	**16.3**	**16.1**

32 OWN SHARES

	2020 £m	2019 £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.

The number of shares and the market value at the balance sheet date are as follows:

	2020	2019
Number of shares held	8,388	12,468
Market value £m	–	–

33 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' EQUITY

	2020 £m	2019 £m
(Loss)/profit for the year	(27.1)	30.9
Dividends	–	(12.0)
	(27.1)	**18.9**
Other recognised gains and losses relating to the year:		
Issue of share capital	82.9	0.6
Share options (value of employee services)	0.4	0.8
Purchase of own shares by EBT	–	(0.2)
Re-measurement and experience losses (net of taxation)	(7.5)	(3.8)
Current tax on share options	–	0.3
Deferred tax on share options	(0.2)	0.2
Cash flow hedges movement	(0.5)	0.1
Net addition to Shareholders' equity	**48.0**	**16.9**
Opening Shareholders' equity	207.5	190.4
Change in accounting standard	–	0.2
Closing Shareholders' equity	**255.5**	**207.5**

Notes to the Consolidated Financial Statements Continued >

34 BUSINESS COMBINATIONS

There have been no business combinations during the year ending 31 December 2020.

In 2019, the Group acquired the entire share capital of Fresh Linen Holdings Limited, together with its trading subsidiary Fresh Linen Limited and a further dormant company Pure Laundry Limited ("Fresh Linen"). Full details are provided in the 2019 Annual Report and Accounts.

During 2020, the initial fair value of the trade and other payables acquired as part of the Fresh Linen acquisition was increased by £0.4 million, with a corresponding increase in goodwill.

Cash flows from business acquisition activity

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

	2020 £m	2019 £m
Net consideration payable	–	(9.3)
Deferred consideration	(0.9)	1.1
Overdraft acquired	–	(0.3)
	(0.9)	**(8.5)**

In respect of deferred consideration

- the 2020 figure of £0.9 million reflects the payment of the PLS contingent consideration of £0.2 million recognised in 2017 along with the payment of £0.7 million for deferred consideration recognised in the prior year for Fresh Linen;
- the 2019 figure of £1.1 million reflects the recognition of deferred consideration of £1.4 million for the Fresh Linen acquisition along with the payment of £0.3 million deferred consideration relating to the acquisition of Ashbon in 2015.

35 DISCONTINUED OPERATIONS

There has been £nil (2019: £0.3 million) cash outflow in respect of the ongoing utilisation of a provision relating to discontinued property liabilities and payments in respect of the contingent consideration relating to the Nickleby acquisition in 2012.

Cash Flows

The cash flows from discontinued operations included within the Consolidated Statement of Cash Flows are as follows:

	2020 £m	2019 £m
Net cash used in operating activities	–	(0.4)
Net cash flow	**–**	**(0.4)**

36 ANALYSIS OF NET DEBT

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

December 2020	At 31 December 2019 £m	Cash Flow £m	Non-cash Changes £m	At 31 December 2020 £m
Debt due within one year	0.3	0.1	(0.2)	0.2
Debt due after more than one year	(84.7)	85.1	(0.2)	0.2
Lease liabilities (See note 22)	(40.4)	6.1	(6.3)	(40.6)
Total debt and lease financing	(124.8)	91.3	(6.7)	(40.2)
Cash and cash equivalents	(2.9)	9.5	–	6.6
Net debt	**(127.7)**	**100.8**	**(6.7)**	**(33.6)**

36 ANALYSIS OF NET DEBT (Continued)

December 2019	At 31 December 2018 £m	Adoption of IFRS 16 £m	At 1 January 2019 £m	Cash Flow £m	Non-cash Changes £m	At 31 December 2019 £m
Debt due within one year	0.3	–	0.3	1.1	(1.1)	0.3
Debt due after more than one year	(86.6)	–	(86.6)	2.2	(0.3)	(84.7)
Finance leases	(7.4)	7.4	–	–	–	–
Lease liabilities (See note 22)	–	(44.6)	(44.6)	13.2	(9.0)	(40.4)
Total debt and lease financing	(93.7)	(37.2)	(130.9)	16.5	(10.4)	(124.8)
Cash and cash equivalents	(4.7)	–	(4.7)	1.8	–	(2.9)
Net debt	**(98.4)**	**(37.2)**	**(135.6)**	**18.3**	**(10.4)**	**(127.7)**

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

	2020 £m	2019 £m
Cash (Current assets)	7.8	8.3
Overdraft (Borrowings, Current liabilities)	(1.2)	(11.2)
	6.6	**(2.9)**

Lease liabilities are comprised of the following balance sheet amounts:

	2020 £m	2019 £m
Amounts due within one year (Lease liabilities, Current liabilities)	(5.5)	(5.6)
Amounts due after more than one year (Lease liabilities, Non-current liabilities)	(35.1)	(34.8)
	(40.6)	**(40.4)**

37 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2020 £m	2019 £m
Increase in cash in the year	9.5	1.8
Decrease in debt and lease financing	91.3	16.5
Change in net debt resulting from cash flows	100.8	18.3
Debt acquired through business acquisition	–	(2.4)
Leases previously recognised as operating leases under IAS 17	–	(37.2)
Lease liabilities recognised during the year	(6.3)	(7.7)
Non-cash movement in unamortised bank facility fees	(0.4)	(0.3)
Movement in net debt	94.1	(29.3)
Opening net debt	(127.7)	(98.4)
Closing net debt	**(33.6)**	**(127.7)**

38 FINANCIAL COMMITMENTS

Capital expenditure

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

	2020 £m	2019 £m
Capitalised software	0.1	0.8
Property, plant and equipment	10.3	10.3

39 EVENTS AFTER THE REPORTING PERIOD

There were no events occurring after the balance sheet date that require disclosing in accordance with IAS 10, 'Events after the reporting period'.

4. COMPANY FINANCIAL STATEMENTS

Company Statement of Comprehensive Income

	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
(Loss)/profit for the year	**(3.3)**	**11.8**
Items that will not be subsequently reclassified to profit or loss		
Re-measurement and experience losses on post-employment obligations	(9.4)	(4.5)
Taxation in respect of re-measurement and experience losses	1.7	0.7
Change in deferred tax due to change in tax rate	0.2	–
Items that may be subsequently reclassified to profit or loss		
Cash flow hedges (net of taxation) – fair value losses	(2.9)	(0.2)
– transfers to administrative expenses	1.8	0.1
– transfers to finance cost	0.6	0.2
Other comprehensive loss for the year	**(8.0)**	**(3.7)**
Total comprehensive (loss)/income for the year	**(11.3)**	**8.1**

Company Statement of Changes in Shareholders' Equity

	Share Capital £m	Share Premium £m	Merger Reserve £m	Capital Redemption Reserve £m	Hedge Reserve £m	Retained Earnings £m	Total Equity £m
Balance at 1 January 2019	**36.8**	**15.7**	**3.5**	**0.6**	**(0.6)**	**89.3**	**145.3**
Profit for the year	–	–	–	–	–	11.8	11.8
Other comprehensive income/(loss)	–	–	–	–	0.1	(3.8)	(3.7)
Total comprehensive income for the year	–	–	–	–	0.1	8.0	8.1
Share options (value of employee services)	–	–	–	–	–	0.8	0.8
Purchase of own shares by EBT	–	–	–	–	–	(0.2)	(0.2)
Current tax on share options	–	–	–	–	–	0.3	0.3
Deferred tax on share options	–	–	–	–	–	0.2	0.2
Issue of share capital	0.2	0.4	–	–	–	–	0.6
Dividends paid	–	–	–	–	–	(12.0)	(12.0)
Transactions with Shareholders recognised directly in Shareholders' Equity	0.2	0.4	–	–	–	(10.9)	(10.3)
Balance at 31 December 2019	**37.0**	**16.1**	**3.5**	**0.6**	**(0.5)**	**86.4**	**143.1**
Balance at 1 January 2020	**37.0**	**16.1**	**3.5**	**0.6**	**(0.5)**	**86.4**	**143.1**
Loss for the year	–	–	–	–	–	(3.3)	(3.3)
Other comprehensive loss	–	–	–	–	(0.5)	(7.5)	(8.0)
Total comprehensive loss for the year	–	–	–	–	(0.5)	(10.8)	(11.3)
Share options (value of employee services)	–	–	–	–	–	0.4	0.4
Deferred tax on share options	–	–	–	–	–	(0.2)	(0.2)
Issue of share capital	7.4	0.2	–	–	–	75.3	82.9
Transactions with Shareholders recognised directly in Shareholders' Equity	7.4	0.2	–	–	–	75.5	83.1
Balance at 31 December 2020	**44.4**	**16.3**	**3.5**	**0.6**	**(1.0)**	**151.1**	**214.9**

Company Balance Sheet

	Note	As at 31 December 2020 £m	As at 31 December 2019 £m
Assets			
Non-current assets			
Right of use assets	5	–	0.1
Trade and other receivables	8	171.4	157.4
Deferred income tax assets	6	4.0	2.2
Investments	7	565.7	568.4
		741.1	**728.1**
Current assets			
Trade and other receivables	8	0.9	0.5
Current income tax assets		–	4.9
Cash and cash equivalents		5.0	–
		5.9	**5.4**
Liabilities			
Current liabilities			
Trade and other payables	9	5.2	6.6
Current income tax liabilities		0.5	–
Borrowings	10	0.2	10.9
Lease liabilities	11	–	0.1
Derivative financial liabilities	14	0.1	–
Provisions	15	0.5	0.4
		6.5	**18.0**
Non-current liabilities			
Post-employment benefit obligations	12	14.9	7.3
Trade and other payables	13	508.1	479.2
Borrowings	10	–	84.7
Derivative financial liabilities	14	2.0	0.5
Provisions	15	0.6	0.7
		525.6	**572.4**
Net assets		**214.9**	**143.1**
Equity			
Capital and reserves attributable to the company's shareholders			
Share capital	17	44.4	37.0
Share premium	18	16.3	16.1
Merger reserve		3.5	3.5
Capital redemption reserve		0.6	0.6
Hedge reserve		(1.0)	(0.5)
Retained earnings		151.1	86.4
Total Shareholders' equity		**214.9**	**143.1**

The Company recognised a loss during the year of £3.3 million (2019: Profit of £11.8 million).

The financial statements on pages 166 to 177 were approved by the Board of Directors on 19 March 2021 and signed on its behalf by:

Yvonne Monaghan
Chief Financial Officer

Company Statement of Cash Flows

	Note	Year ended 31 December 2020 £m	Year ended 31 December 2019 £m
Cash flows from operating activities			
(Loss)/profit for the year		(3.3)	11.8
Adjustments for:			
Income tax credit		(0.3)	(0.4)
Total finance income		(2.2)	(2.3)
Depreciation	5	0.1	0.1
Dividend income		(0.5)	(13.6)
(Increase)/decrease in trade and other receivables		(0.3)	0.5
Decrease in trade and other payables		(0.4)	(1.1)
Increase in amounts due from subsidiary companies		(0.5)	(3.5)
Investment impairment	7	2.9	–
Deficit recovery payments in respect of post-employment benefit obligations		(1.9)	(1.9)
Share-based payments		0.2	0.7
Commodity swaps not qualifying as hedges		0.3	–
Cash used in operations		(5.9)	(9.7)
Interest paid		(3.1)	(4.1)
Taxation paid		(3.2)	(9.3)
Net cash used in operating activities		**(12.2)**	**(23.1)**
Cash flows from investing activities			
Acquisition of investment in subsidiary		(0.9)	(8.2)
Dividends received	23	0.5	13.6
Interest received	23	6.3	6.9
Loans advanced to subsidiary companies		(18.7)	(2.0)
Net cash (used in)/generated from investing activities		**(12.8)**	**10.3**
Cash flows from financing activities			
Loans received from subsidiary companies		43.0	27.1
Proceeds from borrowings		58.0	88.0
Repayments of borrowings		(143.0)	(90.0)
Capital element of leases		(0.1)	(0.1)
Purchase of own shares by EBT		–	(0.2)
Net proceeds from issue of Ordinary shares		82.9	0.6
Dividend paid		–	(12.0)
Net cash generated from financing activities		**40.8**	**13.4**
Net increase in cash and cash equivalents		15.8	0.6
Cash and cash equivalents at beginning of year		(11.2)	(11.8)
Cash and cash equivalents at end of year	20	**4.6**	**(11.2)**

Cash and cash equivalents at the end of the year include cash of £5.0 million and an overdraft of £0.4 million (2019: £nil and £11.2 million 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 19 March 2021.

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 117 to 130 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 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.

JUDGMENTS MADE IN APPLYING ACCOUNTING POLICIES

In the course of preparing these financial statements, certain judgments are made by the Company in the process of applying the Company's accounting policies. There are no significant judgments made in the Company Financial Statements.

SOURCES OF ESTIMATION AND UNCERTAINTY

The Company makes estimates and assumptions concerning the future. Whilst such estimates and assumptions are believed to be reasonable under the circumstances, the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that are considered to 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:

(a) Post-employment benefit obligations

The Company operates two post retirement defined benefit arrangements (see note 25 of the Consolidated Financial Statements). Asset valuations are based on the fair value of scheme 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, flexible retirement options 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. Any of these differences could impact the assets or liabilities recognised in the Balance Sheet in future periods.

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 Parent Company is not presented with these financial statements. Details of dividends paid are included in note 10 of the Consolidated Financial Statements. Details of Auditor's remuneration are shown in note 3 of the Consolidated Financial Statements.

2 DIRECTORS' EMOLUMENTS

Detailed disclosures that form part of these financial statements are given in the Directors Remuneration Report on pages 79 to 103.

3 EMPLOYEE BENEFIT EXPENSE

	2020 £m	2019 £m
Wages and salaries	1.9	2.5
Social security costs	0.2	0.3
Cost of employee share schemes	0.1	0.9
Pension costs – defined contribution plans	0.1	0.1
Total	**2.3**	**3.8**

The monthly average number of persons employed for the Company during the year was 17 (2019: 17).

4 PROPERTY, PLANT AND EQUIPMENT

	Plant And Equipment £m
Cost	
At 31 December 2018, 2019 & 2020	0.3
Accumulated depreciation and impairment	
At 31 December 2018, 2019 & 2020	0.3
Carrying Amount	
At 31 December 2018, 2019 & 2020	–

There were £nil assets under construction at 31 December 2020 (2019: £nil).

5 RIGHT OF USE ASSETS

	Properties £m
Cost	
Right of use assets recognised at 1 January 2019	0.2
At 31 December 2019 and 31 December 2020	0.2
Accumulated depreciation and impairment	
At 1 January 2019	–
Charged during the year	0.1
At 31 December 2019	0.1
Charged during the year	0.1
At 31 December 2020	0.2
Carrying amount	
At 1 January 2019	0.2
At 31 December 2019	0.1
At 31 December 2020	–

6 DEFERRED INCOME TAX ASSETS

Deferred income tax assets attributable to the Company are as follows:

	2020 £m	2019 £m
Deferred income tax balances in respect of:		
Depreciation in excess of capital allowances	0.1	0.1
Post-employment benefit obligations	2.8	1.2
Derivative financial instruments	0.2	0.1
Employee share schemes	0.3	0.5
Trading losses	0.3	–
Other short term timing differences	0.3	0.3
	4.0	**2.2**

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	Trading Losses £m	Other Short Term Timing Differences £m	Total £m
At 31 December 2018	**0.1**	**0.8**	**0.1**	**0.4**	**–**	**0.3**	**1.7**
Charge to income	–	(0.3)	–	(0.1)	–	–	(0.4)
Credit to Shareholders' equity	–	–	–	0.2	–	–	0.2
Credit to other comprehensive income	–	0.7	–	–	–	–	0.7
At 31 December 2019	**0.1**	**1.2**	**0.1**	**0.5**	**–**	**0.3**	**2.2**
(Charge)/credit to income	–	(0.4)	–	–	0.3	–	(0.1)
Charge to Shareholders' equity	–	–	–	(0.2)	–	–	(0.2)
Credit to other comprehensive income	–	2.0	0.1	–	–	–	2.1
At 31 December 2020	**0.1**	**2.8**	**0.2**	**0.3**	**0.3**	**0.3**	**4.0**

Deferred income taxes at the balance sheet date have been measured at a tax rate of 19.0% as at 31 December 2020 (2019: 17.0%). The impact of the change in tax rates to 19.0% has been a £0.1 million credit (2019: £nil) to income and £0.2 million credit (2019: £nil) within other comprehensive income.

The Company has estimated that £0.6 million of the Company's deferred income tax asset will be realised in the next 12 months. This is management's current best estimate and may not reflect the actual outcome in the next 12 months.

Notes to the Company Financial Statements Continued >

7 INVESTMENTS

	2020 £m	2019 £m
Investment in subsidiary undertakings		
Cost		
Brought forward	576.1	566.6
Additions	–	9.3
Movement relating to share options	0.2	0.2
Carried forward	**576.3**	**576.1**
Accumulated impairment		
Brought forward	7.7	7.7
Impairment	2.9	–
Carried forward	**10.6**	**7.7**
Carrying amount		
Opening	568.4	558.9
Closing	**565.7**	**568.4**

Particulars of subsidiary undertakings are shown in note 25.

During the year, the investments in Fresh Linen Holdings Limited (£1.7 million), South West Laundry Holdings Limited (£0.8 million), Ashbon Services Limited (£0.2 million) and StarCounty Textile Services Limited (£0.2 million) have been impaired as net assets were below the current investment carrying amount.

During the prior year the Company acquired Fresh Linen Holdings Limited, together with its trading subsidiary Fresh Linen Limited and a dormant company Pure Laundry Limited for a cost of £9.3 million. Details of these acquisitions are shown in note 34 of the Consolidated Financial Statements.

The Directors deem the investments to be recoverable due to the future forecasts of the Group.

8 TRADE AND OTHER RECEIVABLES

	2020 £m	2019 £m
Amounts falling due within one year:		
Receivables from subsidiaries	0.5	0.4
Prepayments and other receivables	0.4	0.1
	0.9	**0.5**
Amounts falling due after more than one year:		
Receivables from subsidiaries	171.2	157.4
Other receivables	0.2	–
	171.4	**157.4**

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 and the Company has no present intention of demanding repayment in less than 12 months and therefore the amounts have been presented as non-current assets. The Directors have considered the difference between the book value and fair value of the amounts receivable to subsidiaries. Taking into account the one year risk free rate of return of -0.15% (2019: 0.57%), as at the balance sheet date, the fair value of amounts receivable from subsidiaries would be £171.5 million (2019: £156.5 million). Balances are interest bearing with interest charged based on one month GBP LIBOR plus a 3.75% margin.

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 (2019: 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.

9 TRADE AND OTHER PAYABLES (CURRENT)

	2020 £m	2019 £m
Trade payables	0.1	0.4
Other payables	2.3	2.1
Other taxation and social security liabilities	0.5	0.6
Deferred consideration	0.8	1.7
Accruals	1.5	1.8
	5.2	**6.6**

All trade and other payable balances at the balance sheet date are denominated in Sterling (2019: Sterling), and are held at amortised cost. Given their short term nature there is no difference between this and their fair value.

10 BORROWINGS

	2020 £m	2019 £m
Current		
Overdraft	0.4	11.2
Bank loans	(0.2)	(0.3)
	0.2	**10.9**
Non-current		
Bank loans	(0.2)	84.7
Total Borrowings	**–**	**95.6**
The maturity of non-current bank loans is as follows:		
– Between two and five years	–	85.0
– Unamortised issue costs of bank loans	(0.2)	(0.3)
	(0.2)	**84.7**

All Group bank loans are held by the Company. Full details of Group facilities are provided in note 21 of the Consolidated Financial Statements.

The secured bank loans are stated net of unamortised issue costs of £0.4 million (2019: £0.6 million) of which £0.2 million is included within current borrowings (2019: £0.3 million) and £0.2 million is included within non-current trade and other receivables (2019: £0.3 million within non-current borrowings) as there are no borrowings at the end of the year for the fees to be offset against.

The Group has two overdraft facilities for £5.0 million and £3.0 million with two of its principal bankers (2019: £5.0 million and £3.0 million). 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, with each bank, is £10.0 million and £5.0 million respectively (2019: £10.0 million and £5.0 million).

11 LEASE LIABILITIES

	Properties £m
At 1 January 2019	0.2
Lease liability payments (including finance costs)	(0.1)
At 31 December 2019	0.1
Lease liability payments (including finance costs)	(0.1)
At 31 December 2020	–

Lease liabilities are comprised of the following balance sheet amounts:

	2020 £m	2019 £m
Amounts due within one year (Lease liabilities, Current Liabilities)	**–**	**0.1**

Notes to the Company Financial Statements Continued >

11 LEASE LIABILITIES (Continued)

Lease liabilities are as follows:

	2020 £m	2019 £m
Not more than one year		
Minimum lease payments	–	0.1
Interest element	–	–
Present value of minimum lease payments	**–**	**0.1**

12 POST-EMPLOYMENT BENEFIT OBLIGATIONS

Details of the Group's pension schemes are provided in note 25 of the Consolidated Financial Statements.

As at the 31 December 2020 and 31 December 2019 the entire Group liabilities under defined benefit schemes are held on the Company Balance Sheet.

During the year the Company's cost of defined contribution pension schemes was £0.1 million (2019: £0.1 million).

13 TRADE AND OTHER PAYABLES (NON-CURRENT)

	2020 £m	2019 £m
Payables to subsidiaries	508.1	479.2
	508.1	**479.2**

Amounts payable to subsidiaries are unsecured, have no fixed date of repayment and the Company has no expectation of repayment in the next 12 months and therefore the amounts have been presented as non-current liabilities. The Directors have considered the difference between the book value and fair value of the amounts payable to subsidiaries. Taking into account the one year risk free rate of return of -0.15% (2019: 0.57%), as at the balance sheet date, the fair value of amounts payable to subsidiaries would be circa £508.9 million (2019: £476.5 million). Of the balances outstanding, £199.9 million (2019: £169.9 million) is interest bearing with interest charged based on one month GBP LIBOR plus a 0.25% margin.

14 DERIVATIVE FINANCIAL LIABILITIES

Details of derivative financial liabilities are shown in note 26 of the Consolidated Financial Statements. All of the Group's derivative financial liabilities are held by the Company.

15 PROVISIONS

	Properties £m
At 31 December 2018, 2019 & 2020	**1.1**

	2020 £m	2019 £m
Analysis of total provisions		
Current	0.5	0.4
Non-current	0.6	0.7
	1.1	**1.1**

Property

The property provision relates to expected lease dilapidation costs for properties no longer in use by the Group. The estimates and judgments 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. The non-current element of the property provision is expected to be utilised within 36 months of the balance sheet date.

16 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.

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.

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.

17 SHARE CAPITAL

Issued and Fully Paid	Shares	2020 £m	Shares	2019 £m
Ordinary shares of 10p each:				
At start of year	369,760,824	37.0	367,574,210	36.8
New shares issued	74,450,276	7.4	2,186,614	0.2
At end of year	**444,211,100**	**44.4**	**369,760,824**	**37.0**

Full details relating to the issue of Ordinary shares in the year are shown in note 29 of the Consolidated Financial Statements.

18 SHARE PREMIUM

	2020 £m	2019 £m
Balance brought forward	16.1	15.7
Received on allotment of shares	0.2	0.4
Balance carried forward	**16.3**	**16.1**

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' EQUITY

	2020 £m	2019 £m
(Loss)/profit for the year	(3.3)	11.8
Dividends paid	–	(12.0)
	(3.3)	(0.2)
Other recognised gains and losses relating to the year:		
Issue of share capital	82.9	0.6
Share option (value of employee services)	0.4	0.8
Purchase of own shares by EBT	–	(0.2)
Current tax on share options	–	0.3
Deferred tax on share options	(0.2)	0.2
Re-measurement and experience losses (net of taxation)	(7.5)	(3.8)
Cash flow hedges movement	(0.5)	0.1
Net addition/(reduction) to Shareholders' equity	**71.8**	**(2.2)**
Opening Shareholders' equity	**143.1**	**145.3**
Closing Shareholders' equity	**214.9**	**143.1**

Notes to the Company Financial Statements Continued >

20 ANALYSIS OF NET DEBT

Net debt is calculated as total borrowings plus lease liabilities less cash and cash equivalents, less unamortised facility fees. Non-cash changes represent the effects of the recognition and subsequent amortisation of fees relating to the bank facility and changing maturity profiles.

	At 1 January 2020 £m	Cash Flow £m	Other Non-cash Changes £m	At 31 December 2020 £m
Debt due within one year	0.3	0.1	(0.2)	0.2
Debt due after more than one year	(84.7)	85.1	(0.2)	0.2
Lease liabilities	(0.1)	0.1	–	–
Total debt and lease liabilities	(84.5)	85.3	(0.4)	0.4
Cash and cash equivalents	(11.2)	15.8	–	4.6
Net debt	**(95.7)**	**101.1**	**(0.4)**	**5.0**

	At 31 December 2018 £m	IFRS 16 Adoption £m	At 1 January 2019 £m	Cash Flow £m	Other Non-cash Changes £m	At 31 December 2019 £m
Debt due within one year	0.3	–	0.3	–	–	0.3
Debt due after more than one year	(86.6)	–	(86.6)	2.2	(0.3)	(84.7)
Lease liabilities	–	(0.2)	(0.2)	0.1	–	(0.1)
Total debt and lease liabilities	(86.3)	(0.2)	(86.5)	2.3	(0.3)	(84.5)
Cash and cash equivalents	(11.8)	–	(11.8)	0.6	–	(11.2)
Net debt	**(98.1)**	**(0.2)**	**(98.3)**	**2.9**	**(0.3)**	**(95.7)**

21 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2020 £m	2019 £m
Increase in cash in year	15.8	0.6
Decrease in debt financing	85.3	2.3
Change in net debt resulting from cash flows	101.1	2.9
Leases previously recognised as operating leases under IAS 17	–	(0.2)
Non-cash movement in unamortised bank facility fees	(0.4)	(0.3)
Movement in net debt in year	100.7	2.4
Opening net debt	(95.7)	(98.1)
Closing net debt	**5.0**	**(95.7)**

22 FINANCIAL COMMITMENTS

CAPITAL EXPENDITURE

As at 31 December 2020 the Company had no contracts placed for future capital expenditure that were not provided for in the financial statements (2019: £nil).

23 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:

	2020 £m	2019 £m
Dividends received	0.5	13.6
Interest paid	(0.9)	(1.8)
Interest received	6.3	6.9
	5.9	**18.7**

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 Directors Remuneration Report. The Company did not enter into any form of loan arrangement with any Director during any of the years presented.

24 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'.

25 SUBSIDIARIES

The company has a number of subsidiary companies, a list of which is shown below.

Subsidiary companies at the balance sheet date	Principal Activity
Johnsons Textile Services Limited *	Textile and linen rental
Johnson Group Properties PLC	Property holding
Semara Estates Limited *	Property holding
Fresh Linen Holdings Limited	Holding company
Johnson Investment Limited	Holding company
Johnson Group Inc (UK) Limited	Holding company
Semara Group Limited *	Holding company
Semara Investments Limited *	Holding company
Semara Contract Services Limited *	Holding company
South West Laundry Holdings Limited	Holding company
Afonwen Laundry Limited *	Non-trading company
Ashbon Services Limited	Non-trading company
Bentley Textile Services Limited *	Non-trading company
Bourne Services Group Limited	Non-trading company
Bourne Textile Services Limited *	Non-trading company
Caterers Linen Supply Limited *	Non-trading company
Catering Linen Supply Limited *	Non-trading company
Chester Laundry Limited	Non-trading company
Clayfull Limited	Non-trading company
Clifton Cleaning Limited	Non-trading company
Fresh Linen Limited *	Non-trading company
Greenearth Cleaning Europe Limited	Non-trading company
Greenearth Cleaning Limited	Non-trading company
Johnson Group Cleaners Trustee Company (no 1) Limited	Non-trading company
Johnson Group Cleaners Trustee Company (no 2) Limited	Non-trading company
Johnson Group Management Services Limited	Non-trading company
Johnson Group Pension Nominees Limited	Non-trading company
Johnson Hospitality Services Limited	Non-trading company
Johnsons Hotel Linen Limited	Non-trading company
Johnsons Hotel, Restaurant and Catering Linen Limited	Non-trading company
Johnsons Restaurant and Catering Limited	Non-trading company
Johnsons Apparelmaster Limited	Non-trading company
Johnsons Workwear	Non-trading company
JSG PLC*	Non-trading company
London Linen Management Services Limited *	Non-trading company
London Linen Supply Limited	Non-trading company
London Workwear Rental Limited *	Non-trading company
Pure Laundry Limited *	Non-trading company
Portgrade Limited	Non-trading company
Quality Textile Services Limited	Non-trading company
Roboserve Limited	Non-trading company
Semara Nominees Limited *	Non-trading company
Semara Trustees Limited *	Non-trading company
South West Laundry Limited *	Non-trading company
Stalbridge Linen Services Limited *	Non-trading company
StarCounty Textile Services Limited	Non-trading company
Whiteriver Laundry Limited *	Non-trading company
Wintex UK Limited	Non-trading company
Zip Textiles (Services) Limited	Non-trading company

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 and Wales, apart from Clayfull Limited which is registered in Scotland. The registered office for all the companies listed above is Johnson House, Abbots Park, Monks Way Preston Brook, Runcorn, Cheshire, WA7 3GH.

5. SHAREHOLDER INFORMATION

FINANCIAL CALENDAR

Results for the year to 31 December 2020
19 March 2021

Results for the half year to 30 June 2021
September 2021

Annual General Meeting
5 May 2021

Notice of Annual General Meeting

JOHNSON
Service Group PLC

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 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.

Dear Shareholder.

The 2021 Annual General Meeting (the 'Meeting' or the 'AGM') of Johnson Service Group PLC (the 'Company') will be held at Johnson House, Abbots Park, Monks Way, Preston Brook, Cheshire, WA7 3GH on Wednesday 5 May 2021 at 11:00.

FORM OF PROXY

In order to reduce the Company's environmental impact, our intention is to remove paper from the voting process as far as possible. **As a result, you will not receive a Form of Proxy for the AGM in the post.**

You are, therefore, asked to vote in one of the following ways:

- Register your vote online through our Registrar's portal – www.signalshares.com. You will need to log into your Signal Shares account or register if you have not previously done so.
- CREST members may utilise the CREST electronic proxy appointment service in accordance with the instructions provided in Accompanying Note 5 below.

If you prefer, you may request a hard copy Form of Proxy from our Registrar, Link Group, using the telephone number or address shown within Accompanying Note 2 below and return it to Link Group at the address shown on the Form of Proxy.

All Forms of Proxy, whether registered online, electronic or hard copy, must be received by the Company's Registrar no later than 11:00 on 3 May 2021 or, if the meeting is adjourned, by the time which is 48 hours before the start time of the adjourned meeting.

Further details are provided in Accompanying Note 3 below. If you need help with completing the Form of Proxy online, please contact the Company's Registrar.

AGM ARRANGEMENTS IN RESPECT OF COVID-19

Who may attend?

At the time of writing, Government measures are in force restricting physical public gatherings and unnecessary travel, due to COVID-19, and it is not anticipated that these measures will be sufficiently relaxed such as to enable Shareholders to attend a meeting in person before 5 May 2021. In view of these measures and our responsibility to protect the health and safety of our Shareholders and employees, we are currently planning that our AGM will be held as a closed meeting and convened with the minimum quorum of Shareholders (which will be facilitated by attendance by the Company's management) in order to conduct the business of the meeting. We regret that Shareholders will not be permitted to attend the meeting in person and, in the interests of safety, anyone seeking to attend in person will be refused entry. We strongly encourage Shareholders to vote on the Resolutions set out in this Notice of Meeting by completing the Form of Proxy appointing the Chair of the Meeting and indicating on the form how you wish your vote to be cast.

How to participate

We consider the AGM to be an important part of our Shareholder engagement and to ensure that we retain Shareholder transparency, we have arranged for the AGM to be streamed live on the internet at 11:00 on 5 May 2021 via a listen-only webcast facility which enables you to follow the proceedings of the Meeting online. This can be done by logging on to the following website and entering your unique 11-digit Investor Code (IVC), including any zeros, and your PIN number, which is the last four digits of your IVC number:

https://webcasting.brrmedia.co.uk/broadcast/60215f9ba6bfbf43d06ae47f

Full details of how to participate are provided in Accompanying Note 2 below.

The measures being taken by the UK Government to help contain the spread of COVID-19 are subject to change. Please check the Company's website (www.jsg.com) in advance of the Meeting in case there are further changes to the arrangements for the AGM.

How to vote

Your vote is important to us. As you cannot attend in person, we strongly encourage you to vote in advance of the meeting by appointing the Chair of the Meeting as your proxy. Given the government restrictions currently in force, voting by appointing the Chair of the Meeting as your proxy in advance of the AGM is likely to be the only practical way that you will be able to exercise your vote at the AGM. Our Registrar, Link Group, must receive your Form of Proxy containing your voting instructions by 11:00 on Monday 3 May 2021 at the latest to ensure that your vote is counted. Details of how to submit a Form of Proxy are set out in Accompanying Note 4 below.

How to ask questions

Questions for the Board can be submitted in advance or at the Meeting through the webcast chat facility. To enable the Board to answer as many Shareholder questions as possible, we strongly encourage you to submit questions in advance of the Meeting. Pre-submitted questions can be emailed to enquiries@jsg.com and should be received by the Company no later than 11:00 on Monday 3 May 2021. The Board will respond to questions directly during the AGM. Shareholders will also have the opportunity to ask questions in real time during the AGM, via the webcast chat facility, should they wish to do so. The Company reserves the right to consolidate questions of a similar nature. We will endeavour to publish the Company's responses to questions on key themes on the Company's website (www.jsg.com) as soon as practicable following the conclusion of the Meeting.

BUSINESS OF THE MEETING

The formal notice of the AGM is set out on pages 182 to 187 and full details of the Resolutions to be proposed at the AGM are contained in the Explanatory Notes on pages 185 to 187. The Resolutions are those that are dealt with as a matter of course at each annual general meeting of the Company.

DIVIDENDS

Whilst the Board recognises the importance of dividends to Shareholders, this had to be balanced with the impact that COVID-19 has had on our business. As previously guided, and in order to conserve cash resources in response to the pandemic, the Board does not propose to declare a dividend in respect of 2020. The Board will keep future dividends under review and will look to reinstate its dividend policy as trading returns to more normalised levels.

BOARD RECOMMENDATIONS

The Directors believe that each of the proposed Resolutions to be considered at the AGM is in the best interests of the Company and its Shareholders as a whole, and recommend that all Shareholders vote in favour of all Resolutions, as they intend to do in respect of their own shareholdings.

The results of the voting on all Resolutions will be announced via the Regulatory News Service and published on our website as soon as practicable following the conclusion of the AGM.

I regret that I will not be able to meet you in person at the forthcoming AGM, particularly as I will be stepping down from the Board at the conclusion of the Meeting. On behalf of my fellow Directors, we look forward to the opportunity to meet with you at future meetings.

Bill Shannon
Chairman
19 March 2021

Notice of Annual General Meeting

Continued >

NOTICE is hereby given that the Annual General Meeting of Johnson Service Group PLC will be held at Johnson House, Abbots Park, Monks Way, Preston Brook, Cheshire, WA7 3GH on Wednesday 5 May 2021 at 11:00 to transact the business set out in the Resolutions below.

Resolutions 1 to 10 (inclusive) will be proposed as Ordinary Resolutions and Resolutions 11 to 13 (inclusive) will be proposed as Special Resolutions.

The business of the meeting will be to consider, and if thought fit, to pass the following Resolutions:

ORDINARY RESOLUTIONS

Annual Report and Accounts

1. To receive and adopt the financial statements for the year ended 31 December 2020 together with the reports of the Directors and the auditor on those financial statements.

Directors' Remuneration Report

2. To approve the Directors' Remuneration Report as set out on pages 79 to 103 of the 2020 Annual Report.

Election and Re-election of Directors

3. To elect Jock Lennox as a Director.
4. To re-elect Peter Egan as a Director.
5. To re-elect Yvonne Monaghan as a Director.
6 To re-elect Chris Girling as a Director.
7. To re-elect Nick Gregg as a Director.

External Auditor's Appointment and Remuneration

8. To reappoint Grant Thornton UK LLP as auditor to the Company until the conclusion of the next general meeting at which accounts are laid before the Company.
9. To authorise the Audit Committee to determine the remuneration of the auditor.

Directors' Authority to Allot Shares

10. 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 £14,811,670.

    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 1 July 2022, 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).

SPECIAL RESOLUTIONS

Disapplication of Pre-emption Rights

11. Subject to and conditional upon the passing of the Ordinary Resolution numbered 10 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 the Ordinary Resolution numbered 10 in this notice of Annual General Meeting of the Company as if section 561 of the Companies Act 2006 did not 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 the Ordinary Resolution numbered 10 in this notice of Annual General Meeting up to an aggregate nominal amount of £2,221,751 (representing approximately 5% of the Company's share capital as at 18 March 2021).

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 1 July 2022, 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 previous authorities under Section 571 of the Companies Act 2006 shall cease to have effect at the conclusion of the Annual General Meeting.

12. Subject to and conditional upon the passing of the Ordinary Resolution numbered 10 in this notice of Annual General Meeting of the Company and in addition to any authority granted under the Special Resolution numbered 11 in this notice of Annual General Meeting of the Company, 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 the Ordinary Resolution numbered 10 in this notice of Annual General Meeting of the Company as if section 561 of the Companies Act 2006 did not apply to any such allotment of Equity Securities, provided that this power shall be:

(i) limited to the allotment of Equity Securities pursuant to the authority granted under the Ordinary Resolution numbered 10 in this notice of Annual General Meeting of the Company up to an aggregate nominal amount of £2,221,751 (representing approximately 5% of the Company's share capital as at 18 March 2021); and

(ii) used only for the purposes of financing (or refinancing, if the authority is to be used within six months after the original transaction) a transaction which the Directors of the Company determine to be an acquisition or other capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice of Annual General Meeting of the Company.

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 1 July 2022, 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 previous authorities under Section 571 of the Companies Act 2006 shall cease to have effect at the conclusion of the Annual General Meeting.

Purchase of Own Shares

13. 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 44,435,011;

(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 1 July 2022 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 are strongly encouraged to vote by appointing the Chair of the Meeting as your proxy in advance of the AGM.

By Order of the Board

Tim Morris
Company Secretary
19 March 2021

Johnson Service Group PLC
Abbots Park, Monks Way, Preston Brook, Cheshire, WA7 3GH

Notice of Annual General Meeting

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Accompanying Notes

1. Entitlement to Attend or Vote at the AGM

Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those Shareholders registered in the Register of Members of the Company 48 hours before the time fixed for holding the Meeting or, in the event that the Meeting is adjourned, in the Register of Members 48 hours prior to the time fixed for holding 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 within 48 hours of the time fixed for holding the Meeting or, in the event that the Meeting is adjourned, within 48 hours of the time fixed for holding any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the Meeting.

2. Attending the AGM

Shareholders are not entitled to participate in the AGM in any way other than as is provided for in these notes.

Shareholders are not entitled to attend the Meeting in person and will be refused entry. Attendance in person will be restricted to those Shareholders whose attendance is required to form a quorum.

The Meeting will be live streamed online. Shareholders entitled to attend may only do so virtually by accessing the following link: https://webcasting.brrmedia.co.uk/broadcast/60215f9ba6bfbf43d06ae47f.

You will be prompted to enter your unique log in and pin number. Your unique log in is your 11-digit Investor Code (IVC), including any zeros and your pin number is the last 4 digits of your IVC number. If you are unsure of your IVC this can be found on a share certificate or alternatively you can sign in to www.signalshares.com to obtain your IVC code. If you cannot find your IVC or do not have access to www.signalshares.com then please contact the Company's Registrar:

Link Group
10th Floor, Central Square
29 Wellington Street
Leeds
LS1 4DL

Telephone number: 0371 664 0300 (Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30 (GMT), Monday to Friday excluding public holidays in England and Wales).

3. Voting

In order to reduce the Company's environmental impact, our intention is to remove paper from the voting process as far as possible. As a result, you will not receive a Form of Proxy for the AGM in the post.

You are, therefore, asked to register your vote online through our Registrar's portal – www.signalshares.com. You will need to log into your Signal Shares account or register if you have not previously done so. To log in or register, you will need your Investor Code (IVC), which is printed on your share certificate or may be obtained by calling the Company's Registrar, Link Group, on 0371 664 0300 (calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 - 17:30 (GMT), Monday to Friday excluding public holidays in England and Wales). You may also write to the Registrar at Link Group, 10th Floor, Central Square, 29 Wellington Street, Leeds, LS1 4DL. CREST members may utilise the CREST electronic proxy appointment service in accordance with the instructions provided in Accompanying Note 5 below.

If you prefer, you may request a hard copy Form of Proxy from Link Group using the number or address shown above and return it to Link Group at the address shown on the form.

All Forms of Proxy, whether online, electronic or hard copy, must be received by the Company's Registrar no later than 11:00 on 3 May 2021 or, if the meeting is adjourned, by the time which is 48 hours before the start time of the adjourned meeting.

If you need help with completing the Form of Proxy online, please contact the Company's Registrar.

4. Proxies

Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the meeting. A Shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that Shareholder. A proxy need not be a Shareholder of the Company. However, Shareholders (other than those forming the quorum, which will be facilitated by attendance by the Company's management) and anyone appointed as a proxy or representative (other than the Chair of the Meeting) will not be admitted to the AGM, so Shareholders are encouraged to exercise the rights attached to their shares by appointing the Chair of the Meeting as their proxy. You can only appoint a proxy by using the procedures set out in these notes.

Shareholders can complete the Form of Proxy online as further detailed in Accompanying Note 3 above. As an alternative, you may request a hard copy Form of Proxy by calling, or writing to, Link Group using the contact details provided in Accompanying Note 2 above. To appoint more than one proxy you may photocopy the Form of Proxy. Please indicate the proxy holder's name (which should, as noted above, be the Chair of the Meeting) and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All Forms of Proxy must be signed and returned to Link Group at the above address together in the same envelope.

Shareholders who are CREST members may use the electronic proxy voting service as described below.

To be valid, any Form of Proxy or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed (or a duly certified copy), must be received by post or (during normal business hours only) by hand at the Company's Registrar no later than 11:00 on Monday 3 May 2021.

Shareholders are encouraged to ensure that they contact Link Group in sufficient time ahead of the AGM to allow any request for a paper Form of Proxy to be processed, dispatched and (following completion) subsequently returned to the Registrar.

The return of a completed Form of Proxy or other such instrument or any CREST Proxy Instruction (as described below) will not prevent a Shareholder attending the AGM and voting in person, should the situation and the existing COVID-19 related Government restrictions change, such that the current plans for the AGM are altered and Shareholders are permitted, and you subsequently wish, to attend in person.

5. CREST

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.

6. Documents Available for Inspection

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:

(i) the Register of Directors' interests kept by the Company under Section 809 of the Companies Act 2006;

(ii) copies of all service agreements between the Executive Directors and the Company together with other appropriate documentation; and

(iii) copies of the terms and conditions of appointment of the Non-Executive Directors.

So that appropriate arrangements can be made for Shareholders wishing to inspect documents, we request that Shareholders contact the Company Secretary by email at enquiries@jsg.com in advance of any visit to ensure that access can be arranged. Any such access will be subject to health and safety requirements and any limits on gatherings, social distancing or other measures imposed or recommended by the Government.

7. Corporate Representatives

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.

8. Shareholder Rights and AGM Business

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:

(i) (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);

(ii) it is defamatory of any person; or

(iii) 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 six 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.

9. Shareholders' Right to Ask Questions at the AGM

Any member attending the meeting would have the right to ask questions relating to the business of the AGM in accordance with section 319A of the Companies Act 2006. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if:

(i) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information;

(ii) the answer has already been given on a website in the form of an answer to a question; or

(iii) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

Unfortunately, Shareholders will not be able to attend the AGM in person due to the exceptional circumstances brought about by the COVID-19 pandemic. If a Shareholder wishes to ask a question, we ask that they send their question in advance by email to enquiries@jsg.com, at least 48 hours prior to the commencement of the Meeting or, in the event that the Meeting is adjourned, 48 hours prior to the time fixed for holding any adjourned meeting. We will endeavour to publish the Company's responses to questions on key themes on the Company's website (www.jsg.com) as soon as practicable following the conclusion of the Meeting.

10. Total Voting Rights

As at 18 March 2021 (being the last business day prior to publication of this notice) the Company's issued share capital consists of 444,350,111 Ordinary Shares carrying one vote each. The total voting rights in the Company as at 18 March 2021 are, therefore, 444,350,111.

Explanatory Notes

The following notes give an explanation of the proposed Resolutions.

Resolutions 1 to 10 (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 11 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.

The 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.

Annual Report and Accounts (Resolution 1)

The Directors of the Company must present the audited accounts for the year ended 31 December 2020 to the AGM.

Directors' Remuneration Report (Resolution 2)

It is proposed that the Directors' Remuneration Report for the financial year ended 31 December 2020, as set out on pages 79 to 103 of the Annual Report, be approved. The Directors' Remuneration Report 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

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return on the FTSE Industrial Goods and Services Index, details of the Directors' service agreements, the 'Single Total Figure of Remuneration' table and specific disclosures relating to each Director's remuneration.

Election and Re-election of Directors (Resolutions 3 to 7 inclusive)

Provision 18 of the Financial Reporting Council's 2018 UK Corporate Governance Code (the 'Code'), requires all Directors to be subject to annual re-election. Biographical details of all the Directors offering themselves for re-election are set out on page 48 of the 2020 Annual Report and are also available for viewing on the Company's website (www.jsg.com).

During the year, the Independent Non-Executive Directors conducted a performance evaluation of the Chairman, after taking into account the views of the Executive Directors. The Chairman also conducted an appraisal of each member of the Board, the Board composition and the format and effectiveness of the Board meetings. In addition, the Remuneration Committee regularly reviewed the performance of each Executive Director. As a result of these reviews, it is considered that the performance of each Director continues to be effective, that each Director demonstrates sufficient commitment to their role and that the contribution of each Director continues to be important to the Company's long-term sustainable success.

Appointment of the Auditor (Resolution 8)

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. During 2020, the Audit Committee led a formal competitive tender process for the appointment of a new external auditor. As announced in November 2020, Grant Thornton UK LLP has been appointed by the Board as the external auditor to take effect from, and including, the financial year ending 31 December 2021. Further details of the external audit tender process can be found on pages 75 to 76. Resolution 8, which is recommended by the Audit Committee, proposes the re-appointment of Grant Thornton UK LLP.

Remuneration of the Auditor (Resolution 9)

This Resolution follows best practice in corporate governance by separately seeking authority for the Audit Committee to determine the auditor's remuneration.

Renewal of Directors' Authority to Allot Securities (Resolution 10)

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 2020 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 2022 or, if earlier, the close of business on 1 July 2022.

If passed, the authority granted by the passing of this Resolution will be limited to an aggregate nominal value of £14,811,670 of Ordinary Shares which represents approximately one third of the Ordinary share capital in issue as at 18 March 2021 (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 General Disapplication of Pre-emption Rights (Resolution 11)

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.

In 2015, the Pre-Emption Group (which represents the Investment Association and the Pension and Lifetime Savings Association) published a revised statement of principles for the disapplication of pre-emption rights (the "Principles"). The Principles relate to issues of equity securities for cash other than on a pre-emptive basis (i.e. other than pro rata to existing Shareholders) by all companies (wherever incorporated) with shares admitted to the Premium Listing segment of the Official List of the UK Listing Authority and to trading on the Main Market for listed securities of the London Stock Exchange. Certain other companies, including those with shares admitted to trading on AIM, are encouraged to adopt the Principles.

The Principles provide that a general authority for the disapplication of pre-emption rights over approximately 5 per cent of the Company's issued ordinary share capital should be treated as routine.

Other than in connection with a rights issues or any other pre-emptive offer concerning Equity Securities, and subject to the passing of Resolution 10, this Resolution seeks to replace the authority conferred on the Directors at the 2020 AGM to allot ordinary shares, or grant rights to subscribe for, or convert securities into, ordinary shares or sell treasury shares for cash (other than pursuant to an employee equity incentive share scheme) without application of pre-emption rights. The authority will be limited to the issue of shares for cash up to a maximum aggregate nominal value of £2,221,751, which is equivalent to approximately 5 per cent of the Company's issued ordinary share capital as at 18 March 2021 (being the latest practicable date prior to publication of this Notice).

This Resolution also 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.

Shareholders will note that this Resolution also relates to treasury shares and will be proposed as a Special Resolution. If renewed, the authority will expire at the conclusion of the next AGM of the Company in 2022 or, if earlier, the close of business on 1 July 2022. The Directors intend to renew this authority annually and confirm their intention to follow best practice, as set out in the Principles, which provide that usage of this authority in excess of 7.5 per cent of the Company's issued ordinary share capital in a rolling three year period would not take place without prior consultation with key Shareholders.

General Disapplication of Pre-emption Rights in Connection with an Acquisition or Specified Capital Investment (Resolution 12)

The Principles further provide that the Company may, as a routine, seek to disapply pre-emption rights over the equivalent of approximately an additional 5 per cent of the issued ordinary share capital of the Company, so long as certain criteria are met. Subject to the passing of Resolution 10, Resolution 12 seeks to replace the authority conferred on the Directors at the 2020 AGM (in addition to the authority referred to above in relation to Resolution 11) to allot ordinary shares, or grant rights to subscribe for, or convert securities into, ordinary shares or sell treasury shares for cash (other than pursuant to an employee equity incentive share scheme) up to an aggregate nominal value of approximately 5 per cent of the Company's issued ordinary share capital without application of pre-emption rights pursuant to section 561 of the Companies Act 2006, provided that this authority will only be used for the purpose of:

(i) an acquisition; or

(ii) a specified capital investment in respect of which sufficient information regarding the effect of the investment on the Company, the assets that are the subject of the investment and (where appropriate) the profits attributable to those assets is made available to Shareholders to enable them to reach an assessment of the potential return on the investment which is announced contemporaneously with the issue or which has taken place in the preceding six month period and is disclosed in the announcement of the issue.

Other than in connection with a rights, scrip dividend, or other similar issue, the authority contained in Resolution 12 would be limited to the issue of shares for cash up to a maximum aggregate nominal value of £2,221,751 (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 18 March 2021 (being the latest practicable date prior to the publication of this Notice).

If approved, the authority will expire at the conclusion of the next AGM of the Company in 2022 or, if earlier, the close of business on 1 July 2022. The 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 this Resolution 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 36,976,082 of its Ordinary Shares at the 2020 AGM (being equal to approximately 10 per cent of the Company's issued ordinary share capital as at 28 February 2020, the latest practicable date prior to the publication of the notice for the 2020 AGM). 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 44,435,011 Ordinary Shares, representing approximately 10 per cent of the Company's issued ordinary share capital as at 18 March 2021, 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 preceding 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 18 March 2021 (being the latest practicable date prior to publication of this Notice) was 4,513,833. The proportion of issued share capital that they represented at that time was 1.0 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 1.1 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 2022, or, if earlier, the close of business on 1 July 2022. It is the present intention of the Directors to seek renewal of this authority annually.

Directors and Advisors

Directors

William (Bill) Mervyn Frew Carey Shannon, CA
Non-Executive Chairman
Chairman of Nomination Committee

Peter Egan, MBA
Chief Executive Officer
Director responsible for Health, Safety and the Environment

Yvonne May Monaghan, BSc (Hons), FCA
Chief Financial Officer

Christopher (Chris) Francis Girling, MBA, FCA
Senior Independent Non-Executive Director
Chairman of Audit Committee
Member of Nomination Committee
Member of Remuneration Committee

Nicholas (Nick) Mark Gregg
Independent Non-Executive Director
Member of Audit Committee
Member of Nomination Committee
Chairman of Remuneration Committee
Non-Executive Director responsible for Workforce Engagement

John (Jock) Fyfe Lennox, LLB, CA
Independent Non-Executive Director & Chairman Designate
Member of Audit Committee
Member of Nomination Committee
Member of Remuneration Committee

Company Secretary & Group Financial Controller

Timothy (Tim) 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
30 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

Bank of Ireland
26 Cross Street
Manchester
M2 7AF

Lawyers
Hill Dickinson LLP
No1 St Paul's Square
Liverpool
L3 9SJ

Registrar and Transfer Office
Link Group
10th Floor, Central Square
29 Wellington Street
Leeds
LS1 4DL

Independent Auditor
Up to 19 March 2021:
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
No. 1 Spinningfields
Hardman Square
Manchester
M3 3EB

Thereafter:
Grant Thornton UK LLP
Chartered Accountants and Statutory Auditors
4 Hardman Square
Spinningfields
Manchester
M3 3EB

Electronic Communications

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

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

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

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

Those Shareholders who are CREST members and who wish to appoint a proxy or proxies utilising the proxy voting service please refer to Accompanying Note 4 of the Notice of Annual General Meeting.

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

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JOHNSON
Service Group PLC

Johnson House, Abbots Park, Monks Way
Preston Brook, Cheshire WA7 3GH

T: +44 (0)1928 704 600

F: +44 (0)1928 704 620

enquiries@jsg.com