JOHNSON
Service Group PLC

Annual Report & Accounts 2021

2021

ANNUAL REPORT & ACCOUNTS

JOHNSON
Service Group PLC

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1. Strategic Report

GROUP OVERVIEW AND HIGHLIGHTS

The Group continued to demonstrate its resilience throughout another challenging year

"Our management teams and employees at all levels have risen to the challenges presented through the COVID-19 pandemic. We have continued to adapt our processes and procedures where necessary to ensure availability of our services and to manage the health, safety and wellbeing of our employees."

Our employees are the foundation of our business

Acquisition of Lilliput (Dunmurry) Limited in September 2021

HORECA volumes expected to continue to increase

Workwear's diverse customer base helped bring stability within the division

We continued to react to the ever-changing market conditions

New Exeter plant successfully commissioned in September 2021

Strong balance sheet and capacity for further investment

Continuing to focus on delivering outstanding customer service

The Board remain confident in the medium and long term growth potential of the Group

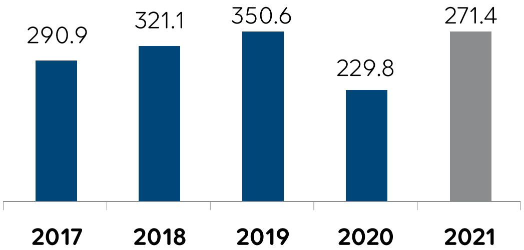
Anticipate our EBITDA margin will continue to improve

GROUP OVERVIEW AND HIGHLIGHTS

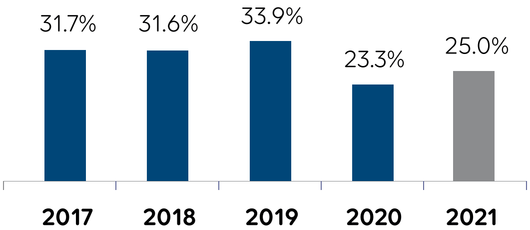
Improving volumes and confidence for the longer term

"Our existing scale, ability to flex costs and focus on operational excellence means that we are well placed to capitalise on opportunities as markets continue 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."

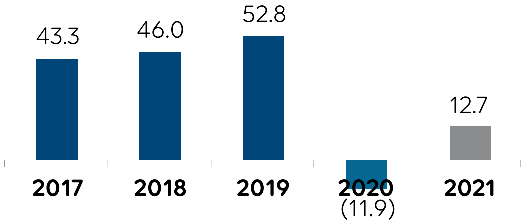
REVENUE (£m) [1]



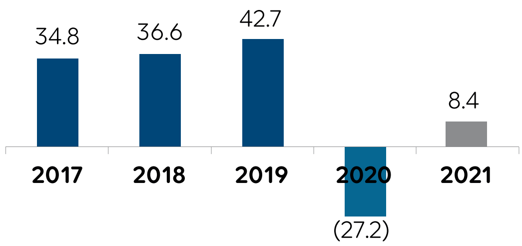
ADJUSTED EBITDA MARGIN (%)[1,2,3]



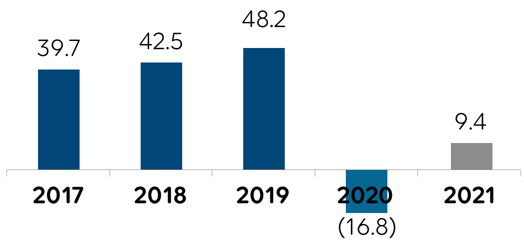
ADJUSTED OPERATING PROFIT/(LOSS) (£m)[1,2,4]



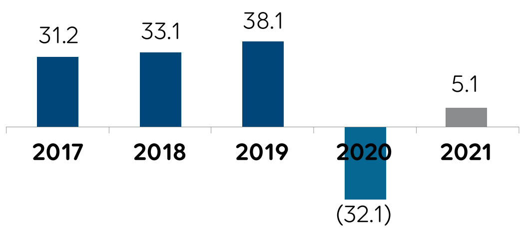
OPERATING PROFIT/(LOSS) (£m)[1,2]



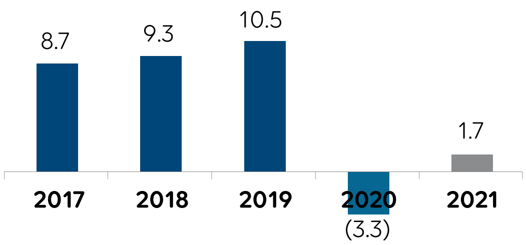
ADJUSTED PROFIT/(LOSS) BEFORE TAXATION (£m)[1,2,5]



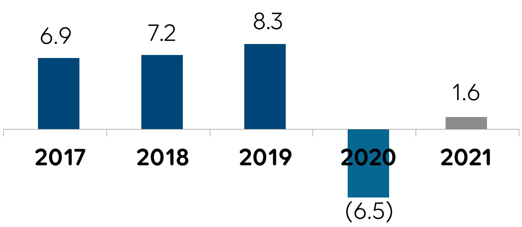
PROFIT/(LOSS) BEFORE TAXATION (£m)[1,2]



ADJUSTED DILUTED EARNINGS/(LOSS) PER SHARE (p)[1,2,6]



DILUTED EARNINGS/(LOSS) PER SHARE (p)[1,2]



Notes

1. All figures are from Continuing Operations.
2. Figures for 2020 have been restated following guidance recently published by the IFRS Interpretations Committee (IFRIC) to clarify the accounting in relation to configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS). In response to the guidance, the Group revised its accounting policy such that relevant costs previously capitalised as intangible assets are instead immediately expensed to the Consolidated Income Statement. See Note 40 for further details.
3. "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, for 2019 and thereafter (as a result of 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.
4. "Adjusted Operating Profit/(Loss)" refers to operating profit/(loss) before amortisation of intangible assets (excluding software amortisation) and exceptional items.
5. "Adjusted Profit/(Loss) Before Taxation" refers to Adjusted Operating Profit/(Loss) less finance costs.
6. "Adjusted Diluted Earnings/(Loss) per Share" refers to diluted earnings per share calculated based on adjusted profit/(loss) after taxation and, in 2021, excludes the benefit of the capital allowances super deduction which offers 130% first year relief on qualifying spend.


We care for what you wear
JOHNSONS
Workwear
The UK's Leading Workwear Supplier
JOHNSONS
Workwear
MAN
MV69 MFA

"Our employees have shown tremendous resilience and dedication and I would like to express my thanks, on behalf of the Board, for their care to one another, to our suppliers, to our customers and to society at large during this difficult period."

CHAIRMAN'S STATEMENT
NON-EXECUTIVE CHAIRMAN,
JOCK LENNOX

Chairman's Statement

"Whilst COVID-19 has had a significant impact on the Group in the short term, we are very confident in our medium and long-term growth prospects."

Dear Shareholder

When I assumed the role of the Chairman of Johnson Service Group in May 2021 the Group was continuing to experience one of the most difficult periods in its history. The COVID-19 pandemic has continued to pose unprecedented challenges for our people and the communities where we operate. Our employees have shown tremendous resilience and dedication and I would like to express my thanks, on behalf of the Board, for their care to one another, to our suppliers, to our customers and to society at large during this difficult period. To this can be added the crisis in Ukraine; the thoughtfulness by management regarding the potential impact on our people has to be commended.

Throughout the pandemic, our first priority has been the health, safety and wellbeing of our employees. We believe the results of our 2021 Employee Engagement surveys reflect the high levels of employee engagement that exist within the Group. Across the three surveys undertaken, the 'Overall Engagement Score' ranged between 79% and 83%. Further details of the Employee Engagement surveys are set out on pages 35 to 36.

The introduction of the UK Government's "Plan B" in early December, which included advice to work from home, calls for further caution in socialising and increased testing requirements for international travel, reduced consumer confidence and put additional restrictions on the hospitality and travel sector. Whilst we were encouraged by the recent Government announcement that all "Plan B" restrictions would be lifted, we expect consumer confidence may take some time to recover.

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.

Financial Results

Sales in both 2021 and 2020 were impacted by trading restrictions as a result of government measures taken to contain the spread of COVID-19. This was particularly the case within our HORECA business due to the UK's hospitality sector being either closed or the subject of restrictions for the vast majority of both years. However, the periods of closure were longer in 2020 compared to 2021 such that overall revenue for the Group, at £271.4 million, was 18.1% ahead of the prior year. Group adjusted operating profit for 2021 was £12.7 million compared to a loss in 2020 of £11.9 million. Our underlying adjusted EBITDA margin increased from 23.3% in 2020 to 25.0% in 2021. Further details of our operational and financial performance can be found on pages 18 to 27.

Dividends

Whilst the Board recognises the importance of dividends to our Shareholders, this had to be balanced with the impact that COVID-19 has had on our business. As previously guided, the Board does not propose to declare a dividend in respect of 2021 but will keep future dividends under review and look to reinstate its dividend policy once there is more certainty that trading levels will return to, and remain at, more normal levels.

A Strong Capital Base

Following management actions taken during 2020 in response to the pandemic, the Group maintains a strong balance sheet and is 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. Further details of our capital allocation policy are provided on page 26 .

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 am extremely well supported in this regard by the members of the Board who bring 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.

During the year, an independent formal external evaluation of the Board and its committees was conducted. The evaluation concluded that the 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. In addition, a number of actions were identified to help improve the performance and effectiveness of the Board. An action plan listing specific actions to address the findings of the evaluation and further enhance the Board's effectiveness has been prepared and circulated to Board members. The Board will monitor the implementation of the follow-up actions and will report on progress in the 2022 Annual Report. Further details of the review, together with a summary of the agreed action plan, are set out within the Corporate Governance Report.

The CEO and CFO meet regularly with institutional investors to discuss strategic matters and to make presentations on the Group's results. Following my appointment to Non-Executive Chairman, I also met with a number of our major Shareholders in order to more fully understand their views and to provide them with an opportunity to raise any questions they had outside of the normal Investor Relations process. My intention is to once again extend this invitation to our major Shareholders during 2022.

Sustainability

As anticipated last year, we appointed a Head of Sustainability in April 2021 who brings with her over 15 years of experience in developing and embedding sustainability strategies. The Head of Sustainability is a regular attendee at meetings of both the Board and the Group Management Board and is also a member of our newly formed Sustainability Committee.

I am particularly pleased that, earlier this year, we were able to launch 'The Johnsons Way' – our refreshed strategy which sets out the framework that underpins our approach to sustainability. We believe that embedding a best in class sustainability programme throughout our operations will help position us as a leader in responding to the challenges faced by the textile services industry and prove to be a differentiator for our customers.

In developing our refreshed strategy and framework, we have considered the areas that have the largest significance and the greatest impact across our Group in order to identify our material issues and our key priority areas moving forwards. Our activities are structured around four 'Pillars' that will help us to manage our impacts and priorities and allow us to report the progress we are making more accurately and transparently.

Summary and Outlook

Whilst COVID-19 has had a significant impact on the Group in the short term, we are very confident in our medium and long-term growth prospects. Throughout the pandemic, we have demonstrated that we are a strong and resilient organisation as we managed the business to protect the interests of all our stakeholders.

Our existing scale, ability to flex costs and focus on operational excellence means that we are well placed to capitalise on opportunities as markets continue 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.

Jock Lennox
Non-Executive Chairman

7 March 2022

Strategic Review

The Strategic Report

The Strategic Report comprises the Group Overview and Highlights, the Chairman's Statement, the Strategic Review, Our Commitment to Section 172(1), the Chief Executive's Operating Review, the Financial Review, the report on Sustainability 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, 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). Also within HORECA, our recently acquired Northern Ireland business, Lilliput, predominantly services hotels and restaurants as well as a number of healthcare customers.

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 recent and, to a lesser extent, 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 mitigate 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.

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;
- the situation with respect to the COVID-19 pandemic remains uncertain and is likely to continue impacting the Group in the medium term, albeit to a significantly lesser extent than the previous two years;

Strategic Review
Continued >

- 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 prior to the end of this period, in August 2023, will likely be renewed some 12 months or so 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 46 to 52) 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 revolving credit facility of £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 date;
- 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, 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, a significant downturn in 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. 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 4 to 52, incorporates the Group Overview and Highlights, the Chairman's Statement, the Strategic Review, Our Commitment to Section 172(1), the Chief Executive's Operating Review, the Financial Review, the report on Sustainability and the Principal Risks and Uncertainties.

The Strategic Report was approved by the Board on 7 March 2022.

By order of the Board.

Tim Morris
Company Secretary

7 March 2022

Our Commitment to Section 172(1)

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. 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. We work hard to ensure that we provide the right resources, energy and focus to meet the expectations of all of our stakeholders. The table below provides a high-level overview of how we engage with our stakeholders. Further details are then provided on pages 33 to 45.

	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.

Our Commitment to Section 172(1)

Continued >

	Description	Areas of focus	Why we engage	How we engage
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.	We engage through a series of industry consultations, forums and conferences.

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

Section 172(1) 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 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.

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 66.

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 46 to 52. 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 on page 13 within our Viability Statement.

Our Employees

The Group 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 33 to 36.

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 44.

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 37 to 42 and page 45.

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 35.

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 pages 67 to 68.

"The continuing and unpredictable impact of COVID-19 has once again tested the strength, resilience and adaptability of our teams and they have worked tirelessly to ensure that we continue to provide market leading customer service."

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


JOHNSONS
Workwear
The UK's Leading Workwear Supplier
We care for what you wear
MAN
MV69 MFA
JOHNSONS
Workwear

Chief Executive's Operating Review

"Our 2021 results reflect the continuing impact that COVID-19 has had on the Group, particularly within our HORECA division."

"We are continuing to focus on delivering outstanding customer service and investing in both our employees and our laundry facilities."

Basis of Preparation

Throughout this statement, and consistent with prior years, underlying and other alternative performance measures are used to describe the Group's performance. These are not recognised under International Financial Reporting Standards. The Board manages and assesses the performance of the Group on these measures and believes they are more representative of ongoing trading, facilitate meaningful year on year comparisons, and hence provide more useful information to Shareholders. Underlying and other alternative performance measures, which include adjusted operating profit/(loss), adjusted profit/(loss) before taxation, adjusted EBITDA and adjusted EPS are defined within the Financial Review and are reconciled to statutory reporting measures in notes 8 and 11.

Trading Performance

Revenue

Our 2021 results reflect the continuing impact that COVID-19 has had on the Group, particularly within our HORECA division. Total revenue for the year to 31 December 2021 was £271.4 million (2020: £229.8 million).

Financial Results

Adjusted EBITDA was £67.9 million (2020: £53.6 million) giving a margin of 25.0% (2020: 23.3%). As expected, we saw this improve from the 17% achieved in the first half of the year. Adjusted operating profit was £12.7 million (2020: £11.9 million loss).

The Group continued to utilise the Coronavirus Job Retention Scheme ("CJRS") in the first half of the year, and this amounted to £9.9 million (year to 31 December 2020: £28.2 million). £11.6 million (2020: £26.5 million) was received in cash during the year. No CJRS claims were made in respect of the second half of 2021.

Total finance cost reduced to £3.3 million (2020: £4.9 million). The year to December 2020 included a charge of £0.6 million relating to the discontinuance of hedge accounting on interest rate swaps previously designated as cash flow hedges.

Profit before taxation, after amortisation of intangibles (excluding software amortisation) of £11.0 million (2020: £11.0 million) and an exceptional credit of £6.7 million (2020: exceptional charge of £4.3 million) was £5.1 million (2020: £32.1 million loss).

Adjusted diluted earnings per share was 2.2 pence (2020: adjusted diluted loss per share 3.3 pence).

The adjusted diluted earnings per share in 2021 includes the benefit of the capital allowances super deduction which offers 130% first year relief on qualifying capital spend. Excluding this benefit, which is a temporary impact, adjusted diluted earnings per share was 1.7 pence.

Dividend

A dividend is not being proposed in respect of 2021. The Board is aware of the importance of dividends to Shareholders and will look to reinstate its dividend policy once there is more certainty that trading levels will return to, and remain at, more normal levels.

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. The 'Johnsons Workwear' brand predominantly provides workwear rental and laundry services to corporates across all industry sectors. Within HORECA, 'Stalbridge' and 'London Linen' provide premium linen services to the restaurant, hospitality and corporate events market and Johnsons Hotel Linen, our high volume linen business which also incorporates the recently acquired Lilliput (Dunmurry) Limited, primarily serves the corporate four-star and budget hotel market.

Our management teams and employees at all levels have risen to the challenges presented through the COVID-19 pandemic. We have continued to adapt our processes and procedures where necessary to ensure availability of our services and to manage the health, safety and well-being of our employees.

In line with all UK businesses cost pressures have impacted the Group, particularly in the final quarter. Constructive commercial discussions have taken place with customers relating to the significant increases in our business costs. Our National Accounts and Service teams have achieved success in retaining key customers and continue to build strong business relationships. We continue to benefit from ongoing sales and referrals for new business, especially within HORECA from new build hotels, where the strength of our longstanding reputation for service and quality continue to help us win additional new business from current and new customers.

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 £128.9 million (2020: £129.5 million). Adjusted EBITDA was £46.3 million (2020: £48.7 million) with a margin of 35.9% (2020: 37.6%). Adjusted operating profit was £22.5 million (2020: £23.5 million).

Despite the disruption of further lockdowns and restrictions, our diverse customer base helped to bring stability within the division. With a significant percentage of our customers remaining open, our garment processing volumes remained relatively consistent throughout the year and ended the year in line with pre-COVID normalised levels.

We continued to react to the ever-changing market conditions, which culminated in an improvement in our customer focused key performance indicators. Our independent annual customer satisfaction survey resulted in us achieving 86.4%, our highest result ever, and placing us in the upper quartile of company satisfaction ratings. Our customers were very complimentary about the consistency and quality of service we provided, allowing them to focus on their core business. This also resulted in us achieving our highest net promoter results. The customer service teams remained focused and actively engaged with our customers, with service sales continuing to remain buoyant. The return of the sales team in May 2021 resulted in an increase in activity, as they continued to develop their pipelines and identified new opportunities within the various market sectors. Customer retention remained high at 95%.

To complement our current accreditations, we have successfully implemented EN 14065 into our operating plants and procedures. This will enable us to proactively focus on new emerging sectors within the workwear market. To support the sales and service teams, new product ranges were introduced to enhance our existing garment offering. Our dynamic garment catalogue was refreshed with a more modern feel and look, and converted into an electronic version, giving the service and sales teams a more interactive platform to present our product range to the customer. The new product development team, in conjunction with key suppliers, proactively introduced several new key product ranges suitable for the healthcare and pharmaceutical market sectors. The development of a more sustainable and recyclable garment was presented to the business and will be introduced into our garment portfolio shortly. We remain focused on the drive to supply more stock-supported garments, which will significantly improve the garment lead time to our customers.

Chief Executive's Operating Review
Continued >

Following our Employee Engagement survey in 2019, we commissioned a further survey in September 2021 resulting in an improved engagement score of 83%. We received positive feedback on diversity and inclusion and identified both good relationships within the teams and an excellent understanding of the impact of our employees on our quality of service to our customers. Continued development is planned that will enhance the employee engagement experience even further. The Johnsons Academy will continue to provide a development and progression strategy for our employees.

Our new plant in Exeter was successfully commissioned in September 2021. The automated operating systems provide market leading technology and improved efficiencies, and will increase our capacity in the South West by 20%. A significant capital investment programme, focusing on automated upgrades in Perth and Hinckley was undertaken and similar upgrades are being commissioned at other sites. Automation and best in class equipment will continue to form the foundation of our investment strategy.

HORECA Division

The total revenue for the HORECA division was £142.5 million (2020: £100.3 million). Adjusted EBITDA was £26.2 million (2020: £8.7 million) with a margin of 18.4% (2020: 8.7%). Adjusted operating loss was £5.2 million (2020: £31.5 million).

The division was impacted significantly by business closedowns early in 2021. However, there was a strong recovery in the second half of 2021, in line with the hospitality market across the country. Volumes increased during the summer, peaking at 87% of normal in September 2021, before falling in the final two weeks of the year to 60% of normal.

As hospitality businesses re-opened, initial shortages in resources within Stalbridge and London Linen caused supply issues in some of our factory locations. Our operational and service teams responded magnificently under great pressure to ensure service levels returned to our normal high standards as quickly as possible, and our resultant customer survey scores remained high at 84.4%, despite some of the challenges experienced in the height of the summer.

In response to the volatile employment market, we adopted multiple recruitment strategies to attract new employees and introduced new incentives to retain our existing well trained and loyal workforce. In response to the national driver shortage, we started recruiting both internal and external candidates for HGV training with some success. The Employee Engagement score was 79%, with a high score for employee diversity and customer focus. The survey has also identified areas for us to improve in 2022.

We mobilised strategic marketing campaigns, to coincide with hospitality reopening, focusing on areas where the opportunity for additional volume was greatest. This has resulted in a significant number of new sales wins in the second half of 2021, boosting laundry revenue where capacity was available. The outlook continues to be positive as the sales pipeline remains strong.

New boiler installations during 2021 in Glasgow and Milborne Port will deliver more efficient steam generation, whilst a complete re-wire of our Grantham factory will also reduce utility consumption. New ironing lines installed in Sturminster Newton and London Linen will maintain and improve quality, replacing obsolete and high maintenance machinery. Investment in an improved sortation system, unloading areas and additional yard space at Redruth will improve workflow and reduce manual handling.

Our Carbon Trust backed water recycling plant, installed in our Shaftesbury factory, is now fully commissioned, and is returning a significant amount of reclaimed water. We have also completed a successful trial of paper band wrapping on selected linen products, reducing our reliance on plastic wrap, and we will continue to roll this out across the hotel, restaurant and catering estate.

Our Hotel Linen business, which primarily serves the corporate four-star and budget hotel marketplace, experienced significant incremental demand when hospitality opened in May 2021 and initially caused some service challenges. Our service levels were quickly returned to normal levels as demand peaked over the summer. The impact of the Government's introduction of 'Plan' B in December significantly reduced volumes for the last two weeks of the year.

Competition for new employees strengthened during our peak summer period, resulting in increased costs of production. Operating procedures were revisited aligning with Government guidelines to ensure the health, safety and welfare of everyone in our division. The first independent Employee Engagement Survey for the Hotel Linen business was completed in November measuring engagement, enablement and empowerment. A strong response from the workforce resulted in an encouraging engagement score of 83%.

The senior management team has been strengthened with the appointment of a Project Manager, National Transport Manager and Learning and Development Manager. All three appointments were current employees who were able to develop their careers within our business and all three will play pivotal roles in the further development of our people, service and operations.

Our service teams are now back to pre-pandemic staffing levels, providing field and office support to all our customers. The new web-based customer portal is currently undergoing user testing with a view to rolling it out in the second quarter of 2022. This will automate our linen management process, providing customers with online linen ordering, training videos, useful service information and business intelligence reporting. The portal will be complemented with an app-based customer feedback tool later in the year.

Despite the volatility in the hospitality market created by the pandemic, a Customer Satisfaction Survey was undertaken with a score of 84.2%. This survey provides useful customer feedback which will be incorporated into future planned enhancements to our products and services.

Our new £10.0 million production facility in Leeds is fully operational, increasing processing capacity across the Yorkshire and North East markets. Whilst employees transferred from our existing depot in Leeds, we also welcomed a large number of new employees to the business. We continue to invest in new equipment with a £4.1 million upgrade of our largest facility in Bourne, Lincolnshire which will improve working processes and underpin capacity. The project will be delivered in time for the busier spring and summer volume.

The Lilliput laundry business based in Belfast, Northern Ireland joined our division following acquisition in September and we look forward to the future of working together and integrating the business into the wider Hotel Linen business. Investment of £4.0 million into the site is underway and will be completed during the second quarter.

Ongoing Impact of COVID-19

During the first two months of 2022 we have continued to see the impact of the various restrictions on our business, particularly in HORECA. Volumes during January in HORECA were some 70% of normal with an improvement to 85% during February as further restrictions have been lifted. We expect this improvement to continue in the coming months.

System Development

The installation of the new laundry management system within our Hotel Linen plants is almost complete and the installation into Workwear plants is ongoing. The new system in Workwear will allow us to improve the customer experience and further develop our operational functionality to maintain our place as the number one Workwear provider in the UK.

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.

The Board appointed a Head of Sustainability in April 2021 with the initial remit of reviewing current practices and helping to develop our sustainability strategy.

We have recently published the Group's targets for 2030 together with our objectives and plans for 2022 in 'The Johnsons Way' booklet, which can be found on our website at www.jsg.com.

We are committed to reducing our impact on the environment by becoming a positive force for environmental stewardship and incorporating environmental considerations in all our decision-making processes. Working in conjunction with our customers and suppliers, we intend to reduce our carbon footprint by reducing our natural resource consumption and eliminating waste from our process streams.

Our behavioral changes will be the key to our success. By accepting the need for change we have embarked upon a collective approach to eliminate single use plastics, reduce emissions and responsible procurement.

Further details of our ongoing initiatives, together with actions for the future, will be set out on pages 39 to 42.

Employees

Our employees are the foundation of our business and 2021 has been another challenging year for each and every one of them. The continuing and unpredictable impact of COVID-19 has once again tested the strength, resilience and adaptability of our teams and they have worked tirelessly to ensure that we continue to provide market leading customer service.

We have conducted an Employee Engagement survey in both divisions and each of our management teams are launching various initiatives.

We are supporting any employees that are affected by the conflict in Ukraine and facilitating employee fundraising as part of the 'Our Communities' pillar.

The Board would like to thank all of our employees for their support, hard work and significant contribution to the business through these difficult times.

Board Changes

Jock Lennox was appointed to the Board on 5 January 2021 as an Independent Non-Executive Director and Chairman Designate and stepped into the role as Chairman following the retirement of Bill Shannon in May 2021.

Outlook

We remain confident in our medium and long-term growth prospects. Workwear volumes have remained consistent. We have continued to recruit new employees in the HORECA division and have therefore carried additional cost through the winter months, which will impact margin in Q1 but will enable us to meet demand in the coming months. Whilst volumes in HORECA have shown signs of recovery in recent weeks the lower than expected volumes in January and February 2022 has resulted in revenue being some £3.0 million lower. In the absence of further restrictions, or any impact arising from the conflict in Ukraine, we expect volumes to continue to build during 2022 to 2019 levels.

The cost pressures we have experienced in the final quarter are continuing but we have some protection through the fixing of a proportion of our energy costs for 2022 and into 2023. Further mitigating actions are ongoing. We anticipate our EBITDA margin will continue to improve towards pre-COVID levels as we progress through the year.

We are continuing to focus on delivering outstanding customer service and investing in both our employees and our laundry facilities.

Peter Egan
Chief Executive Officer

7 March 2022

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 2021 increased to £271.4 million (2020: £229.8 million).

Adjusted EBITDA was £67.9 million (2020: £53.6 million) giving a margin of 25.0% (2020: 23.3%) and, in-line with management expectations, improving from the 17.0% margin achieved in the first half of 2021. The result includes the benefit of Government support under the CJRS amounting to £9.9 million in the first half of 2021 (2020: £28.2 million full year).

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

	2021			2020		
	Revenue £m	Adjusted EBITDA £m	Margin %	Revenue £m	Adjusted EBITDA £m	Margin %
Workwear	128.9	46.3	35.9	129.5	48.7	37.6%
HORECA	142.5	26.2	18.4	100.3	8.7	8.7%
Central Costs	-	(4.6)	-	-	(3.8)	-
Group	**271.4**	**67.9**	**25.0%**	**229.8**	**53.6**	**23.3%**

The statutory operating profit was £8.4 million (2020: £27.2 million loss) whilst adjusted operating profit was £12.7 million (2020: £11.9 million loss).

The total finance cost was £3.3 million (2020: £4.9 million) and included £1.5 million (2020: £3.1 million) of bank interest and hedging costs, £1.6 million (2020: £1.7 million) of interest in respect of IFRS 16 liabilities and £0.2 million (2020: £0.1 million) in respect of notional interest on pension liabilities.

A net exceptional credit of £6.7 million (2020: £4.3 million charge) comprises the recognition of £5.9 million of insurance proceeds relating to further interim payments for capital items and property costs in relation to the 2020 Exeter plant fire and a final settlement in respect of the Treforest flood, costs of £0.6 million in relation to the demolition of the Exeter site, £0.1 million costs in relation to business acquisitions and a £1.5 million receipt in respect of outstanding Parent Company Guarantees. Further insurance receipts of at least £0.8 million are expected to be received in 2022 as the insurance claim for Exeter is finalised with the insurer.

Adjusted profit before taxation was £9.4 million (2020: £16.8 million loss). Statutory profit before taxation, after amortisation of intangible assets (excluding software amortisation) of £11.0 million (2020: £11.0 million) and an exceptional credit of £6.7 million (2020: £4.3 million charge), was £5.1 million (2020: £32.1 million loss).

Adjusted diluted earnings per share was 2.2 pence (2020: Adjusted diluted loss per share of 3.3 pence). Excluding the impact of the capital allowances super deduction the adjusted diluted earnings per share was 1.7 pence.

Prior Period Restatement

Following recent IFRIC guidance issued in 2021 regarding accounting for cloud-based computer arrangements under IAS38, we have reviewed the accounting for costs incurred in respect of the configuration and customisation of cloud-based software arrangements implemented across the Group. We have costs that have previously been capitalised which, in light of the revised guidance, do not meet the requirements of IAS38 and have therefore been applied as a change in accounting policy under IAS8. As all costs were capitalised prior to 1 January 2020, brought forward reserves have been reduced by £1.1 million, and the intangible asset no longer recognised on the Balance Sheet. The amortisation charged to the Income Statement in the year ended 31 December 2020 was £0.2 million and has been reversed. The adjusted operating loss, adjusted loss before tax and adjusted loss per share have each been restated to reflect this change (see note 40). All adjustments are in respect of the Workwear segment.

Financing

Total net debt (excluding IFRS 16 liabilities) at the end of the year was £22.3 million (December 2020: net cash £6.6 million) with the increase in debt largely explained by a return to more normalised levels of working capital and continued investment in expanding our laundry facilities. Including IFRS 16 liabilities, net debt at December 2021 was £60.1 million (December 2020: £33.6 million).

The Group remains well funded with access to a committed revolving credit facility of £135.0 million which matures in August 2023. The additional £40.0 million facility which originally ran to May 2022 was cancelled by the Group in February 2022. The remaining facility is considerably in excess of our anticipated level of borrowings. We anticipate that the facility will be renewed in the coming months and have commenced discussions with our banks to this effect.

Bank covenants comprise gearing and interest cover tests. With effect from March 2022, gearing, for bank purposes, is 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. The covenants provide significant headroom on our current scenario planning.

Interest payable on bank borrowings is based upon SONIA (LIBOR for loans drawn prior to 1 July 2021) 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%.

Taxation

The tax rate on adjusted profit/(loss) before taxation, excluding exceptional items and the amortisation of intangible assets (excluding software amortisation), was (5.3)% (2020: 18.5%). The tax credit arises as a result of tax losses brought forward from 2020 together with the impact of the super deduction in respect of allowances on capital spend introduced in April 2021. The impact of this super deduction in 2021 is a £2.5 million credit to corporation tax.

A tax refund of £0.5 million (2020: payment of £3.4 million) was received during the year in respect of tax losses in 2019. Due to the impact of both tax losses carried forward and the continuing impact of the capital allowance super deduction we are not expecting to pay corporation tax in respect of 2022. A tax refund in respect of 2020 losses carried back to previous years of some £3.5 million is expected in the first half of 2022.

Dividend

It is not proposed to declare a dividend in respect of 2021. The Board is aware of the importance of dividends to its Shareholders and will look to reinstate its dividend policy once there is more certainty that trading levels will return to, and remain at, more normalised levels.

Cash Flow

Free cash flow in the year was £41.6 million compared to £65.8 million in 2020. Of this, we invested £24.4 million (2020: £21.4 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 £5.3 million (2020: £2.5 million) received as part of the insurance claim in respect of capital items.

Free cash flow in 2021 was impacted by the expected net working capital outflow of £18.3 million (2020: £24.4 million inflow), largely reflective of an increase in trade receivables, as HORECA volumes recovered, and the payment of £10.6 million of

Financial Review

Continued >

VAT, originally due in April 2020, and paid in the year to December 2021. This outflow is as expected and largely reverses the inflow in 2020.

Investment In Textile Rental Items

Spend on textile rental items amounted to £41.8 million (2020: £28.1 million). The significant increase reflects the impact of the pandemic on volumes processed in 2020 and the recovery in 2021. We have continued to work with our chosen workwear and linen suppliers to ensure both are available on a timely basis and this proved beneficial to ensure stock availability during the peak summer months.

Capital Investment

We have continued to invest in plant and equipment, spending £24.2 million in the year plus a further £0.2 million on software. Of this, £2.1 million was in respect of the final spend on the new Leeds high volume linen site. Spend on the new Exeter Workwear plant in 2021 amounted to £10.0 million, and was largely financed by insurance proceeds.

Work started on upgrading our largest Hotel Linen plant in Bourne with spend of £3.1 million in 2021 with the balance to be spent in 2022.

The acquisition of Lilliput (Dunmurry) Ltd on 30 September 2021 continues our strategy of expanding our geographical coverage. We have finalised plans to initially invest £4.0 million at this site to improve workflow, efficiency, and capacity.

Defined Benefit Pension Scheme Liabilities

As at 31 December 2021, the Scheme's assets had reduced by £5.5 million, to £221.2 million, after paying out benefits of £10.5 million during the year. The net deficit, including deferred taxation, has, reduced to £0.9 million (2020: £11.2 million) due largely to an increase in the discount rate utilised in deriving the value of scheme liabilities offset by an increase in the inflation assumption.

We have 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 following the completion of the triennial valuation as at 30 September 2022.

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 £272.4 million (2020: £254.6 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

Since the start of the pandemic in March 2020 the Group has reacted quickly and decisively, 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.

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 2022 and into 2023 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 period to 30 June 2023. As a consequence, and having reassessed the principal risks and uncertainties, the Directors considered it appropriate to adopt the going concern basis in preparing the consolidated financial statements.

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 profit/(loss) and adjusted diluted earnings/(loss) per share from Continuing Operations. In addition, for years 2021, 2022 and 2023, the adjusted diluted earnings per share excluding the impact of the capital allowance super deduction will also form part of the assessment. 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 profit/(loss)' which refers to continuing operating profit/(loss) before amortisation of intangible assets (excluding software amortisation) and exceptional items, 'adjusted profit/(loss) before taxation' which refers to adjusted operating profit/(loss) less total finance cost, 'adjusted EBITDA' which refers to adjusted operating profit/(loss) 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 profit/(loss) after taxation. An additional measure has been introduced for 2021 to state a further 'adjusted EPS excluding super deduction' which amends the 'adjusted EPS' to exclude the short term benefit of the capital allowance super deduction.

The Board considers that 'adjusted operating profit/(loss)', 'adjusted profit/(loss) 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 unchanged and remains 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 finance planned investment.

Yvonne Monaghan
Chief Financial Officer

7 March 2022

Sustainability

"We believe that embedding a best in class sustainability programme throughout our operations will help position us as a leader in responding to the challenges faced by the textile services industry and prove to be a differentiator for our customers."

Peter Egan, Chief Executive Officer of Johnson Service Group

Whilst some progress has been made during the period across a variety of sustainability related topic areas, the Board understands that it is vital that we manage our sustainability programme in a more structured and strategic manner. This will enable evaluation and analysis to be undertaken, allow the Board to review the continued effectiveness and relevance of existing programmes and to ensure the programme remains robust and delivers the long-term goals that the Group is aspiring to.

For JSG to realise the true value of its sustainability contribution, the programme must be embedded across all the Group functions and operations and managed in a strategic manner through discussions within the businesses and inclusion within the business plans. To this end we have spent much of the last year reviewing our sustainability approach, re-affirming our material issues and refreshing our sustainability strategy.

WE DEFINE SUSTAINABILITY AS...

Environmental Stewardship; creating and protecting a viable natural environment
Ensuring we minimise negative impact on the environment we operate in and where possible, maximising positive benefit. Reducing natural resource consumption, eliminating waste and considering our wider environmental impacts such as biodiversity decline and deforestation that is impacted through our supply chain.

Social Equity; developing our internal Johnson family and supporting thriving communities
Taking care of our Johnsons family; encouraging improved health and wellbeing amongst our colleagues, ensuring equality of opportunity and aiming to be the employer of choice in our industry through delivering a first-class employee experience every day. At the same time considering our impact on the communities we operate in and aiming to stimulate positive beneficial change through understanding what good community investment looks like and supporting our local communities to grow and thrive.

Economic Efficiency; employing good governance and responsible business practices
Recognising that growth, change and profit are good things and that they are necessary for a business to survive but at the same time, ensuring we always operate in a responsible way, employing strong ethical practices and governance and cascading these values and behaviours into our supply chain.

We want our new Sustainability Strategy and programme to add to our USP (unique selling point) and to help position us as the market leader and employer of choice in our industry. We are currently undertaking an impact assessment to reaffirm what our key impact and drivers are, ensuring we take into consideration the interests and requirements across our key stakeholders.

We know that our processes are energy and water intensive and that our dense nationwide footprint, whilst positioning us well commercially, also means our impacts on local communities are widespread. We also understand we have significant transport impacts and wider environmental and social impacts further down our supply chain. We are also clear that there are sustainability related opportunities open to us as, fundamentally, our business model is that of circularity by providing a rental and laundry service for our customers.

In our 2020 Annual Report, the Group stated its intention to bring on board an experienced in-house resource to lead a strategic review of all operations in relation to sustainability and to support the Board in defining its long-term goals and setting relevant and realistic targets. We appointed a Head of Sustainability in April 2021 who brings with her over 15 years of experience in developing and embedding sustainability strategies.

Strategic Review and Materiality Assessment

Sustainability is heavily focused on ensuring an organisation understands and addresses its material issues relating to the impacts of its operations. These comprise the environmental and social impacts of the organisation, those topics which affect the long-term success of the organisation, the impacts of the complete value chain and those issues which are identified by stakeholders as being important to them.

As a starting point for the development of the refreshed strategy, the organisation completed a light touch materiality assessment across the whole business taking into consideration the interests and drivers across the Group's stakeholders. These stakeholders include shareholders, customers, suppliers and our colleagues and this activity was undertaken as part of the Group's ongoing stakeholder engagement activities. For more information on how the Group manages its relationships with all of its stakeholders, please refer to pages 33 to 45. Through this process we were able to identify the topics that are the most important and relevant to our key stakeholder groups.

The Group Management Board analysed the findings from the stakeholder priorities review alongside the long-term business strategy and the knowledge and experience of our in-house sustainability specialist. Assessing all of the identified issues for their importance to the future of the Group and the impact that not addressing these issues might have, allowed the Board to confirm our key priorities - or our "material issues" - and these can be loosely grouped together as follows:

People
- Attracting and retaining talent into the next generation
- Ensuring a diverse, fully equal and inclusive workplace
- Creating a positive culture and allowing for real and effective employee engagement

Environmental Protection
- Reducing consumption of energy, water and other natural resources such as raw materials
- Waste reduction - in particular, end of life textiles opportunities and elimination of plastic packaging

Governance and Responsibility
- Ensuring robust application of ethical business practices
- Cascading sustainability ideals and requirements into the supply chain

Communities
- Support of communities local to our operations
- Impact on wider global communities impacted by our supply chain

Sustainability
Continued >

Change today. Change the future.

The Johnsons Way Framework

Our new strategy was launched in February 2022 and outlines the framework under which we will operate going forward and identifies the aims that the Group has set itself. We have reported our sustainability performance for 2021 within this new structure to ensure consistency going forward.

Our refreshed approach to sustainability is called "**The Johnsons Way**" and is how we operate as a business; it integrates sustainability into everything we do and every decision we take; it supports our business strategy and it is a vehicle for us to demonstrate progress towards our long term goals.

The Johnsons Way is structured around four pillars within which JSG commits to deliver specific objectives. These pillars have been selected so that all our stakeholders and communities can clearly see our aims and aspirations in the areas that they consider important to them. We have structured this section of the report around these four pillars to provide transparency and allow for year on year comparison moving forwards.

Sustainability Governance Framework

In order to deliver **The Johnsons Way** commitment, ensure that the sustainability programme is adequate and appropriate and that the Group remains focused on its material issues, we have developed a robust governance framework:

JSG Group Board
The JSG Group Board is fully behind the new approach to addressing our sustainability impacts. It will retain ownership of the Sustainability policy, vision and strategy and responsibility for the approval of the Group Sustainability Targets demonstrating continued leadership from the top.

JSG Group Management Board
The JSG Group Management Board will have responsibility for overseeing the delivery of the approved sustainability policy, vision and strategy. They will receive regular performance management reports and have accountability for ensuring the approved targets remain on track.

Sustainability Committee
We have created a new committee of the Board to provide advice on strategy, compliance and performance. This committee will be chaired by the CEO and report into the Board. Key responsibilities will include:

- Monitoring Group compliance with legislation and radar scanning for new requirements.
- Overseeing periodic materiality assessment reviews to ensure the Group's material issues remain appropriate.
- Providing advice to the Board on strategic approach, sustainability performance and progress towards targets.
- Providing an advisory role to the Board on the Group's appetite and tolerance with respect to climate risks.

Pillar Sponsors and Working Groups
As part of our commitment to delivering the new strategy and framework, each pillar has a sponsor who has been appointed by, and sits on, the Group Management Board. This allows for senior management involvement in the development and achievement of the strategic goals in each area.

Head of Sustainability
The Head of Sustainability will have day to day responsibility for managing the programme and ensuring all aspects are being progressed as required. They will act as a subject matter expert providing strategic guidance and support to the businesses, the pillar sponsors, the CEO and the Board.

Sustainability Champions Network
It is intended over the coming months to create an internal sustainability champions network (SCN) from across our operations. The members of this group will be responsible for delivery of specific tasks, act as a conduit for the flow of information throughout the business and be a champion of the sustainability programme in their day to day roles.

Sustainability Reporting
The Group intends to produce a specific and separate Annual Sustainability Performance Report and further details on the programme, performance data and ongoing initiatives will be available in that document. We aim to produce the inaugural report during 2022.

JSG Vision 2030 Targets and 2022 Objectives
To underpin our aims across the four pillars of **The Johnsons Way**, we have recently published a Vision 2030 statement which sets out our future goals for the Group, including what we consider are challenging but achievable targets. Whilst these goals and targets were not in place during the reporting period, we have made reference to them where appropriate and have included them in full below for completeness.

The Vision statement and targets can be found on our website at **www.jsg.com/about-us/sustainability**

Sustainability
Continued >

By 2030 we commit to have:

Our Family

- Increased gender and ethnic diversity at all levels of the organisation
  - Female representation at management level and above will be a minimum of 25%
  - Implemented an effective Equality, Diversity & Inclusion (ED&I) programme
- Better utilised The Academy to support our people on their journey with us through formal career paths and life-long learning

Our World

- Reduced our carbon footprint intensity by 40% *
  - Commenced the implementation of our Low Carbon Transition plan
  - Converted our company car fleet (and small commercial vehicles where practical) to EV (or other non-fossil fuelled combustion power)
- Reduced the water volume intensity across our operations by 25%
- Reduced the waste sent for disposal by 75% and
  - Developed processes for recycling all our end of life textiles and
  - Eliminated all single use plastics in our products and services

*Does not include our supply chain Scope 3 emissions

Our Integrity

- Transitioned our service and product offerings to prioritise sustainable options
  - All our Businesses will have fully sustainable core products as preferred options
- Implemented a Supplier Sustainability Framework and Customer Code of Conduct across all Tier 1 suppliers and customers
- Ensured our own ethical business practices remain suitable and relevant and that our staff know the requirements
  - All our staff have undergone the JSG Code of Conduct training
  - Our Senior Managers have completed JSG Ethical Business training

Our Communities

- Continued to support our communities through charitable fundraising and giving
- Developed collaborative partnerships with our local and global communities to support education, environmental protection and entrepreneurship
- Increased our overall social value spend as a percentage of our annual revenue

To ensure we remain focused on our Vision 2030 Commitments we have set a number of objectives within each of the four pillars to be achieved during 2022. The intention of these objectives is to ensure there is a solid foundation for us to make progress towards our 2030 goals.

The 2022 Objectives will have individual targets and key performance indicators (KPIs) agreed which will be monitored and reported to the Board. The objectives are detailed in each of the pillar sections below.

Our Family

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. The Group's aim is to be the employer of choice in our industry through delivering a first-class employee experience every day for all our colleagues, those who are permanent members of our family and those who may only provide peak season temporary support.

The **Johnsons Family** means ensuring everyone feels that they are included and valued and that they belong, that all our colleagues have equality of opportunity and reward, that we support improved health and wellbeing in our teams and that we foster a positive culture with open and honest engagement and communication.

As we develop the actions we intend to take in this pillar, we will focus on ensuring we have a robust ED&I programme, developing our Academy to provide life-long learning and career path frameworks and putting effective plans in place to continue to improve our culture and behaviours.

Health, Safety & Wellbeing (HS&W)

The health, safety and wellbeing (HS&W) of our colleagues, visitors and others impacted by our operations is a priority for us. The Board is aware of its responsibilities on all matters of HS&W and has nominated Peter Egan, CEO, 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.

We have identified the following key trends in our 2021 accident types:

- Cuts/Abrasions
- Manual Handling
- Slips & Trips
- Hit by Moving/Falling object

To address these, we have undertaken a number of initiatives including the development and implementation of mandatory H&S induction modules across the whole Group for both new and existing staff. We have also refreshed our H&S support information through the launch of a new online portal available for staff to access at any time.

Specific training packages to address identified areas for improvement have been rolled out including cage handling training. We are also in the process of developing a new transport safety video and training package for launch in 2022.

JSG has a Group wide HS&W policy statement which outlines our commitments to maintaining and improving the health, safety and welfare standards throughout the Group. This statement is reviewed by the Board on an annual basis and published on the internal intranet system. It is brought to the attention of all employees and copies are available upon request to all relevant parties.

The Group Board requires that all of our businesses implement a clearly defined HS&W policy that aligns with the overall JSG framework, formal HS&W procedures and safe systems of work that are relevant to their operations and risks.

HS&W 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.

The central Technical Department is responsible for the HS&W management on a day to day basis, with their primary objective to ensure that safety standards are met. The team undertakes annual assurance reviews of the business systems to ensure they are suitable, sufficient and fit for purpose. They are also responsible for horizon scanning to keep abreast of, and inform on, new safety legislation and the completion of annual audits of all sites to ensure compliance with the relevant policies, procedures and system requirements. The results of all audits are presented to the Board.

The Technical Team are also responsible for the quality monitoring systems which operate throughout the business and maintain them in respect of new processes, equipment and standards. An ongoing review of other relevant accreditations that complement and support our business processes is also undertaken, an example being the implementation of EN 14065. Proactive management of Planned, Preventative Maintenance (PPM) is achieved via a pre-determined programme, ensuring all equipment is maintained to relevant safety and performance expectations. Capital investment projects are supported by providing expertise on utilities, energy management, labour efficiency and engineering management to ensure delivery to time and budget.

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.

COVID-19

We continue to operate across the business in compliance with local COVID-19 requirements. Precautions included the wearing of masks or face shields, social distancing, temperature checks and enhanced cleaning regimes for those who were required to be on site with remote working and travel restrictions recommended for applicable staff.

Sustainability
Continued >

Our Family

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.

Equality, Diversity & Inclusion (ED&I)

We strive to provide an engaging and motivating workspace and are committed to delivering equality of opportunity for all. We want all of our Johnsons family members to feel that they belong.

We have a number of policies at a Group and Business level to ensure our commitments in these areas are embedded throughout our operations, specifically in respect of matters such as training, career development and promotion. 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.

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.

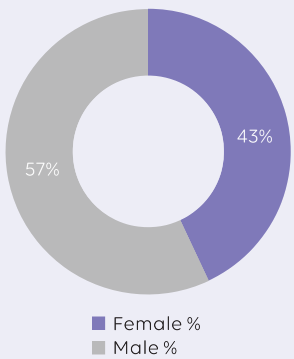
Gender Equality

We consider a diverse range of candidates for employment and promotion and we continue to progress the levels of representation of women within our teams.

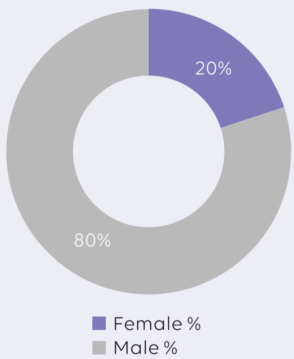
Our male to female ratio is 57% to 43% across the whole Group. These numbers vary slightly within the individual businesses due to the nature of the operations undertaken. Within our senior ranks, the gap is wider, and we are actively working to address this. We have set ourselves a target of 25% female representation within the senior management teams as part of our 2030 commitments.

We report our Gender Pay Gap on an annual basis and our current and historical reports can be found on our website at **www.jsg.com/gender-pay-gap**. Please also see page 107 of this report for more information on specific 2021 data.

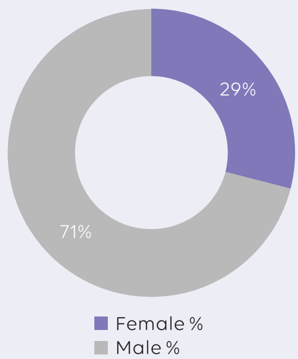
Gender Split: Johnson Service Group PLC



Gender Split: Johnson Service Group PLC Board



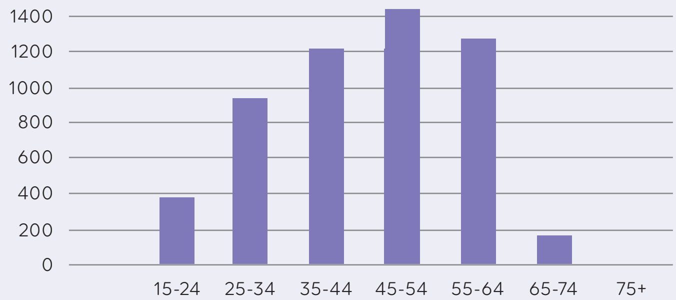
Gender Split: Johnson Service Group PLC Management Board



Age

We are conscious that our workforce age profile is higher than the norm and we are actively addressing this as part of the development of the Our Family pillar. We know that to attract and retain the next generation of talent will require us to consider changes to our employee value proposition (EVP) and we are considering what this may involve.

Age profile in numbers of staff across Johnson Service Group PLC



Our Family

Nationality

We recognise that we have a multi-national and multi-cultural workforce and that brings its own opportunities and challenges. We are committed to ensuring all colleagues feel included and part of The Johnsons Family and actively encourage initiatives to promote greater inclusion.

Due to recent changes of HR systems across the business, there are complexities with reporting nationality and ethnicity statistical information at present. We are undergoing a data cleanse and refresh exercise to be in a better position to report nationality and ethnicity moving forward. We also recognise that the data we have reported to date is fairly high level and needs to be more granular. We intend to develop a more detailed diversity baseline across our four priority identified areas of age, gender, nationality and ethnicity.

Culture & Engagement

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.

Our Vision and Values can be found on page 12.

The success of our business is dependent upon a strategy which benefits our investors, employees, customers, 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.

Employee communication and consultation

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.

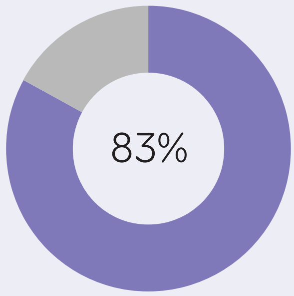
We have formalised consultative bodies in a number of our sites, including collective bargaining through recognised trade union bodies at three sites. Many of our sites also have more informal employee representative groups and H&S committees.

Employee Engagement

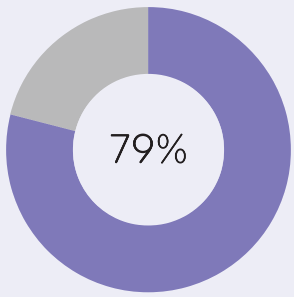
During 2021 each of our businesses undertook employee engagement surveys and the summary findings can be seen below.

Overall Engagement Scores from the Survey

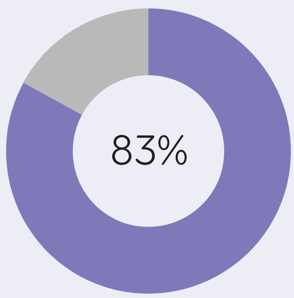
WORKWEAR



HOTEL, RESTAURANT AND CATERING LINEN



HOTEL LINEN



Sustainability
Continued >

Our Family

Whilst 2021 was the first time we have undertaken an employee engagement survey across our HORECA division it was the second time we have encouraged our teams to "Have Your Say" in our Workwear division and we are pleased to see a slight improvement in the overall engagement score.

Across the three surveys completed we scored highly in areas such as employee commitment to the company (85-86%), pride at the service provided (85-87%), employees having appropriate levels of freedom to do their job well (84-91%) and staff feeling they are a trusted member of the company (84-89%).

Key themes of opportunities for further improvement include the following:

- Leadership visibility and communication
- Creating a buzz around wellbeing
- Perception and promotion of pay and benefits
- Engagement around training, development and careers

The results of the surveys have been communicated to the senior management teams for each business and actions plans to address the areas for improvement identified are currently being developed. This will also include the reinvigoration of employee focus groups with representatives from across all levels of the individual businesses to help ensure actions taken are relevant.

Nick Gregg is the Non-Executive Director responsible for Workforce Engagement. The Baord intends that Nick will attend a number of employee focus groups during 2022 in order to hear and discuss further the ideas and concerns of the workforce.

The next steps for employee engagement in Workwear

Our 2022 areas of focus from the Employee Engagement surveys are;

1. Promoting Health and Wellbeing;
2. Trust in Leadership, Active Listening;
3. Investing In Learning and Development; and
4. Giving Something Back.

In addition, each site has received their own specific feedback from ETS, our survey partner, and from this will agree further areas to focus on, which will have the most impact on improving the employee experience at each specific location.

We have reinstated our Focus Groups at the sites and Head Office departments to address actions at each location or department. We have also set up a Core Focus Group to address the business actions and also to support the plants with their actions. This is led by the Workwear Managing Director and we have created a plan for the year to ensure actions are taken and managed within the required timescales.

We have also created a new role dedicated to the promotion of Employee Engagement across the business, to support the Focus Groups, to co-ordinate actions and provide advice and support.

This year, more emphasis has been placed on providing the tools and support to our employees to allow them to take ownership and to make the best decisions to improve their Employee Experience.

Our Family 2022 Objectives

Aim	Objectives
Create a First-Class employee experience	• Furthering our ED&I commitments and programme • Developing a positive culture and effective engagement programme

Our World

JSG understands that it is inevitable that our business operations will have an environmental impact, our processes are energy and water intensive; however, our business model is fundamentally one of circularity through the provision of textile rental and laundry services.

We are committed to going beyond simple regulatory compliance when addressing our environmental impacts and instead will aim to be a positive force for enhancement of our natural world, incorporating environmental considerations into all of our decision-making processes.

This pillar will focus on reducing natural resource consumption, eliminating waste and considering our wider environmental impacts such as biodiversity decline and deforestation that is impacted through our supply chain.

Board Responsibility for Environment issues

The Board is aware of its responsibilities with regards to environmental impacts and receives regular reports on all environmental matters. Peter Egan, CEO, is the nominated Executive Director responsible for Health and Safety and the Environment.

Energy Consumption and Carbon Emissions

The UK Parliament set a legally binding target in June 2019 to reduce its greenhouse gas emissions by 100% by 2050 (from 1990 levels). In the sixth carbon budget delivered in April 2021 this target was revised to add a milestone requiring a reduction of 78% by 2035, effectively bringing forward the commitment date.

The target is aligned with the Paris Climate Agreement (and the recent discussions at COP26 in Glasgow) which has a pledge by 195 countries to limit global warming to below 2° Celsius.

It is an ambitious target and it is clear that it will only be achievable if business, the public sector and governmental organisations set transformational, science-based targets, backed up by robust action plans over the short and longer term.

As part of our refreshed approach to sustainability we have set ourselves what we consider to be a challenging carbon reduction target – to achieve 40% reduction in our CO_2e intensity by 2030. We are conscious that this is not a net zero commitment, however, we are in the early stages of our low carbon transition and management journey and believe it is realistic and achievable. We are also aware that our current emissions data, and this target, does not yet address our wider Scope 3 emissions, including those of our supply chain and our product inventory. We have committed this year to furthering our understanding in this area and have set ourselves a number of objectives to support our ambitions around carbon reduction which include the implementation of mandatory Energy Management Plans at all sites, the development of a low carbon transition plan for the Group and agreement on the scope and methodology for calculating our supply chain Scope 3 emissions.

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 2021. 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 2021.

JSG has applied an 'operational control' approach to define the Group's emissions boundary and scope. 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. The most significant omission is that of our Scope 3 supply chain emissions, which we hope to include in next year's report, and we are exploring methodologies and models that will assist us in those calculations.

2021 Group Energy and Carbon Emissions

Johnson Service Group's greenhouse gas emissions, reportable under SECR for the reporting year 2021 were 72,235 tonnes CO_2e.

Our greenhouse gas (GHG) emissions were 0.17% higher than in the previous year. These emissions included all material Scope 1 and Scope 2 emissions required to be disclosed by legislation, plus additional Scope 3 emissions included voluntarily.

Emissions due to gas are down 1% when compared to the previous reporting period. Emissions due to transport increased by 11%, however, emissions for purchased electricity have decreased by 20%. In the previous reporting year, the emissions from Commercial Fleet, Company Cars and Grey Fleet were all reported together under "Transport".

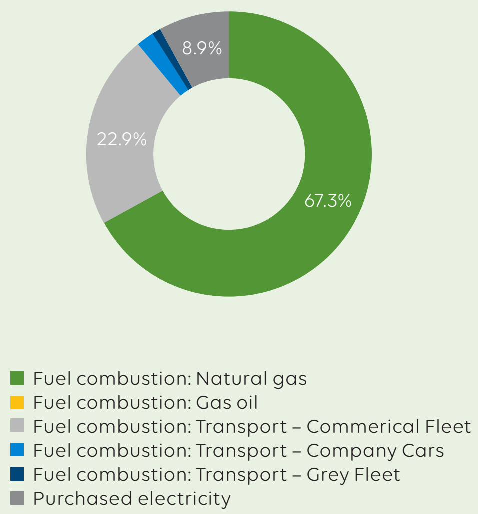
The absolute tonnes of carbon dioxide equivalent (tCO_2e) totals have been normalised using a relevant quantifiable factor to create a specific intensity ratio. The intensity ratio calculated for the Group is tCO_2e per £million of revenue.

Emissions source	2021	2020	Share (%)	YoY Variance (%)
Fuel combustion: Natural gas	48,631	49,145	67.32%	(1.05%)
Fuel combustion: Gas oil	34	–	0.05%	–
Fuel combustion: Transport – Commercial Fleet	16,506	14,858	22.85%	11.09%
Fuel combustion: Transport – Company Cars	474	–	0.66%	–
Fuel combustion: Transport – Grey Fleet	138	–	0.19%	–
Purchased electricity	6,452	8,112	8.93%	(20.47%)
Total emissions (tCO_2e)	**72,235**	**72,115**	**100%**	**0.17%**
Revenue	£271.4m	£229.8m		
Intensity: (tCO_2e per £m)	**266.2**	**313.8**		**(15.17%)**

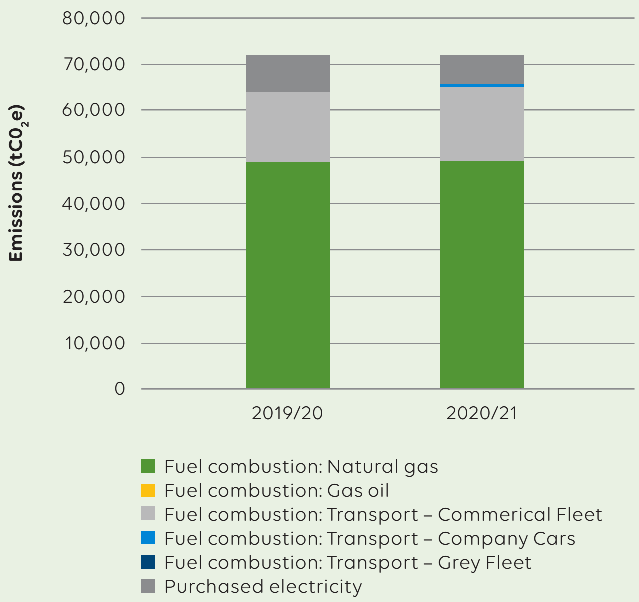
Sustainability
Continued >

Our World

The chart below shows GHG emissions by source for 2021 where emissions from electricity (8.9%), natural gas (67.3%) and transport commercial fleet (22.9%) dominate.



The chart below shows GHG emissions by year and by source



Total energy consumption across the group has decreased by 12% during 2021. This can be seen in the table below which details consumption by emissions source. Natural gas consumption has reduced by 15%, commercial fleet by 4% and electricity by 13%. In total the consumption for the whole group has reduced by 12%. However it should be noted that COVID-19 has affected our normal operations which will have had an influence on consumption.

Emissions source	2021	2020	Share (%)	YoY Variance (%)
Natural gas	226,707,487	267,279,079	72.39%	(15.18%)
Gas oil	108,520	–	0.03%	–
Transport – Commercial Fleet	56,075,418	58,129,198	17.90%	(3.53%)
Transport – Company Cars	1,814,202	–	0.58%	–
Transport – Grey Fleet	563,659	–	0.18%	–
Electricity	27,915,204	32,041,055	8.91%	(12.88%)
Total consumption (kWh)	**313,184,491**	**357,449,332**	**100%**	**(12.38%)**

It is standard protocol to define greenhouse gas (GHGs) emissions by scope:

Scope 1: direct emissions arising from activities on site, including combustion of fuels to heat buildings, the use of fuel in company owned vehicles, refrigerant gas leaks, and use of industrial gases.

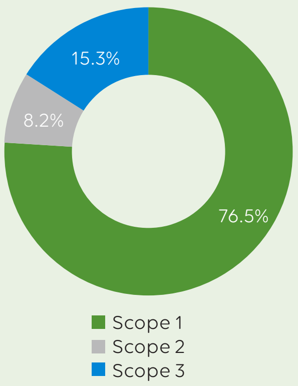
Scope 2: indirect energy emissions from purchased electricity, heat or steam.

Scope 3: indirect emissions such as those associated with the transmission and distribution losses of electricity, grey fleet transport and well-to-tank losses.

Our World

The split of reported emissions by scope is shown in the table and chart below

Emissions source	2021	2020	Share (%)	YoY Variance (%)
Scope 1	55,283	63,873	76.53%	(13.45%)
Scope 2	5,927	7,470	8.21%	(20.65%)
Scope 3	11,025	772	15.26%	1327.99%
Total emissions (tCO_2e)	**72,235**	**72,115**	**100%**	**0.17%**



The figures include all material Scope 1 and 2 emissions, plus Scope 3 emissions for employees' own vehicles used for business purposes, purchased electricity related transmission and distribution (T&D) losses and gas consumption associated "well-to-tank" losses both of which are considered best practice. It bears noting that the latter was not included in the calculations for 2020 and, therefore, accounts for the significant increase in Scope 3 emissions.

Scope 1 emissions together are the largest contributor to our reported emissions as they make up 77% of the total and they are primarily associated with the combustion of natural gas and fuels used in commercial vehicles. The remaining Scope 1 emissions come from company car transport as well as gas oil usage. Scope 1 emissions have reduced by 13% when compared with 2019/20, with this drop attributable to natural gas consumption (kWh) decreasing by 15%. The majority of the Group's gas usage comes from our operational sites and with the year being largely affected by COVID-19 these were not all operating at full capacity in comparison to previous years.

Scope 2 emissions come entirely from purchased electricity and emissions from this source contribute 8% of the total. Scope 2 emissions have decreased by 21% when compared to 2019/20. This is due to the fact that the consumption (kWh) from electricity at the Group has dropped by 13% and the conversion factor from electricity kWh to tonnes CO_2e has decreased from the previous year (due to the electricity grid mix getting greener). Consumption will have been impacted by COVID-19 sites being mothballed therefore this reduction may not prove to be permanent once we return to full operation.

Scope 3 emissions make up the remaining 15%. These have come from transmission and distribution losses from purchased electricity supplies and grey fleet transport. Well-to-tank losses have also been included for natural gas supplies, gas oil supplies and commercial fleet and company car fuel usage where volume data was available for conversion.

Energy Efficiency and Carbon Emissions Initiatives and Recommendations

During 2021 we continued to undertake relevant energy and carbon related initiatives such as:

- Improving our data collection and reporting tools and methodologies which have enabled us to more fully report our carbon emissions for this reporting period. We are in the process of reviewing financial reporting tools e.g. expenses system to ensure even more accurate data collection moving forward
- Developing ***The Johnsons Way*** – our refreshed approach to sustainability and have set and published our Vision 2030 statement and targets, which include a specific CO_2e reduction target
- Continuing to roll out a fleet management tool, not only to better manage fuel consumption but also to support increased driver safety through tracking of speeding and excessive braking
- Utilising route optimisation methodologies to ensure, wherever possible, the most efficient and economical delivery circuits are adopted
- Working with our energy consultants to identify opportunities to procure a greener electricity tariff and identify potential locations for onsite generation

We have set ourselves a number of objectives for the coming year to support our ambitions around carbon reduction which include the implementation of mandatory Energy Management Plans at all sites, the development of a low carbon transition plan for the Group and agreement on the scope and methodology for calculating our Scope 3 emissions.

Sustainability
Continued >

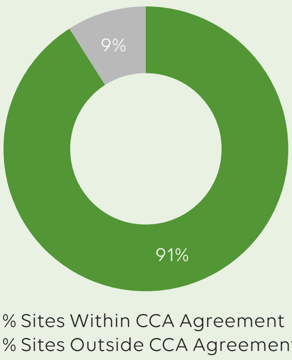
Our World

Company Car Fleet Transition to Electric Vehicles
In our 2020 Annual Report we stated our intention to review the feasibility of introducing electric vehicles, where practicable, into our company car scheme. This pilot is currently ongoing and demonstrating significant benefits, both to the business and to individuals. There are currently a number of colleagues across all levels of the business who are involved in the pilot and feedback to date has been overwhelmingly positive. It is clear that the EV industry is moving at pace and we intend to ensure we make the most of the opportunities offered in terms of running costs and engagement. We are currently reviewing the company car list to encourage the uptake of EV's across the Group where feasible and, as stated in our 2030 targets, we intend to fully transition our company car fleet to electric by 2030 at the latest.

Climate Change Agreement (CCA)
The Group is party to an industry-wide Climate Change Agreement (CCA), 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.

The current scheme is due to continue until to December 2022, "Target Period 5", and a total of 32 of our operational sites were within the scheme as at the end of 2021. A further three sites will be brought into the scope of the Agreement in early 2022.

Operational Plants within Climate Change Agreement Scheme



Task Force on Climate Related Financial Disclosures ("TCFD")

Framework
The TCFD has developed a framework to assist companies in more effectively disclosing climate related risks and opportunities through their existing reporting processes. The core elements, or pillars, of the framework are as follows:

1. Governance: the organisation's governance around climate-related risks and opportunities.
2. Strategy: the actual and potential impacts of climate related risks and opportunities on the organisation's businesses, strategy, and financial planning.
3. Risk Management: the processes used by the organisation to identify, assess, and manage climate related risks.
4. Metrics and Targets: the metrics and targets used to assess and manage relevant climate related risks and opportunities.

Each of the above elements has a number of associated recommended disclosures.

As an AIM listed company, it is not currently mandatory for the Group to report against the TCFD framework however, the Board recognises that climate change is a principal risk posing potential challenges to our business and throughout our value chain. The Board also recognises its duty to stakeholders to operate the business in an ethical and responsible manner and is committed to developing its sustainability strategy and framework, recognising that it can play a major part in leading and influencing all of our people and operations.

We have, therefore, provided relevant disclosures within this Annual Report where the information is available and evidencable and are currently developing a transition plan to ensure we are able to provide further and more detailed disclosures going forward.

Governance
Subsequent to the year end, and linked to the launch of our refreshed sustainability strategy in February 2022, an additional Committee of the Board, the Sustainability Committee, was established. The Sustainability Committee's purpose is to assist the Board in the discharge of its duties relating to the Group's corporate and societal obligations and its reputation as a responsible corporate citizen. As we increase our focus on climate impact, the oversight, remit, and responsibilities of the Sustainability Committee are also likely to increase.

Recommended Disclosure	Page Reference
Describe the Board's oversight of climate-related risks and opportunities.	Sustainability Committee page 31 Risk Management page 46
Describe management's role in assessing and managing climate-related risks and opportunities	Risk Management page 46

Our World

Strategy

Our refreshed sustainability strategy, **'The Johnsons Way'**, was launched in February 2022 and outlines the framework under which we will operate going forward. The strategy sets out our '2030 Vision' and, to ensure there is a solid foundation for us to make progress towards our 2030 goals, we have also set a number of objectives to be achieved during 2022. The 2022 objectives will have individual targets and key performance indicators agreed which will be monitored and reported to the Board.

Recommended Disclosure	Page Reference
Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	Principal Risks page 52
Describe the impact of climate-related risks and opportunities on the organisation's business, strategy, and financial planning.	N/A
Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2° Celsius or lower scenario.	N/A

Risk Management

Climate change is becoming more significant and, as such, has been identified as a principal risk to the Group. 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. Failure to appropriately demonstrate that, as a business, we are committed and moving towards net zero carbon emissions could negatively impact our brand and also impact our ability to operate and/or remain relevant to our customers and consumers.

Recommended Disclosure	Page Reference
Describe the organisation's processes for identifying and assessing climate-related risks	Risk Management page 46
Describe the organisation's processes for managing climate-related risks	Risk Management page 46
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Risk Management page 46

Metrics and Targets

'The Johnsons Way' sets out our 2030 Vision and a number of initial objectives to be achieved during 2022. The roadmap to achieve our targets comprises targeted actions including conversion to renewable electricity and electric vehicles, working with our suppliers on more sustainable sourcing methods and further capital investment in our business. We have set ourselves a number of objectives for the coming year to support our ambitions around carbon reduction which include the implementation of mandatory Energy Management Plans at all sites, the development of a low carbon transition plan for the Group and agreement on the scope and methodology for calculating our supply chain Scope 3 emissions.

Recommended Disclosure	Page Reference
Disclose the metrics used by the organisation to assess climate related risks and opportunities in line with its strategy and risk management process.	Principal Risks page 52 Carbon Emissions page 37
Disclosure Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Carbon Emissions page 39
Describe the targets used by the organisation to manage climate related risks and opportunities and performance against targets.	Our World Section page 37

Water Management

We are currently in the process of finalising our 2021 water data and this will be considered our baseline year. We have identified a number of complications with obtaining this data and are implementing improved methods to ensure more accurate and transparent reporting for future reports.

As with other areas already detailed, we have set ourselves a challenging 2030 target for water reduction and will continue to develop our plans for achieving this over the coming months. As part of these efforts we have committed to the development of individual site water management plans across the Group to provide local managers greater information to enable them to make more informed decisions with regards to water efficiency measures.

We collaborate closely with our suppliers and partners to explore new technologies and equipment that will help us reduce our consumption over the coming years.

Sustainability
Continued >

Our World

The Pulse Project at Johnsons Stalbridge

We continue to trial an innovative system using hollow fibre ceramic membranes to optimise the reuse and recycling of process water at one of our HORECA sites. The design of this system allows for greater cleansing of the water than other technologies and therefore allows more of it to be put back into circulation for reuse in the cycle. This project is also trialling membranes coated with graphene to increase the cleaning.

Early results are promising, and we are optimistic that the longer-term trial that is currently underway will demonstrate positive savings that we can then use to consider further deployment across the Group.

Waste Management

Across the Group we produce a significant volume of waste including, plastics and other packaging, general waste, end of life textiles and other industrial wastes. We have robust processes in place to ensure each site manages their waste in accordance with local regulations. To date however, we have not adopted a centralised and strategic policy or method for calculating total volumes, except for those we are legally required to disclose (such as packaging).

As part of our 2022 objectives we have committed to developing a robust and complete waste baseline for 2022 and therefore should be able to report more fully going forward.

In addition, we know that there are a number of specific areas that will require focus this year including:

- The development of a Group policy/position on single use plastics
- Streamlining of waste management suppliers/contractors
- Exploring opportunities to better manage end of life textiles

Infinity Textiles Pilot project

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.

Our World 2022 Objectives

Aim	Objectives
Become a positive force for environmental stewardship	• Developing our approach to low carbon operations • Exploring water efficiency opportunities • Better understanding our waste generation and management

Our Integrity

JSG recognises that growth, change and profit are good for the Group and that they are necessary for a business to survive. At the same time, we also understand that we must ensure we always operate in a responsible way through the employment of strong ethical practices and governance.

We also accept that our indirect activities are wide and varied and that effective change will only be possible by cascading and supporting the sharing of our values and behaviours into our value chain and working in partnership with our customers and suppliers.

This pillar will focus on ensuring our processes and procedures are of the highest ethical standards. We are developing improved supplier and customer frameworks to align our goals wherever possible and embedding processes to ensure compliance with all of our requirements.

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 act with honesty, integrity and fairness to others to ensure the Group meets 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.

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.

As part of the Group's commitment to ethical trading standards a declaration of interests in suppliers is required to be undertaken by all employees who are considered to be influential with regards to the ordering of goods or services from suppliers. The purpose of the declaration is to ensure that there is complete clarity of interest between the parties to a transaction and that the independent judgement of employees is not impaired. Group employees, agents and other representatives are prohibited from giving or receiving money or gifts which could be construed as bribes. The policy does not prohibit normal and appropriate hospitality (given or received) to or from third parties, nor does it prohibit giving or accepting gifts of low monetary value as long as it does not influence, or have the appearance of influencing, an employee's objectivity or decision-making.

During the coming year we intend to review these policies and develop suitable and appropriate training packages to ensure all colleagues fully understand our compliance requirements. We have identified specific groups within our operations who are more at risk to potential exposure in these areas and an additional training package will be developed for them.

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. A dedicated and confidential Whistleblowing service is available to employees should anyone wish to report perceived improprieties. Reports can be made via a dedicated telephone number and email address or in writing to the Non-Executive Directors via the Company Secretary. The Whistleblowing policy is displayed at all sites and is also available on our internal intranet system. It provides examples of ethical wrongdoing including bribery, corruption, fraud, dishonesty and illegal practices which may endanger employees or other parties.

Arrangements are in place to ensure that any reports are followed up and the appropriate action taken.

Group Modern Slavery Statement

We publish our Modern Slavery Statement annually on our website at **www.jsg.com/modern-slavery-statement**.

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.

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.

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.

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.

Sustainability
Continued >

Our Integrity

Risk Management Approach
The Board has overall accountability for ensuring that risk is effectively managed across the Group and this also includes those risks relating to sustainability. Climate change and energy costs is identified as a principal risk to the Group and mitigation identified includes investing in sites, installing the latest technologies and ensuring energy efficiency measures are utilised.

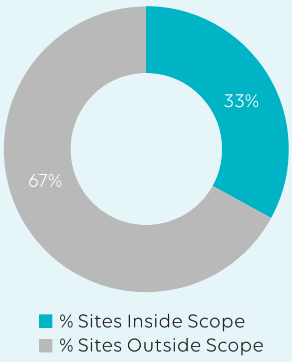
As part of our action plan towards reporting more fully under TCFD we are reviewing our approach and methodologies to ensure they are appropriate and fit for purpose.

For more information on our risk management approach and processes please refer to page 46.

Other Sustainability Risk
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 sustainability improvement to be made.

Environmental Management and ISO14001
ISO 14001 is the international standard that specifies requirements for an effective environmental management system. It provides a framework that an organisation can follow, to identify and address environmental issues, control impacts, ensure legal compliance and monitor performance. All of our operational sites are required to have procedures in place that align with the requirements of the standard and a number of them are formally certificated to ISO 14001.

ISO 14001 Certification Scope



Social Risks
Historically we have utilised a variety of methods for identifying potential social risks, particularly those within our supply chain and these include the use of platforms such as Intertek to perform social audits on our key suppliers. These audits take the form of a questionnaire that includes questions on topics such as modern slavery, staff welfare, H&S etc. We have identified that it would be of value to the Group to implement a more bespoke Supplier Framework that is designed to more suit our needs, supplier operations and geographical locations and potential risks and have committed to developing this over the coming months. This framework will also include a consistent approach and format for supplier audits and assurance.

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 undertake customer satisfaction surveys from 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.

As stated above, we are in the process of developing a customer code of conduct that will set out the desired sustainability attributes and principles we would like our customers to share. We intend to work collaboratively with our customers to align our requirements with their goals wherever possible.

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 our supply chain are aware of, and are actively addressing, their environmental and social risks and impacts. We intend to formalise these into a Framework which all our suppliers will be required to sign up to and comply with in the future.

Our Integrity 2022 Objectives

Aim	Objectives
Act with Integrity and ensure the highest standard of ethics	• Operating as a responsible business • Being clear with our suppliers on our sustainability expectations • Collaborating with our customers to align sustainability goals

Our Communities

The ideas of community investment and philanthropic support are embedded in the Group history and culture. We believe that social impact value is about providing meaningful and effective support to the communities local to our operations and that we can and should be making a real difference to projects and initiatives that are important to them.

Through the development of partnerships and collaboration with community groups and organisations we can support and stimulate local social entrepreneurship and innovation which will deliver change and lasting improvement.

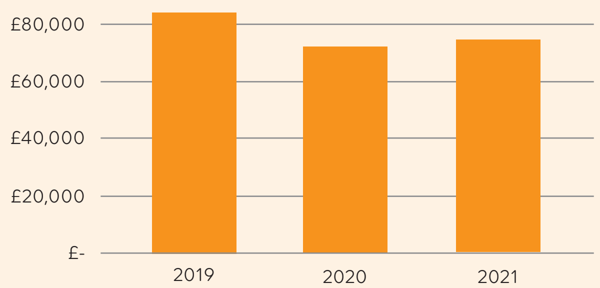
This pillar will focus on tactical actions that realise our aspiration to provide hands on support, utilising both monetary donations and sharing the expert talent we employ we will be able to develop long term relationships that will deliver real benefit to those communities that host us.

As part of our 2030 targets, we are committed to increasing the value of our donations in proportion to the revenue across the Group. We have reported our social value activities for the first time here to enable us to be more transparent in showing this increase in the future.

Charitable Support

During 2021 we provided a total of just over £74,500 in direct and in-kind donations across the Group. These donations included direct contributions to local charities and community organisations, matched funding of staff fundraising activities, support of educational initiatives across the industries we are active in and the provision of our own products and services (e.g. towels donated to animal shelters, washing of garments for homeless centres etc).

Total Value of Donations 2019 - 2021



Our Johnsons family are very much active in their communities and despite the constraints of the COVID-19 pandemic continue to fundraise to support their chosen good causes. Since 2019 in addition to the funds donated by the Group, our colleagues have raised more than £22,000 to support those in their communities.

Community Investment

We continue to support relevant organisations who are working in areas that align with our sustainability aims through partnerships and memberships. We also have developed a number of close relationships with schools and other academic institutions that are near to our sites. We work with them on a variety of initiatives, for example one of our Workwear sites made an educational video for their local special needs college.

Johnson Service Group is a proud member of Better Cotton and is committed to improving cotton farming practices globally.

In 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. 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 Better Cotton to help encourage sustainable purchasing of textiles through our supply chain and throughout our industry.

The BCI is a global not-for-profit organisation and the largest cotton sustainability programme in the world. Better Cotton's mission is to help cotton communities survive and thrive, while protecting and restoring the environment.

Better Cotton is sourced via a chain of custody model called mass balance. This means that Better Cotton is not physically traceable to end products, however, Better Cotton Farmers benefit from the demand for Better Cotton in equivalent volumes to those we 'source'.

We are committed to increasing the percentage of better cotton we source and are in the process of setting a formal target to be achieved in line with our Vision 2030 Targets.

Fashion & Textile Children's Trust

The Group continues to work in close partnership with a UK registered charity, the 'Fashion & Textile Children's Trust', who specialise in offering grants to families working within the fashion and textiles industry 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 our sector.

We are conscious that the Group could, and should, be doing more to support those communities that are impacted by our direct operations and those of our global supply chain. We have identified a number of areas for us to focus on this year and these include developing a formalised staff volunteering model and undertaking in-depth analysis of our potential social value impact.

Our Communities 2022 Objectives

Aim	Objectives
Support the development of thriving communities	• Developing a better understanding of our social value impact and opportunities • Supporting our Johnsons family to give back to the communities

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 2021, and other than as described below, the overall risk environment remained largely unchanged from that reported within the Group's 2020 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's operations have been significantly disrupted due to the COVID-19 pandemic and associated containment initiatives. As previously reported, the Board did not establish a specific principal risk in relation to the COVID-19 pandemic, or for future potential pandemics, but instead considered how each of our principal risks and uncertainties have been impacted by it. Detailed disclosures were set out on pages 39 and 40 of our 2020 Annual Report and Accounts and an update was provided within note 26 of our 2021 Interim Report.

The risks associated with the pandemic are reducing as the UK progresses with its vaccination programme and lifts the restrictions on its economy. Nevertheless, the current public health situation, the potential for future variants, and subsequent economic or operational disruption, remain factored into the Board's assessment of risk. 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. 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.

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.

Key

Increased risk

Static risk

Risk	Mitigation
ECONOMIC CONDITIONS **Risk Rating: High**	**Trend:**
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 during 2020 and 2021 enhanced 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. We quickly reacted to current pressures in the wider labour market by proactively increasing wages to attract and retain employees. 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 implemented action plans to protect the liquidity of the Group and to reduce the cost base.
FAILURE OF STRATEGY **Risk Rating: High**	**Trend:**
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.

Risk	Mitigation
RECRUITMENT, RETENTION AND MOTIVATION OF EMPLOYEES **Risk Rating: High**	**Trend:** ↑
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. 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. These challenges were exaggerated in the wake of COVID-19 and BREXIT. 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. We quickly reacted to current pressures in the wider labour market by proactively increasing wages to attract and retain employees. 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 successfully rolled 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.
LOSS OF A PROCESSING FACILITY **Risk Rating: High**	**Trend:** →
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.
COST INFLATION **Risk Rating: High**	**Trend:** ↑
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.	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. Along with many other businesses, we are seeing inflationary pressures on some of our costs, particularly in respect of labour and energy, however, our existing scale and focus on operational excellence means we are well placed to address these challenges proactively without compromising our market share opportunity. Furthermore, we are protected to a large extent from the current volatility in gas prices with over 80% of our requirements at fixed prices throughout 2022, with reducing amounts fixed into 2023.

Principal Risks and Uncertainties

Continued >

Risk	Mitigation
HEALTH AND SAFETY **Risk Rating: Medium**	**Trend:** →
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, which are continuously updated, to ensure compliance with legal obligations and industry standards. Regular health and safety audits and risk assessments are undertaken across the Group. Regular training is provided to our people to ensure they are clear on their role and accountabilities with regards to health, safety and wellbeing practices. Prompt incident reporting procedures are maintained and all employees are encouraged to report 'near misses' in order that additional safety procedures are implemented where applicable. All Board and management meetings throughout the Group feature a health and safety update as an agenda item.
COMPLIANCE AND FRAUD **Risk Rating: Medium**	**Trend:** →
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 and/or reputation 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.
COMPETITION AND DISRUPTION **Risk Rating: Medium**	**Trend:** →
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 mitigate this risk 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. Our diversified customer base and non-reliance on any one particular customer mitigates this risk to an extent.

Risk	Mitigation
INSUFFICIENT PROCESSING CAPACITY **Risk Rating: Medium**	**Trend:** →
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 impact of the 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. The rapid increase in volumes experienced in May and June 2021 initially caused some service challenges as we attempted to match resource to demand. These challenges were experienced across the whole laundry sector. We have, however, since returned our service levels to a more normalised level.
CUSTOMER SALES AND RETENTION **Risk Rating: Medium**	**Trend:** →
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.
INFORMATION SYSTEMS AND TECHNOLOGY **Risk Rating: Medium**	**Trend:** →
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. The increase in remote working has led to an increase in the risk of malware and phishing attacks across all organisations.	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 are currently working alongside external consultants to review and, where appropriate, strengthen our security infrastructure. Furthermore, we continually increase our employees' awareness of phishing and malware attacks through the circulation of regular educational materials. 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.

Principal Risks and Uncertainties

Continued >

Risk	Mitigation
CLIMATE CHANGE & ENERGY COSTS **Risk Rating: Medium**	**Trend:** →
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. Failure to appropriately demonstrate that as a business we are committed and moving towards net zero carbon emissions could negatively impact our brand and also impact our ability to operate and/or remain relevant to our customers and consumers.	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. The launch of our refreshed Sustainability Strategy and Vision 2030 targets demonstrate the commitments we are making in this area. We have formed a Sustainability Committee to oversee our environmental commitments. The role of the Committee is to lend support, to monitor progress and provide guidance on our priority areas, ensuring that our targets are ambitious, realistic, and in the long-term interests of the Group, our stakeholders and the environment.

2. Corporate Governance

Directors and Officers

Jock Lennox
Non-Executive Chairman

Jock was appointed as Non-Executive Chairman on 5 May 2021 having originally joined 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 both in the UK and globally, including 20 years as a partner. Since leaving EY in 2009, he has developed an active board career and is currently the Senior Independent Director and Audit Committee Chairman of Barratt Developments PLC and was previously Chairman of Enquest PLC and Hill & Smith Holdings PLC. He has also served on the boards of Dixons Carphone PLC, Oxford Instruments PLC and A&J Mucklow Group PLC.

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 almost 30 years' experience in the Textile Services industry. Prior to his appointment to the Board, Peter was the Managing Director of Johnsons Workwear, the Group's workwear rental business, having also 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 in 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 South East Water Limited as well as Chair of Trustees for the Slaughter and May Pension Fund. Chris was also the Senior Independent Non-Executive Director and Chairman of the Audit Committee of Workspace Group PLC prior to stepping down from the Board in January 2022.

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.

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 2021.

The Corporate Governance Report on pages 62 to 74, and the report on Sustainability on pages 28 to 45 (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 profit after taxation for the year from all operations amounted to £6.6 million (2020: £26.9 million retained loss after taxation).

Whilst the Board recognises the importance of dividends to our Shareholders, this had to be balanced with the impact that COVID-19 has had on our business. As previously guided, the Board does not propose to declare a dividend in respect of 2021 but will keep future dividends under review and look to reinstate its dividend policy once there is more certainty that trading levels will return to, and remain at, more normal levels.

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.

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

At the 2021 Annual General Meeting, Shareholders authorised the Company to make market purchases of up to a maximum aggregate of 44,435,011 Ordinary shares, which represented approximately 10% of the Company's issued Ordinary share capital on the latest practicable date prior to publication of the 2021 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 2022 Annual General Meeting. Further details are given in the 2022 Notice of Annual General Meeting.

Acquisitions and Discontinued Operations

Details of acquisitions and discontinued operations during the current and preceding year are given in notes 34 and 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 Schedule 7 of the Large and Medium Sized Companies and Groups Regulations.

Directors

Details of the Directors of the Company are shown on page 56. 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' Interests

Share Capital

The interests of the Directors who were in office at 31 December 2021, 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 law, 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 (2020: £nil).

Independent Auditors

The auditors, Grant Thornton UK LLP, have indicated their willingness to continue in office. In accordance with the recommendation of the Audit Committee, as disclosed on page 80, 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.

Directors' Report
Continued >

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 15 and the section 172(1) statement on page 16 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 2021 and for the six months ended 31 December 2021. The average time taken to pay invoices in each of those periods was 48 days and 53 days, respectively. The comparative figures for 2020 were 56 days and 50 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 2021. 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 2021.

Relevant disclosures are provided on pages 37 to 39.

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 pages 80 to 82.

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.

2022 Annual General Meeting

The Directors intend that the 2022 Annual General Meeting (the 'Meeting' or the 'AGM') of Johnson Service Group PLC (the 'Company') will be held at the Doubletree by Hilton Chester, Warrington Road, Hoole, Chester, CH2 3PD on Wednesday 4 May 2022 at 11:00. However, the measures being taken by the UK Government to help contain the spread of COVID-19 may be 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.

As we did last year, and in order to reduce the Company's environmental impact, our intention is to once again 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.

An explanation of the resolutions to be proposed at the Meeting, together with details on electronic voting, is included in the Notice of Annual General Meeting accompanying this Annual Report.

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 within the HORECA division, of a protracted delay in returning to pre-pandemic trading levels. 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 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 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 2022 and into 2023 to reflect subdued trading conditions.

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 on the markets in which we operate. The level of judgement 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 is defined as adjusted operating profit before property, plant and equipment depreciation, rental stock depreciation, right of use asset depreciation and software amortisation. 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 continues to improve, with no further social distancing restrictions being imposed. The impact of the recent slow-down in HORECA revenue recovery experienced at the end of 2021 and also in January 2022 has been reflected however, an immediate rebound in volumes, and hence revenue, is assumed thereafter. The scenario also includes an estimate of the current and future impact of cost pressures which the Group, in line with all UK businesses, is experiencing, particularly in relation to energy and labour.

Directors' Report
Continued >

Limited Slow Down in Revenue Recovery Scenario

Although only limited restrictions have been in place over the winter months, the ongoing pandemic dampened HORECA volumes, to a certain extent, particularly during December 2021 and January 2022. This scenario assumes that it will take three months for HORECA revenue to return to the level assumed within the Base Case. Accordingly, HORECA revenue within this scenario has been reduced to some 84%, 91% and 96% of Base Case levels in February 2022, March 2022 and April 2022 respectively before returning to that set out in the Base Case.

Severe but Plausible Scenario

Building upon the "Limited slow-down in revenue recovery scenario" above, this scenario assumes a more protracted recovery in that it will take until September 2022 for HORECA revenue to return to the level assumed within the Base Case. Accordingly, HORECA revenue within this scenario has been reduced to some 82% of Base Case levels in February 2022, gradually improving thereafter month on month and returning to that set out in the Base Case by September 2022.

2) Covenants

As previously announced, from March 2022, bank 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 remains well funded with access to a committed Revolving Credit Facility of £135 million (the 'Facility'), which matures in August 2023. The Facility is considerably in excess of our anticipated borrowings and provides ample liquidity in all scenarios modelled. We anticipate that the facility will be renewed in the coming months and have commenced discussions with our banks to this effect.

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 period to 30 June 2023. As a consequence, and having reassessed the principal risks and uncertainties, the Directors considered it appropriate to adopt the going concern basis in preparing the 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

7 March 2022

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 Strategic Report, Directors' Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have to prepare the Group and Company financial statements in accordance with UK-adopted international accounting standards. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and 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;
- make judgments and accounting estimates that are reasonable and prudent; and
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

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

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

The Directors are responsible for preparing the Annual Report in accordance with applicable law and regulations. Having taken advice from the Audit Committee, the Directors consider that the Annual Report and the financial statements, taken as a whole, provides the information necessary to assess the Group and Company's performance, business model and strategy and is fair, balanced and understandable.

To the best of our knowledge:

- the Group financial statements, prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation, taken as a whole; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation, taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Group and Company's auditor is unaware; and
- the Directors 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 Company's auditor is aware of that information.

By order of the Board

Peter Egan
Chief Executive Officer

7 March 2022

Yvonne Monaghan
Chief Financial Officer

7 March 2022

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 – Jock Lennox

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: Jock Lennox

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: Jock Lennox

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

Remuneration Committee

Membership comprises the Chairman Non-Executive Directors

Chairman: Nick Gregg

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

Sustainability Committee

Membership comprises the Group Management Board and the Head of Sustainability

Chairman: Peter Egan

Key objectives:
- to assist the Board in the discharge of its duties relating to the Group's corporate and societal obligations and its reputations as a responsible corporate citizen.

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

Compliance with the Code

The Company has applied the Principles and complied with the Provisions of the Code throughout the year ended 31 December 2021, other than in relation to the following:

Provision	Explanation
10, 19	**Chairman's tenure** On pages 56 and 62 of our 2020 Annual Report, we provided details of a departure from the Code with respect to the tenure of our then Chairman, Bill Shannon. As previously announced, Bill retired from the Board at the conclusion of the 2021 AGM on 5 May 2021 and was succeeded by Jock Lennox. Since that date, the Board is able to confirm that it considers each of its Non-Executive Directors to be independent and that it now complies with Provision 19 of the Code.
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 currently propose any further changes at this stage, we are aware of the requirement to align contribution rates to that of the wider workforce by 31 December 2022 and will therefore keep this under active review over the coming year. For all new executive appointments to the Board, the employer pension contribution rate will be aligned with that available to the majority of the workforce.

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 Non-Executive Chairman, two Executive Directors and two Independent 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, sustainability, 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 4 to 52.

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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;
- sustainability 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

Jock Lennox

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

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 (excluding the chairman), 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

Key Board Activities in the Year

Key activities of the Board during 2021 included, inter alia:

- ongoing monitoring of the Group's Health and Safety performance;
- regular review, and formal approval in March and August, of the Group's risk assessment processes and principal risks and uncertainties;
- the review and approval of the half year and full year financial statements;
- the review and approval of major capital and investment projects;
- consideration and approval for the utilisation of government support through the Coronavirus Job Retention Scheme throughout the six months to June;
- consideration and approval of the appointment of Jock Lennox to the Board in January; and
- consideration and approval of the acquisition of Lillliput (Dunmurry) Limited in September.

Insight into the Boardroom

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
- Approval of Modern Slavery Statement

March

- Minutes/matters arising
- Health & safety
- CEO's trading and operational review
- M&A and strategy update
- Financial performance
- Investor analysis
- Board effectiveness evaluation
- Biannual major risk assessment
- Approval of financial reforecasts
- 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
- Investor analysis
- Approval to proceed with a SAYE grant in September

July

- Minutes/matters arising
- Health & safety
- CEO's trading and operational review
- M&A and strategy update
- Financial performance
- Investor analysis

August

- Minutes/matters arising
- Health & safety
- CEO's trading and operational review
- Proposed acquisition of Lillliput (Dunmurry) Limited
- M&A and strategy update
- Sustainability update
- Financial performance
- Investor analysis
- Biannual major risk assessment
- Draft interim results announcement
- Going concern assessment

October

- Financial performance
- Health & safety
- Directors' responsibilities and AIM rules update
- Strategy meeting

November

- Minutes/matters arising
- Health & safety
- CEO's trading and operational review
- M&A and strategy update
- Sustainability update
- Financial performance
- Consideration and approval of 3-Year plan
- Investor analysis
- Approval of Tax Strategy
- Review and approval of Committee Terms of Reference
- Board effectiveness review

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Consideration of Stakeholder Interests

The COVID-19 pandemic has caused severe business disruption 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:	**Acquisition of Lilliput (Dunmurry) Limited**
Stakeholders:	Employees, Customers, Suppliers, Communities, Shareholders

In September 2021, the Group acquired the entire issued share capital of Lilliput (Dunmurry) Limited ('Lilliput') for a cash consideration of £6.2 million on a debt free, cash free basis. In making its decision to approve the acquisition, the Board considered the impact on employees, customers, suppliers and the local community as well as private and institutional shareholders. After careful consideration, the Board resolved that it was for the benefit of the Company and its stakeholders, and was most likely to promote the success of the Company for the benefit of its members as a whole, to proceed with the acquisition of Lilliput.

Principal Decision:	**Dividend**
Stakeholders:	Shareholders

In March 2020, and in order to prioritise protecting the business from the negative impact of the pandemic, the Board announced its decision to suspend dividend payments. As a result, payment of the previously announced final dividend in respect of the financial year ended 31 December 2019 was withdrawn and no dividend was recommended in respect of the financial year ended 31 December 2020. Given that the Company continued to be adversely affected as a result of the pandemic during the financial year ended 31 December 2021, the Board considers that it remains in the best interests of the Company and its stakeholders to not recommend the payment of a dividend in respect of the financial year ended 31 December 2021.

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 look to reinstate its dividend policy once there is more certainty that trading levels will return to, and remain at, more normal levels.

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

In responding to the ongoing impact of COVID-19, the Group continued to control its cost base and implement 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 2021 and 31 December 2021 was 48 days and 53 days, respectively, such figures being in line with the pre-COVID comparative periods for 2019.

Principal Decision:	**Sustainability and Climate Change**
Stakeholders:	Employees, Customers, Suppliers, Communities, Shareholders

The Board recognises the seriousness of the implications of climate change and sustainability matters for the Group, its stakeholders and the planet, and has taken the decision to make this a central part of the Board's deliberations and oversight. During the year, the Board approved the creation of a new Head of Sustainability role within the Group. The Board has also spent more time focusing on further developing the Group's sustainability strategy and, subsequent to the year end, approved for publication 'The Johnsons Way' – our refreshed strategy which sets out the framework that underpins our approach to sustainability. The Board firmly believes that embedding a best in class sustainability programme throughout our operations will help position us as a leader in responding to the challenges faced by the textile services industry and prove to be a differentiator for our customers.

Board Committees

The Committees of the Board which met during 2021 are:

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

Each Committee has written terms of reference, which are available on the Group's website. Separate reports for each of these Committees are included in this Annual Report.

Subsequent to the year end, and linked to the launch of our refreshed sustainability strategy in February 2022, an additional Committee of the Board, the Sustainability Committee, was established. The Sustainability Committee's purpose is to assist the Board in the discharge of its duties relating to the Group's corporate and societal obligations and its reputation as a responsible corporate citizen. Specific responsibilities delegated to the Sustainability Committee include, inter alia:

1) Review and recommend changes, as appropriate, to the Group's sustainability strategy.
2) Assess the impact of the Group's activities on its communities, people and the environment.
3) Determine appropriate targets that will further improve the sustainability of the Group.
4) Ensure the sustainability policy is fully understood and implemented by the Group's business operations.
5) Ensure the Group's programme on achieving sustainability targets is regularly reported to the Board.
6) Review statements and reports to be published by the Group on sustainability.

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;
- sustainability;
- 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 in order to ensure that they receive a balanced and complete view of our performance. 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.

Furthermore, we undertake an extensive investor relations programme in order to maintain an active dialogue with our investors. The 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;

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- 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.

Following his appointment to Non-Executive Chairman in May 2021, Jock Lennox met with a number of major Shareholders in order to more fully understand their views and to provide them with an opportunity to raise any questions they had outside of the normal Investor Relations process. Jock will once again extend this invitation to our major Shareholders during 2022. Committee chairs are also available to engage with major Shareholders regarding their areas of responsibility.

In addition to the investor relations programme, the Annual General Meeting ('AGM'), which is normally attended by all Directors, 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 to discuss appropriate topics either during the meeting or with the Directors after the formal proceedings have ended. Such dialogue provides the Board with valuable feedback and helps them to understand the views of shareholders.

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.

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 the report on Sustainability.

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. 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.

Following the completion of the Employee Engagement surveys across the Group during 2021, the Board intends that Nick will attend a number of employee focus groups during 2022 in order to hear and discuss further the ideas and concerns of the workforce.

Further details of how the Group engages with the workforce are set out within the report on Sustainability.

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.

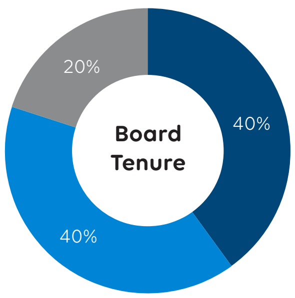
Composition of the Board

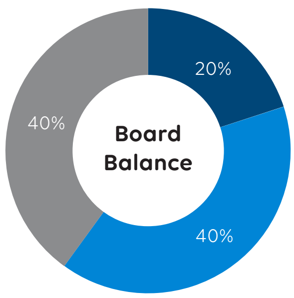
The Board currently consists of the Non-Executive Chairman (the 'Chairman'), two Independent Non-Executive Directors and two Executive Directors. The two Independent Non-Executive Directors are considered to be independent in character and judgment and are a strong element within the Board, with their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

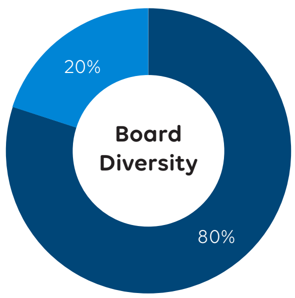
Biographies of the Directors of the Company are shown on page 56. With the exception of Jock Lennox, who was appointed to the Board on 5 January 2021, they all held office throughout the year, and up to the date of approving this Report.

		Date first appointed to the Board	Date first elected to the Board	Tenure since appointment (as at 31 December 2021)
Non-Executive Directors				
Jock Lennox	Non-Executive Chairman	5 January 2021	5 May 2021	**1 year**
Chris Girling	Senior Independent Non-Executive Director	29 August 2018	8 May 2019	**3 years 4 months**
Nick Gregg	Independent Non-Executive Director	1 January 2016	5 May 2016	**6 years**
Executive Directors				
Peter Egan	Chief Executive Officer	1 April 2018	3 May 2018	**3 years 9 months**
Yvonne Monaghan	Chief Financial Officer	31 August 2007	17 June 2008	**14 years 4 months**

Tenure, Balance & Diversity







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%.

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Division of Responsibility of Chairman and Chief Executive Officer

The 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;
- ensuring the directors receive accurate, timely and clear information; and
- maintaining a close working relationship with the Chief Executive Officer.

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 2021 and, additionally, a further nine unscheduled meetings in relation to, inter alia, the appointment of Jock Lennox to the Board, M&A activity, capital investment projects and the ongoing impact on the Company of the COVID-19 pandemic.

On the rare occasion 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 but may attend the meeting at the invitation of the relevant Committee Chair.

	Board (Scheduled)	Board (Unscheduled)	Audit Committee	Nomination Committee	Remuneration Committee (Scheduled)	Remuneration Committee (Unscheduled)
Maximum Number of Meetings	**7**	**9**	**3**	**4**	**3**	**4**
Current Directors						
Jock Lennox[1]	7	8	n/a	4	3	4
Chris Girling	7	9	3	4	3	4
Nick Gregg	7	9	3	4	3	4
Peter Egan	7	9	n/a	n/a	n/a	n/a
Yvonne Monaghan	7	9	n/a	n/a	n/a	n/a
Previous Directors						
Bill Shannon[2]	3	5	n/a	1	n/a	n/a

Note 1: There was one unscheduled Board meeting held prior to Jock's appointment.

Note 2: Prior to Bill's retirement on 5 May 2021, there were three scheduled Board meetings, five unscheduled Board meetings, one scheduled meeting for each of the Audit Committee, Nomination Committee and Remuneration Committee along with one unscheduled Remuneration Committee meeting. Bill attended each of those meetings in his capacity as either a Board member, Committee member or, if not a Committee member, at the invitation of the relevant Committee Chair.

In addition to the meetings set out above, the Chairman and the Independent Non-Executive Directors have met during the year without the Executive Directors.

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, appropriate in quality and timeliness, is received in an 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 20 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 56.

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 83 to 84.

Performance Evaluation

Each year, 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.

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In the final quarter of 2021, an independent formal external evaluation of the Board and its committees was conducted by Gould Consulting ('Gould') which is independent of, and has no other links with, the Company or its Directors. The evaluation comprised a series of online questionnaires for the Board and each of its principal committees for completion by the Board, committee members and the Company Secretary. The evaluation was carefully structured and designed to bring about a genuine debate on relevant issues and identify any areas for potential improvements in Board processes. The evaluation focused on the following key areas:

- Strategic oversight and culture;
- Stakeholder engagement;
- Chairing of the Board;
- Composition and functioning of the Board;
- Board appointments, expertise and evaluation;
- Board Committees;
- Risk management and internal control; and
- Succession planning.

Based on the agreed themes, the questionnaires were designed to encourage thought provoking and candid responses. Individual interviews were then conducted by Gould with each of the above individuals. In addition, Gould attended the November 2021 Board and Committee meetings as silent observers.

Whilst the evaluation concluded that the 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, a number of actions were identified to help improve the performance and effectiveness of the Board. These actions included:

Succession:	Continued focus on Board composition and succession planning.
Sustainability:	As the Board develops and shapes its strategy, regular space should be given to discussing related sustainability matters. The Board should determine broad goals and also agree on plans and actions that have measurable milestones in support of the four pillars of the emerging "The Johnsons Way".
Risk Management:	Deep dives of certain principal risks and emerging risks to be tabled at the Board in order to encourage debate of our most critical risks at the highest level of governance.
Strategic Debate and Challenge:	Deep dive topics should be regularly presented to the Board. Prior to the closure of future Board meetings, members to consider conversations that have just concluded and adapt the forward agendas accordingly. Presenters should, where possible, seek to provide a pre-read paper to the Board and frame two or three questions that they are seeking input and debate/challenge from the Board.
Board Administration:	Actions arising from meetings to be captured on a centralised 'action log' allowing Board members to understand all open items from previous meetings, what work is in progress and when matters have been completed.

An action plan listing specific actions to address the findings of the evaluation and further enhance the Board's effectiveness has been prepared and circulated to Board members. The Board will monitor the implementation of the follow-up actions and will report on progress in the 2022 Annual Report.

As a result of the above reviews and evaluations, 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.

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 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 56 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 75 to 82.

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 46 to 52.

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.

Further details of the going concern assessment are provided on pages 59 to 60.

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 13 to 14.

Corporate Governance Report

Continued >

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

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, the 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 who 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.

Further details of the Remuneration Committee's responsibilities and the Group's Remuneration Policy, together with details of how the policy has been applied in 2021 and how it is expected to be applied in 2022, are outlined in the Directors' Remuneration Report, on pages 85 to 108.

Corporate Governance Report Approval

The Corporate Governance Report incorporates the Audit Committee Report, Nomination Committee Report and Directors' Remuneration Report, as well as the report on Sustainability.

The Corporate Governance Report was approved by the Board on 7 March 2022.

By order of the Board.

Tim Morris
Company Secretary

7 March 2022

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 2021.

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 Group's businesses have continued to work through the challenges arising from COVID-19. The Group's operations and financial arrangements were all impacted as a result of the pandemic and consequently, the Committee's focus has been on ensuring our internal control processes continue to operate effectively and remain appropriate for the changing environment in which the Group operates.

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 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 2021, the Committee concentrated on the accounting judgments and disclosures relating to the impact of COVID-19 on the Group's businesses, including government support, liquidity and the impact on financial covenants, cost control 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 2021. The Committee is satisfied that the statements made by executive management on pages 46 to 52 of this Annual Report are appropriate based on what is currently known to management as at the date of this Report.

In the pages that follow, we have sought to provide shareholders and other stakeholders with details of the work that was undertaken by the Committee during the year. This has enabled the Committee to provide assurance to the Board on the effectiveness of the internal controls framework and the integrity of the Group's 2021 Annual Report and financial statements.

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; and
- 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 56), 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

Following the conclusion of a formal competitive tender process in 2020, the Committee recommended that Grant Thornton UK LLP ('Grant Thornton') be appointed as the new external auditor of the Company to take effect from, and including, the financial year ending 31 December 2021. Accordingly, PricewaterhouseCoopers LLP conducted their last audit for the 2020 financial year and I would like to take the opportunity to thank them for their diligence and constructive challenge during their tenure.

At the 2021 Annual General Meeting of the Company, Shareholders approved the reappointment of Grant Thornton. On behalf of the Committee, I would like to take this opportunity to formally welcome Grant Thornton and look forward to working with them over the coming years.

The Year Ahead

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. The Committee will continue to focus on the impact of COVID-19 on the business, developments in reporting responsibilities and changes in the governance environment. 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.

I hope that you find this report informative and can continue to take assurance from the work undertaken by the Committee this year. We seek to respond to shareholders' expectations in our reporting and, as always, welcome any feedback from shareholders or other stakeholders.

Chris Girling
Chairman, Audit Committee

7 March 2022

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 2021

In 2021, 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 78 to 79;
- 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; and
- instigating a review of the internal control environment in relation to new payroll systems implemented across the Group.

Audit Committee Report
Continued>

Fair, Balanced and Understandable

At the request of the Board, the Committee has considered whether, in its opinion, the 2021 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.

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 2021 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

During the year, the Group acquired 100% of the share capital of Lilliput (Dunmurry) Limited.

External specialists were engaged to assist management in valuing the customer contracts and customer relationships acquired. The Committee considered the methodology and assumptions used in determining the fair value of the customer contracts and customer relationships acquired, as this was considered by the Committee to be the area of most judgment. The Committee was satisfied that the fair value had been calculated based upon relevant historical and prospective information and financial data specific to the business combination, with an appropriate discount factor applied. The Committee further considered the accounting policy alignment adjustments and, again, considered them to be reasonable. The Committee also reviewed the proposed disclosures relating to the acquisitions for inclusion within the Consolidated Financial Statements and were in agreement that the requirements of IFRS 3, 'Business Combinations' had been satisfied.

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 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 2022 and into 2023 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 period to 30 June 2023. 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.

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;
- adjusted earnings per share, which refers to earnings per share calculated based on adjusted profit or loss after taxation;
- adjusted earnings per share (excluding super deduction), which refers to earnings per share calculated based on adjusted profit or loss after taxation but to exclude the effect of the 130% capital allowances super deduction; and
- net debt, adjusted to exclude the impact of the adoption of IFRS 16.

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 annually reviews the performance of the external auditor. In forming its conclusion as to the performance of the external auditor, the Committee reviews amongst other matters:

- feedback on the effectiveness and performance of the external audit;
- the external auditor's fulfilment of the agreed audit plan for 2021;
- reports highlighting the material issues, critical accounting judgments and key sources of estimation uncertainty that arose during the conduct of the audit;
- the external auditor's objectivity and independence during the process, including its own representation about its internal independence processes; and
- the challenges raised by the external auditor during the audit.

The Committee concluded that the audit process as a whole had been conducted robustly, the external audit team selected to undertake the audit had done so thoroughly and professionally, and the external auditor had applied sufficient experience and understanding of the Company's industry, consulted with experts as necessary, and is of sufficient size to conduct a national audit.

Grant Thornton's performance as external auditor to the Company in respect of the year ending 31 December 2021 was, therefore, considered to be effective. In addition, the Committee was satisfied that management had provided the external auditor with appropriate access to its operations and personnel, systems, records and supporting information, whilst acting professionally and with appropriate challenge, enabling the audit to be conducted effectively.

Assessment of External Auditor Independence

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.

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. The current Senior Statutory Auditor was appointed in March 2021, following Grant Thornton being appointed as external auditor of the Company.

Ethical Standards and ISA (UK) 260 require the external auditor to report to the Committee, on a timely basis, all significant facts and matters that may bear upon their integrity, objectivity and independence. During the year, the external auditor drew a number of matters to the attention of the Committee in relation to independence and were able to confirm that sufficient safeguards were in place and that there were no significant facts or matters that impacted their independence as external auditor.

Furthermore, Grant Thornton confirmed that it had complied with the Financial Reporting Council's Ethical Standard and that as a firm, and each covered person, that it was independent and able to express an objective opinion on the financial statements of the Group.

Audit Committee Report

Continued >

Non-Audit Services

A key issue for the Committee that may impair auditor independence, and the auditor's objective opinion on the financial statements, is the engagement of the external auditor for the provision of non-audit services. In response to the Financial Reporting Council's Revised Ethical Standard 2019 (the '2019 Ethical Standard'), non-audit services should be provided by a professional services firm other than the Company's appointed external auditor. The 2019 Ethical Standard provides that fees payable to the external auditor in respect of non-audit related services should be no more than 70% of the average audit fees over the previous three years. The 2019 Ethical Standard includes a 'whitelist' of permitted non-audit related services.

Fees Payable to the Auditor

As previously disclosed, Grant Thornton UK LLP ('Grant Thornton') was appointed as external auditor of the Company to take effect from, and including, the financial year ending 31 December 2021. Prior to that, PricewaterhouseCoopers LLP ('PwC') was the external auditor of the Company.

Fees payable to Grant Thornton in respect of audit related services for the year ending 31 December 2021 amounted to £410,000 (year ending 31 December 2020: £nil). The fees are exclusive of VAT and out of pocket expenses; the latter will be finalised after the date of this report and will be retrospectively disclosed in the 2022 Annual Report.

Fees payable to Grant Thornton in respect of non-audit related services for the year ending 31 December 2021 amounted to £nil. In respect of the year ending 31 December 2020, and prior to being appointed as external auditor, Grant Thornton were engaged by the Trustee of the Johnson Group Defined Benefit Scheme (the 'JGDBS') to undertake an assessment of the covenant of the Company and affordability of future contributions to the JGDBS. Fees in respect of the engagement amounted to £17,500. Notwithstanding that the services performed were for the benefit of the Trustee, the Company, as the sponsoring employer, was liable for the payment of the fees.

Fees payable to PwC in respect of audit related services and non-audit related services for the year ending 31 December 2020 were disclosed within the 2020 Annual Report. Additional fees of £113,000 in respect of audit related services for the year ending 31 December 2020 were subsequently invoiced by PwC following the publication of the 2020 Annual Report.

Independence Assessment by the Committee

In assessing and concluding upon the independence and objectivity of the external auditor, the Committee takes into account the assurances and information provided by the external auditor at the planning stage of the audit, including a written disclosure of the relationships that could have an impact on the external auditor's independence and objectivity and the safeguards put in place to address such threats. As part of this process, the Committee receives a statement from the external auditor advising that all covered partners and staff annually confirm their compliance with Grant Thornton's ethics and independence policies and procedures including, in particular, that they have no prohibited shareholdings and their ethics and independence policies are fully consistent with the requirements of the 2019 Ethical Standard.

In addition, the Committee meets with the external auditor three times during the year without the presence of management and I, as Audit Committee Chairman, have had regular contact with the audit engagement partner. The Committee also 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.

Accordingly, the Committee has concluded that Grant Thornton was independent of the Group.

Reappointment of the External Auditor

The Committee has recommended to the Board to propose to Shareholders the reappointment of Grant Thornton as auditor until the conclusion of the AGM in 2023. Full details are set out in the Notice of Annual General Meeting on pages 194 to 201. There are no contractual restrictions over choice of auditor.

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.

Audit Committee Report

Continued >

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 'Act')

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 employees. Further details can be found on page 43.

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 can be raised in confidence and 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 either by independent management or an appropriate external party under the direction and guidance of the Committee.

During the year, a number of matters were raised via the whistleblowing process. The vast majority related to employee related grievances and were escalated to the relevant manager for investigation. One further matter was investigated by an independent external third party, the results of which were reported to management, the Committee and the Board and appropriate action taken to address the issue identified, which did not lead to a risk to the financial statements.

Chris Girling
Chairman, Audit Committee

7 March 2022

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 2021.

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

Prior to his retirement on 5 May 2021, Bill Shannon chaired the Committee with the remaining membership comprising of myself and the two other Independent Non-Executive Directors. Following Bill's retirement, the Committee is now chaired by myself. 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').

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 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 2021

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;
- 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;
- considering the structure and composition of the Board and, in particular, succession planning for both Executive and Non-Executive roles;
- 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
Continued >

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.

Jock Lennox
Non-Executive Chairman

7 March 2022

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 2021 Directors' Remuneration Report.

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. 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 ('AGM'). 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 2021 AGM where we received 99.65% of votes in favour of the Directors' Remuneration Report. No changes are proposed to the remuneration policy for 2022.

Remuneration in 2021 and Our Response to COVID-19

We operated our remuneration policy during 2021 in line with the approach set out in the 2020 Directors' Remuneration Report. As disclosed last year, given the business and economic volatility at the start of 2021 and the resultant difficulty in forecasting financial performance, the Committee had not finalised the 2021 remuneration package for Executive Directors in respect of base salary, bonus and LTIP by the time the 2020 Directors' Remuneration Report was signed off. The Committee opted 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 were deployed. For the LTIP, and in line with guidance from the Investment Association, the Committee granted an award in March 2021 but deferred the target setting. This allowed the Committee to set targets in light of the then prevailing circumstances, ensuring they were calibrated appropriately, suitably challenging and in-line with business performance.

The Committee ultimately agreed the following in respect of 2021 remuneration:

- base salary for each executive Director was increased by 2.5 per cent with effect from 1 April 2021, such increase being inline with that of the wider employee population not subject to the National Living Wage. The normal salary review date is January, but for 2021 we deferred decisions in light of the market uncertainty at the start of the year;
- in previous years, annual bonus targets have been based on the Group's adjusted profit before taxation result. Following careful consideration, the Committee agreed that whilst such a performance target remained relevant, it should only be based on the financial result for the second half of the year. Accordingly, the maximum amount payable to each of the Chief Executive Officer and the Chief Financial Officer in respect of 2021 was reduced by half. Achievement against the performance targets was assessed after the end of the financial year and this resulted in a payment of 72.7 per cent of the maximum available to the Executive Directors, which the Committee felt was a strong result in the wider market context. In considering the bonus outcome, the Committee took into account the Company's overall performance as well as the fact that no support was claimed from the Coronavirus Job Retention Scheme during the second half of 2021. The full targets are disclosed on page 99; and
- in determining the performance conditions for the LTIP, the Committee took into account the Group's business plan as well as the outlook for the sector, general macroeconomic conditions and the range of analysts' consensus forecasts for the financial year ending 31 December 2023. Following careful consideration, the Committee agreed to retain two separate performance targets:
    - Total Shareholder Return: 50 per cent of the 2021 LTIP 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 this element of the 2021 LTIP Award will vest if the TSR growth is less than the Index growth, one quarter will vest if the TSR growth is equal to the Index growth and the whole of this element of the 2021 LTIP Award will vest if the TSR growth is at least seven per cent above the Index growth. Vesting will be on a straight-line basis between these points. This performance target is the same as for previous awards.
    - Earnings per Share: The remaining 50 per cent of the 2021 LTIP Award will vest by reference to the Company's adjusted diluted earnings per share from continuing operations ('EPS') as at 31 December 2023. The figure will be further adjusted to exclude any impact on EPS of the capital allowances super-deduction, which offers 130% first-year relief on qualifying main rate plant and machinery investments until 31 March 2023. None of this element of the 2021 LTIP Award will vest if EPS is less than 9.45 pence, one quarter will vest if EPS is equal to 9.45 pence and the whole of this element of the 2021 LTIP Award will vest if EPS is 10.5 pence or greater. Vesting will be on a straight-line basis if EPS is between 9.45 pence and 10.5 pence.

In respect of the EPS targets set out above, the Committee decided to shift to measuring EPS on the basis of the performance achieved in the final year of the performance period due to the difficulties of using a "percentage growth" structure from a base point in 2020 when the Company reported a loss per share and the financial results were significantly impacted by the pandemic. The Committee is satisfied that the targets chosen for this award are appropriately challenging in the context of expectations of the Company's performance over the three-year performance period.

Additionally, the Committee assessed the extent to which the targets had been met for the LTIP award made in 2019, with performance measured over the three-year period to 31 December 2021. 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.

Directors' Remuneration Report
Letter from Nick Gregg, Chairman of the Remuneration Committee
Continued >

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. The Committee 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 2021.

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 – as demonstrated during 2021. 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 interest between executives and Shareholders through, for example, the LTIP (which 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 continues to develop.
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 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 are aware of the general investor expectation that contribution rates will be aligned with those of the wider workforce by 31 December 2022 and will therefore keep this under active review over the coming year.

Looking Ahead
The Committee has agreed to increase the base salary for each of the Chief Executive Officer and Chief Financial Officer by 2.5% with effect from 1 January 2022, such increase being lower than that for the wider employee population.

The performance measures for the 2022 annual bonus scheme are set out on page 91. Whilst the majority of the bonus opportunity will be based on stretching financial based targets, the Committee has introduced a number of specific and measurable sustainability targets, in respect of 10% of the overall bonus opportunity, to reflect our enhanced focus on ESG following the launch of The Johnsons Way, our refreshed sustainability strategy, in February 2022. As in previous years, we will disclose the specific 2022 annual bonus targets and our performance against them in our 2022 Directors' Remuneration Report.

The Committee intends to grant the 2022 LTIP award to all eligible participants, including the Executive Directors, in March 2022. The broad performance metrics of TSR and EPS are expected to remain unchanged: the Committee believes that these are the most appropriate measures to align performance with strategy and the interests of stakeholders. 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.

Conclusion
2022 will inevitably be another busy year for the Committee. We continue to be faced with the significant challenge of ensuring our remuneration packages motivate, retain, and fairly reward our highly valued and respected management team as it maintains its performance in delivering our recovery for our stakeholders. As a Committee, we will continue to be cognisant of market developments with regard to the development of our executive remuneration policies and structures and will continue to emphasise the links to performance and our wider stakeholders in our deliberations.

As we have done for many years, we will put our Directors' Remuneration Report to Shareholders for approval at the 2022 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 and 2022 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

7 March 2022

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 during the year ended 31 December 2021:

Element of Remuneration	Committee Decision	Rationale
2019 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. 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	Base salary for each Executive Director was increased by 2.5 per cent with effect from 1 April 2021, such increase being in line with that of the wider employee population not subject to the National Living Wage.	The Committee considered 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	In previous years, annual bonus targets have been based on the Group's adjusted profit before taxation result. Following careful consideration, the Committee agreed that whilst such a performance target remained relevant, it should only be based on the financial result for the second half of the year. Accordingly, the maximum amount payable to each of the Chief Executive Officer and the Chief Financial Officer in respect of 2021 was reduced by half.	The Committee determined at the start of the year that it was unable to set meaningful targets for the 2021 bonus scheme given the significant Covid-related uncertainty at that time and the associated difficulty in reliably forecasting financial performance. As end markets became less volatile and trading performance improved, the Committee subsequently decided it was possible to set targets for the second half of the year. As a result of the shorter measurement period, the maximum bonus opportunity for the year was halved.
2021 LTIP award	The LTIP was granted as normal following release of the 2020 annual results in March 2021 however, given the uncertainties at that time caused by COVID-19, the setting of targets for the award was deferred. The targets, details of which are set out on page 103, were subsequently announced to the market in September 2021.	Given the significant Covid-related uncertainty and business volatility at the time of grant, and the associated 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 long-term financial performance.

Directors' Remuneration Report

Committee Summary

REMUNERATION COMMITTEE

Membership and Attendance

Throughout 2021, membership of the Remuneration Committee (the 'Committee') comprised of the Independent Non-Executive Directors and has been chaired by Nick Gregg. Prior to his retirement on 5 May 2021, Bill Shannon (former Non-Executive Chairman) 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	7	7
Chris Girling	Aug 2018	7	7
Jock Lennox	Jan 2021	7	7

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 who 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:

	2021 £000	2020 £000
Korn Ferry (note 1)	**2**	12
	2	12

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

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, pension, annual bonus 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, both the CEO and CFO are members of the Company's defined benefit pension scheme. The CEO left active pensionable service on 31 December 2014 and the CFO left active pensionable service on 31 December 2011.	For the Company's pension cash allowance (or pension contribution as appropriate), the CEO was historically entitled to a maximum employer contribution of 14% of base salary. As previously disclosed, and having regard to recent developments in executive pensions, the Committee determined that the CEO's maximum entitlement would be capped at the cash value of his 2019 entitlement such that, over a period of time, the rate payable to the CEO would reduce and move closer to that payable to the wider workforce. For 2021, this equated to a contribution rate of 9.7% on the CEO's 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 98.	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, ordinarily, 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 have historically been based upon the Group's financial results however, to reflect our enhanced focus on ESG, the Committee has introduced a sustainability target in respect of 10% of the overall bonus opportunity for 2022. 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 have been 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.	Ordinarily, 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. Ordinarily, 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. In respect of 2021 only, and reflective of the performance targets only being based on the financial result for the second half of the year, the maximum amount payable to each of the CEO and the CFO was reduced by half.	In previous years, annual bonus targets have been based on the Group's adjusted profit before taxation result, with performance measured over the financial year. As disclosed in the 2020 Directors' Remuneration Report, the Committee determined at the start of 2021 that it was unable to set meaningful but stretching targets for the 2021 bonus scheme given the significant Covid-related uncertainty at that time and the associated difficulty in reliably forecasting financial performance. As end markets became less volatile, the Committee subsequently revisited this issue. Following careful consideration, the Committee determined that whilst such a performance target remained relevant, it should only be based on the financial result for the second half of the year. 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 attached to the awards granted up to and including 31 December 2021, and which were outstanding at that date are linked to the Company's Total Shareholder Return (TSR) and Earnings per Share (EPS) performances. Further details are set out on pages 102 to 104.

NOTES TO THE REMUNERATION POLICY TABLE

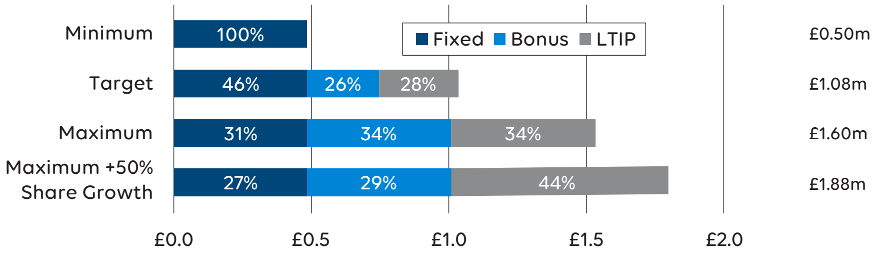
The Remuneration Policy for Executive Directors differs from that of other members of the Group Management Board solely in respect of quantum of the various components and remuneration. Executive Directors have a greater proportion of their total remuneration package at risk than other employees, however, 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

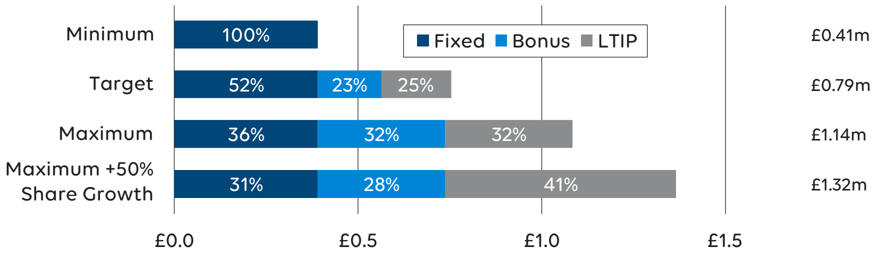
The Company's policy is to provide a total remuneration package that links corporate and individual performance with an appropriate balance between short and long term elements, and fixed and variable components. The charts below show an example of the remuneration that could be receivable by Executive Directors in office at 1 January 2022 under the policy set out in this 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 2022;
  - value of taxable benefits received in 2021 as shown in the single figure table on page 97; and
  - pension cash alternative allowance as at 1 January 2022.
- 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;
- share price appreciation has been calculated as a 50% increase in the value of the LTIP between the date of grant and vesting; and
- no dividend accrual has been incorporated in the values relating to the LTIP.

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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 Scheme'), 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, awards granted under the 2018 LTIP Scheme in 2019 and 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 2021 for Peter Egan and Yvonne Monaghan was three years, nine months and 14 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.

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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, although in 2021 fee increases, for all members of the Board, were applied with effect from 1 April. 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 2021, the unexpired terms of the Chairman's letter of appointment was:

	Date of Latest Letter of Appointment	Term Start Date	Term End Date	**Unexpired Term at 31 December 2021**
Jock Lennox	4 January 2021	5 January 2021	4 January 2024	**2 years**

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, although in 2021 the increase was applied with effect from 1 April. 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 2021, the unexpired terms of the Non-Executive Directors letters of appointment were:

	Date of Latest Letter of Appointment[1]	Term Start Date	Term End Date	**Unexpired Term at 31 December 2021**
Chris Girling	24 August 2021	29 August 2021	28 August 2024	**2 years 8 months**
Nick Gregg	24 August 2021	1 January 2022	31 December 2024	**3 years**

Note 1: Chris Girling was first appointed to the Board on 29 August 2018; Nick Gregg was first appointed to the Board on 1 January 2016.

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SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED)

		Peter Egan		Yvonne Monaghan[5]	
	Note	**2021 £000**	2020 £000	**2021 £000**	2020 £000
Fixed Pay					
Base Salary	1	**428**	371	**321**	278
Taxable Benefits	2	**17**	17	**20**	49
Pension	3	**42**	39	**57**	50
		487	427	**398**	377
Performance Related Pay					
Bonus	4	**196**	–	**129**	–
LTIP – Corporate Performance	4	**–**	–	**–**	–
LTIP – Share Price Growth	4	**–**	–	**–**	–
		196	–	**129**	–
Single Total Figure of Remuneration[6]		**683**	427	**527**	377

Note 1: As previously disclosed, 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. The (unreduced) 2020 salaries referred to above for Peter and Yvonne were subsequently increased by 2.5% with effect from 1 April 2021, in line with the increase applicable to the wider workforce, to £430,500 and £323,067, respectively.

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 (2020: £14,500) and his private medical insurance benefit was £2,529 (2020: £2,199). Yvonne Monaghan's car benefit for the year was £17,500 (2020: £17,500) and her private medical insurance benefit was £2,023 (2020: £1,759). 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 98.

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 98 to 99 and 101 respectively. No bonus was deferred.

Note 5: As set out within the Director biographies on page 56, 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 £45,000 and £67,475 in each of 2021 and 2020 respectively for her services to these other organisations.

Note 6: Other than as described in Note 1 above, the Executive Directors did not waive any emoluments in respect of the years ended 31 December 2021 and 31 December 2020.

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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 for Peter Egan is the amount that would be paid annually on retirement (at normal retirement age) and allows for revaluation in deferment from the date of leaving to the date of calculation. The accrued pension entitlement shown below for Yvonne Monaghan at 31 December 2020 allowed for revaluation in deferment since the date of her leaving active pensionable service to age 60 and a late retirement factor applied from age 60 to reflect the benefit entitlement assuming retirement at disclosure date. The figure at 31 December 2021 is the pre-commutation pre-tax pension at her date of retirement from the JGDBS, being 16 September 2021. In both cases, the 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 2021 £000	Accrued pension entitlement at 31 December 2020 £000
Peter Egan	**13**	13
Yvonne Monaghan	**62**	59

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 £113,798. 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 £41,613. 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 and thereafter 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 was £41,613 (2020: £38,838). The allowance paid in 2020 was lower due to the impact of the temporary salary reduction in place for a portion of the year.

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 was £57,155 (2020: £49,558).

2021 BONUS ACHIEVEMENT

The annual bonus is normally 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.

As disclosed in the 2020 Directors' Remuneration Report, the Committee determined at the start of 2021 that it was unable to set meaningful targets for the 2021 bonus scheme given the significant Covid-related uncertainty at that time and the associated difficulty in reliably forecasting financial performance. As a result, it agreed to defer the setting of any annual bonus targets until later in the year.

As end markets became less volatile and trading performance improved, the Committee subsequently revisited this issue later in the financial year. In previous years, targets have been based on the Group's adjusted profit before taxation ('Adjusted PBT') result but excluding notional interest. Following careful consideration, the Committee agreed that whilst such a performance target remained relevant, it should only be based on the financial result for the second half of the year. Accordingly, whilst the maximum annual bonus amount payable to each of the Chief Executive Officer and the Chief Financial Officer is 125% and 110%, respectively, of base salary, the Committee determined that the maximum amount payable to each of the Chief Executive Officer and the Chief Financial Officer in respect of 2021 should be reduced by half. Bonus would not be payable for below minimum/threshold performance but would increase on a straight-line basis to target performance and then again on a straight-line basis from target to maximum.

The performance targets for the second half of 2021 are as set out below:

	Minimum £m	Target £m	Maximum £m	Achieved £m	Bonus Achieved as % of Maximum Opportunity
Adjusted PBT (excluding notional interest)	17.5	18.9	22.7	20.7	72.7

The Committee increased the 2021 target to reflect the impact of the acquisition of Lilliput (Dunmurry) Limited in September 2021, which was not included in the original target.

The Committee believes that these targets, adjusted to reflect the acquisition noted above, were appropriately stretching in the context of expected levels of performance for the business over the second half of 2021. Performance against the targets was assessed after the end of the financial year and this resulted in a bonus outcome as set out in the table above. The Committee felt that this represented a strong result in the wider market context and was a fair reflection of the Company's overall performance over the period. In arriving at this conclusion, the Committee noted that no support was claimed from the Coronavirus Job Retention Scheme during the second half of 2021.

Bonuses will be paid in cash and subject to malus and clawback provisions.

INTERESTS IN SHARE CAPITAL

The interests of the Directors who were in office at 31 December 2021, 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 2021 Ordinary shares of 10p each	**31 December 2020 Ordinary shares of 10p each**	**31 December 2021 LTIP/SAYE options**	**31 December 2020 LTIP/SAYE options**	Share ownership guidelines
Peter Egan	**304,061**	221,804	**631,350**	714,204	Note 1
Yvonne Monaghan (note 3)	**694,955**	624,955	**424,465**	736,998	Note 1
Jock Lennox	**57,000**	–	**-**	–	Note 2
Chris Girling	**17,333**	17,333	**-**	–	Note 2
Nick Gregg	**33,695**	33,695	**-**	–	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 2021 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 94, is set out below; all values (including share price) are as at 31 December 2021:

	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	304,061	–	304,061	147.6	449	431	104%
Yvonne Monaghan	694,955	–	694,955	147.6	1,026	323	318%

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 towards the shareholding requirement on a net of tax basis. As at 31 December 2021, the unvested shares as shown in the table below were all subject to performance conditions and hence do not count towards the shareholding requirement.

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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 2020	Options Granted During Year	Options Lapsed During Year	Options Cancelled During Year	Options Exercised During Year	At 31 December 2021	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 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
Scheme 2	22 March 2021	–	342,689	–	–	–	**342,689**	nil
Scheme 4	1 October 2021	–	6,936	–	–	–	**6,936**	129.75p
		714,204	349,625	(330,322)	–	(102,157)	**631,350**	
Yvonne Monaghan								
Scheme 1	27 March 2017	274,364	–	–	–	(274,364)	**-**	nil
Scheme 4	4 October 2017	7,157	–	–	–	(7,157)	**-**	125.75p
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
Scheme 2	22 March 2021	–	226,309	–	–	–	**226,309**	nil
Scheme 4	1 October 2021	–	6,936	–	–	–	**6,936**	129.75p
		736,998	233,245	(264,257)	–	(281,521)	**424,465**	

Scheme 1 - The Johnson Service Group 2009 Long-Term Incentive Plan (the '2009 LTIP Scheme')
Scheme 2 - The Johnson Service Group 2018 Long-Term Incentive Plan (the '2018 LTIP Scheme')
Scheme 3 - The Johnson Service Group 2018 Long-Term Incentive Plan CSOP Section (the '2018 Approved LTIP Scheme')
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 102 to 104 of the Directors' Remuneration Report.

AWARDS EXERCISED IN 2021

Details of the awards exercised during 2021 are set out below. No Director exercised any awards during 2020.

2017 LTIP Award

Awards were granted to certain employees on 27 March 2017 with an exercise price of £nil. The performance period was the three financial years starting 1 January 2017 and ending 31 December 2019. The performance conditions were met in full. Details of the performance conditions, together with the number of options vesting to each of Peter Egan and Yvonne Monaghan, were set out in the 2020 Directors' Remuneration Report.

On 26 March 2021, Peter Egan and Yvonne Monaghan exercised their options. The gross gain, at the point of exercise, attributable to each of Peter Egan and Yvonne Monaghan, prior to any taxation liabilities and dealing costs, was £146,471 and £423,015, respectively.

SAYE Scheme

On 29 March 2021, Peter Egan and Yvonne Monaghan each exercised options over 7,157 shares with an option price of 125.75 pence per share under the Company's SAYE Scheme. The market price at the point of the transaction was 155.4 pence per share.

AWARDS LAPSED IN 2021

Under the 2018 LTIP Scheme, awards were granted to certain employees on 5 March 2019 with an exercise price of £nil (the '2019 LTIP Award'). 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 and Yvonne Monaghan was granted 264,257 options. The performance period was 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'.

Whilst the award would not be capable of vesting until at least 5 March 2022, the performance period ended on 31 December 2021. 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%	(46.9%)	0%	nil	nil
TSR (over Index)	0%	7%	(11.0%)	0%	nil	nil
					nil	nil

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

2020 LTIP Award

Awards were granted, under the 2018 LTIP Scheme, 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 Scheme, 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 Scheme	2018 Approved LTIP Scheme
Peter Egan	266,497	15,228
Yvonne Monaghan	175,992	15,228

The number of options granted under the 2018 LTIP Scheme to each of Peter Egan and Yvonne Monaghan were equivalent to 125% and 110%, respectively, of their base salaries at the time. 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.

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2021 LTIP Award

Awards were granted, under the 2018 LTIP Scheme, to certain employees on 22 March 2021 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 153.2 pence. Peter Egan was granted 342,689 options, equivalent to 125% of his base salary at the time; Yvonne Monaghan was granted 226,309 options, equivalent to 110% of her base salary at the time. The performance period is the three financial years starting 1 January 2021 and ending 31 December 2023. 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

Each of the awards above 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 Scheme

To incentivise certain employees to maximise Shareholder value and to ensure the employees' services are retained, the Company adopted the 2009 LTIP Scheme, 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 Scheme, although in practice, participants were limited to Executive Directors and Senior Management. Participants in the 2009 LTIP Scheme were selected by the Remuneration Committee.

Eligible participants were granted awards entitling them to receive, subject to the rules of the 2009 LTIP Scheme, 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 Scheme 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.

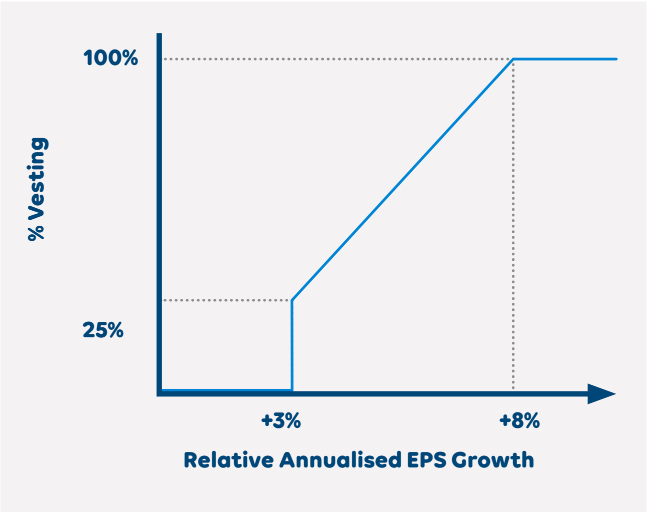
- The remaining 50 per cent of the award will vest by reference to the annualised growth in the Company's adjusted diluted earnings per share from continuing operations ('EPS') over the performance period relative to the annualised growth in the retail price index ('RPI') over the performance period.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

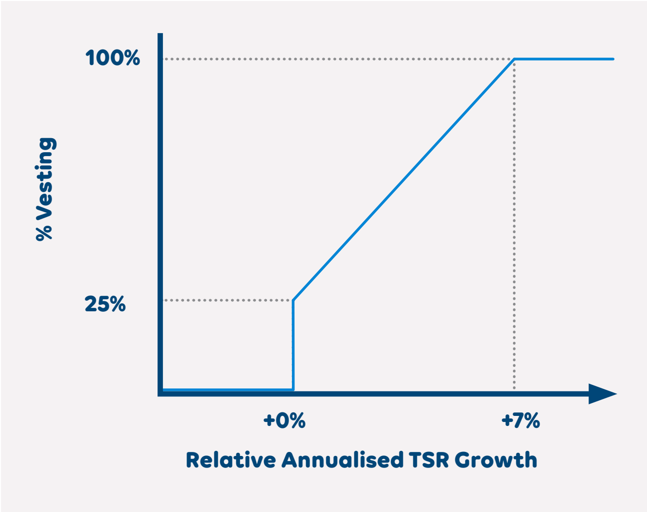
For the purpose of calculating TSR and Index growth, the average of the net return index over the dealing days falling in the period of one month ending on the last day of the performance period will be compared to the average of the net return index over the dealing days falling in the period of one 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 diluted earnings per share from continuing operations for the final financial year in the performance period will be compared to the Company's adjusted 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 charts below demonstrate the effect on vesting of the above performance conditions:





2018 LTIP Scheme

Awards could only be granted under the 2009 LTIP Scheme until 4 July 2018. The Committee, therefore, adopted a new plan on substantially the same terms as the 2009 LTIP Scheme 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 Scheme was approved by Shareholders at the 2018 Annual General Meeting; a summary of the principal features of the rules of the 2018 LTIP Scheme is included within the 2018 Notice of Annual General Meeting.

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

The 2018 LTIP Scheme 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 Scheme contain provisions which allow the Committee to require that shares acquired from vested LTIP awards must be retained for a prescribed period post vesting.

The first award under the 2018 LTIP Scheme 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 Scheme, as set out above.

A further award was granted under the 2018 LTIP Scheme in March 2021 (the '2021 LTIP Award'). At that time, and as previously announced, the Committee determined that, given the significant Covid-related uncertainty in the wider economic environment, it was unable to set meaningful three-year performance targets and would therefore, in a departure from its normal practice and in line with guidance published by the Investment Association, defer the setting of performance targets for a period of not later than six months from the grant date. On 20 September 2021, the following performance conditions were announced:

- 50 per cent of the 2021 LTIP 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 this element of the 2021 LTIP Award will vest if the TSR growth is less than the Index growth, one quarter will vest if the TSR growth is equal to the Index growth and the whole of this element of the 2021 LTIP Award will vest if the TSR growth is at least seven per cent above the Index growth. Vesting will be on a straight-line basis between these points. This performance target is the same as for previous awards.
- The remaining 50 per cent of the 2021 LTIP Award will vest by reference to the Company's adjusted diluted earnings per share from continuing operations ('EPS') as at 31 December 2023. The figure will be further adjusted to exclude any impact on EPS of the capital allowances super-deduction, which offers 130% first-year relief on qualifying main rate plant and machinery investments until 31 March 2023. None of this element of the 2021 LTIP Award will vest if EPS is less than 9.45 pence, one quarter will vest if EPS is equal to 9.45 pence and the whole of this element of the 2021 LTIP Award will vest if EPS is 10.5 pence or greater. Vesting will be on a straight-line basis if EPS is between 9.45 pence and 10.5 pence.

2018 Approved LTIP Scheme

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

Directors' Remuneration Report
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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 Scheme 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 Scheme. 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 Scheme arrangement.

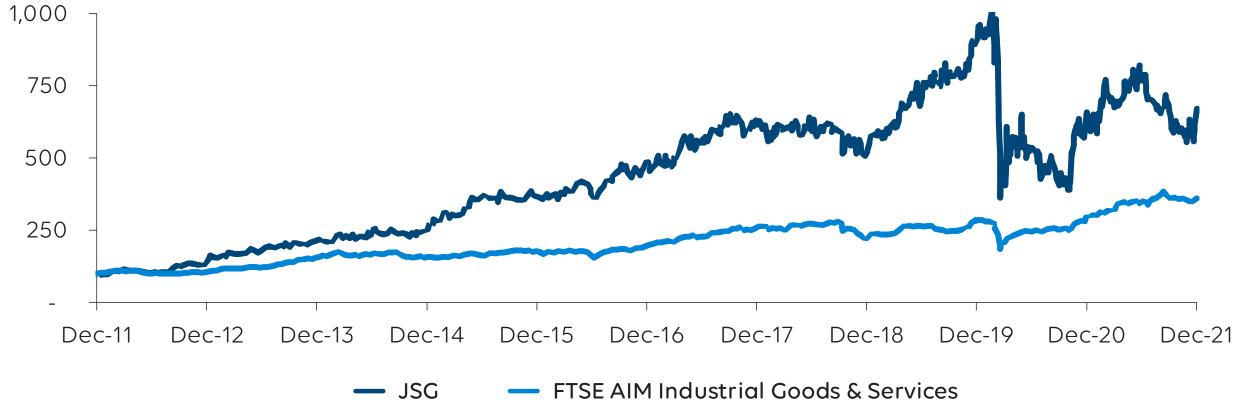
On 3 March 2020, certain employees were granted awards under the 2018 Approved LTIP Scheme, linked to the awards granted on the same date under the 2018 LTIP Scheme, at an exercise price of 197 pence.

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.

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 2021. 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.



NON-EXECUTIVE DIRECTORS' REMUNERATION (AUDITED)

Details of the amounts received by the Chairman and the Non-Executive Directors during the year ended 31 December 2021 are as follows:

	2021 £000	2020 £000
Current Directors		
Jock Lennox	**117**	–
Chris Girling	**60**	52
Nick Gregg	**54**	47
Previous Directors		
Bill Shannon	**48**	122
	279	221

The annualised fee payable to each of Chris, Nick and Bill in 2020 would have been £59,100, £53,100 and £138,375, 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 20% temporary reduction.

The base fees referred to above were increased by 2.5% with effect from 1 April 2021. No increase was applied to Bill Shannon's fee given that he was due to retire in May 2021. Fees payable to Jock Lennox in 2021 reflect the aggregate of an annualised fee of £70,000, as subsequently increased by 2.5% effective 1 April 2021, for his services as a Non-Executive Director up until 5 May 2021 and an annualised fee of £141,834 for his services as Non-Executive Chairman thereafter.

TOTAL DIRECTOR REMUNERATION (AUDITED)

The aggregate total amount of remuneration received by all Directors in office during the year ended 31 December 2021, together with the aggregate total amount of remuneration received by all Directors in office during the year ended 31 December 2020, is shown below:

	2021 £000	2020 £000
Executive Directors	**1,210**	804
Chairman & Non-Executive Directors	**279**	221
	1,489	1,025

PAYMENTS TO PAST DIRECTORS

Bill Shannon, former Non-Executive Director, retired from the Board in May 2021. Save for the payment of any accrued fees that were unpaid as at the date of retirement, no payments of money or other assets were paid following his date of retirement.

PAYMENTS FOR LOSS OF OFFICE

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

IMPLEMENTATION OF REMUNERATION POLICY IN 2022

The Committee anticipates the remuneration policy to apply as follows in the year ending 31 December 2022:

	Peter Egan	Yvonne Monaghan
Base Salary[1]	£441,263	£331,144
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[2]	Up to 125% of Base salary. Targets: 1. 90% of maximum entitlement to be based on the Group's financial results using the Adjusted Profit Before Taxation result excluding notional interest; and 2. to reflect our commitment to sustainability, 10% of maximum entitlement to be subject to the Committee's assessment of the 2022 objectives and plans, as set out in 'The Johnsons Way', being achieved and embedded across the Group	Up to 110% of Base salary. Targets: 1. 90% of maximum entitlement to be based on the Group's financial results using the Adjusted Profit Before Taxation result excluding notional interest; and 2. to reflect our commitment to sustainability, 10% of maximum entitlement to be subject to the Committee's assessment of the 2022 objectives and plans, as set out in 'The Johnsons Way', being achieved and embedded across the Group.
LTIP[3]	Up to 125% of Base Salary.	Up to 110% of Base Salary.

Note 1: Base salary payable in 2022 reflects a 2.5% increase on the base salary payable in 2021.

Note 2: Annual bonus targets are considered by the Committee and the Board to be commercially sensitive as they could inform the Company's competitors of its budgeting. Consequently, we do not publish details of the targets on a prospective basis, however, we will provide full and transparent disclosure of the targets and the performance against these targets on a retrospective basis in next year's Annual Report at the same time that the bonus outcome is reported.

Note 3: The Committee intends to grant the 2022 LTIP as normal following release of the 2021 annual results in March 2022, although, as at the date of this report, has yet to finalise the associated performance targets. Prior to grant, the Committee will give full consideration to the performance of the Group and ensure that the targets are calibrated appropriately, are suitbaly challenging and are in line with business performance. 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.

Directors' Remuneration Report

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CEO PAY RATIO

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 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
2021	33:1	31:1	28:1
2020	23:1	19:1	16:1
2019[1]	46:1	31:1	26:1

Note 1: The ratio for 2019 is based upon figures as disclosed in the 2019 Annual Report. Consequently, the single total figure of remuneration for the CEO used within the ratio calculation, 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 2021 pay ratios are significantly higher than last year due to an increase in the CEO's single total remuneration figure compared to 2020. This increase is a result of the annual bonus scheme being partially achieved and the 20 per cent voluntary reduction in Directors' salaries for part of 2020. The pay ratios for 2021 are, therefore, more directly comparable to those for 2019 than 2020. As a result of the impact of the COVID-19 pandemic on remuneration, our pay ratios have fluctuated between each reported year to date and no trend in the median pay ratio is observed at this time.

The table below sets out the salary and total pay and benefits for the three identified quartile point employees:

	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2021 Salary	£20,532	£21,552	£22,148
2021 Total Pay and Benefits	£20,532	£22,326	£24,030
2020 Salary	£17,837	£21,565	£26,144
2020 Total Pay and Benefits	£18,351	£22,040	£26,915
2019 Salary	£17,644	£25,462	£30,850
2019 Total Pay and Benefits	£17,964	£26,762	£31,525

The majority of our 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. 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.

The Committee also recognises that, due to the specific nature of the Company's business and the flexibility permitted within the regulations for identifying and calculating the total pay and benefits for employees, as well as differences in employment and remuneration models between companies, the ratios reported above may not be comparable to those reported by other companies.

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 2021, falls for each full-pay relevant employee only. The 'Gender Bonus Gap' calculations relate to the period 6 April 2020 to 5 April 2021 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)	**13.1%**
Difference in the hourly rate of pay (median)	**12.5%**

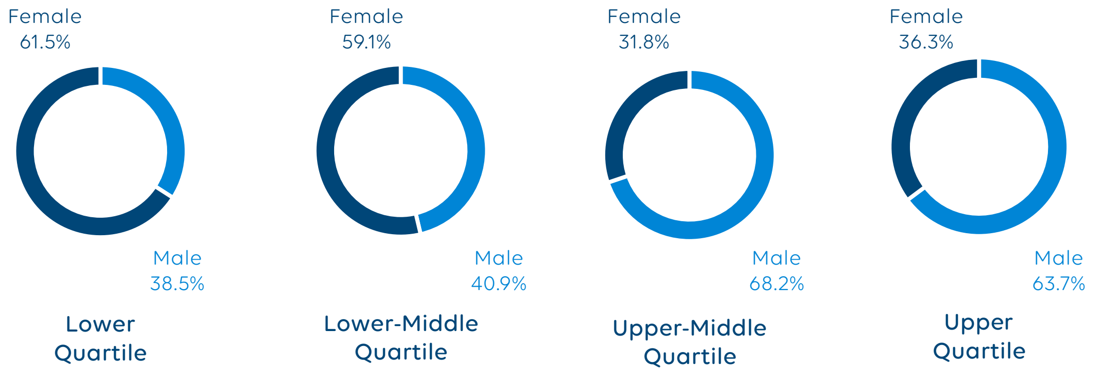
Gender Bonus Gap

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

Difference in bonus pay (mean)	**22.8%**
Difference in bonus pay (median)	**47.4%**
Percentage of male employees who receive bonus pay	**39.5%**
Percentage of female employees who receive bonus pay	**42.6%**

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 2021, a significant proportion of our employees, particularly those employed within our Hotel, Restaurant and Catering (HORECA) division, were on furlough and, as a result, receiving 80% of their normal earnings. 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. As at 5 April 2021, 53% of relevant employees were considered full-pay relevant employees. Whilst this represents a decrease on the proportion of full-pay relevant employees included in 2019 (91%), there has been an uplift comparing to the employees included in 2020 (27%). This is as a result of fewer employees being on furlough in 2021 and a significant number of salaried employees being excluded in the 2020 calculations due to temporary salary reductions.

Further Explanatory Commentary

Despite the impact of COVID-19, the results do show that, as in previous years, there is a gender gap. Whilst having fewer females than males in senior and leadership roles has an impact, it is 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.

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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 2021 and 31 December 2020. The Committee does not consider that there are any other significant distributions or payments outside the ordinary course of business that warrant disclosure.

	2021 £m	2020 £m	% Change
Dividends payable (note 1)	**–**	–	n/a
Total employee costs (note 2)	**127.7**	110.7	15.4%

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 2021. The Board will keep future dividends under review and look to reinstate its dividend policy once there is more certainty that trading levels will return to, and remain at, more normal levels.

Note 2: Total employee costs in 2021 are stated net of £9.9 million of grant receivable from the Coronavirus Job Retention Scheme (2020: net of £28.2 million).

OTHER DETAILS

The mid-market price of the Ordinary shares of 10p each on 31 December 2021 and 31 December 2020 was 147.6 pence and 140.0 pence respectively. During the year, the mid-market price of the Ordinary shares of 10 pence each ranged between 122.4 pence and 180.4 pence (2020: 80.0 pence and 223.0 pence).

ANNUAL GENERAL MEETING

The table below shows the voting outcome at the 2021 AGM, held on 5 May 2021, for the 2020 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]
310,939,021	99.65%	1,091,432	0.35%	312,030,453	20,889

Note 1: Includes 'Discretionary' votes.

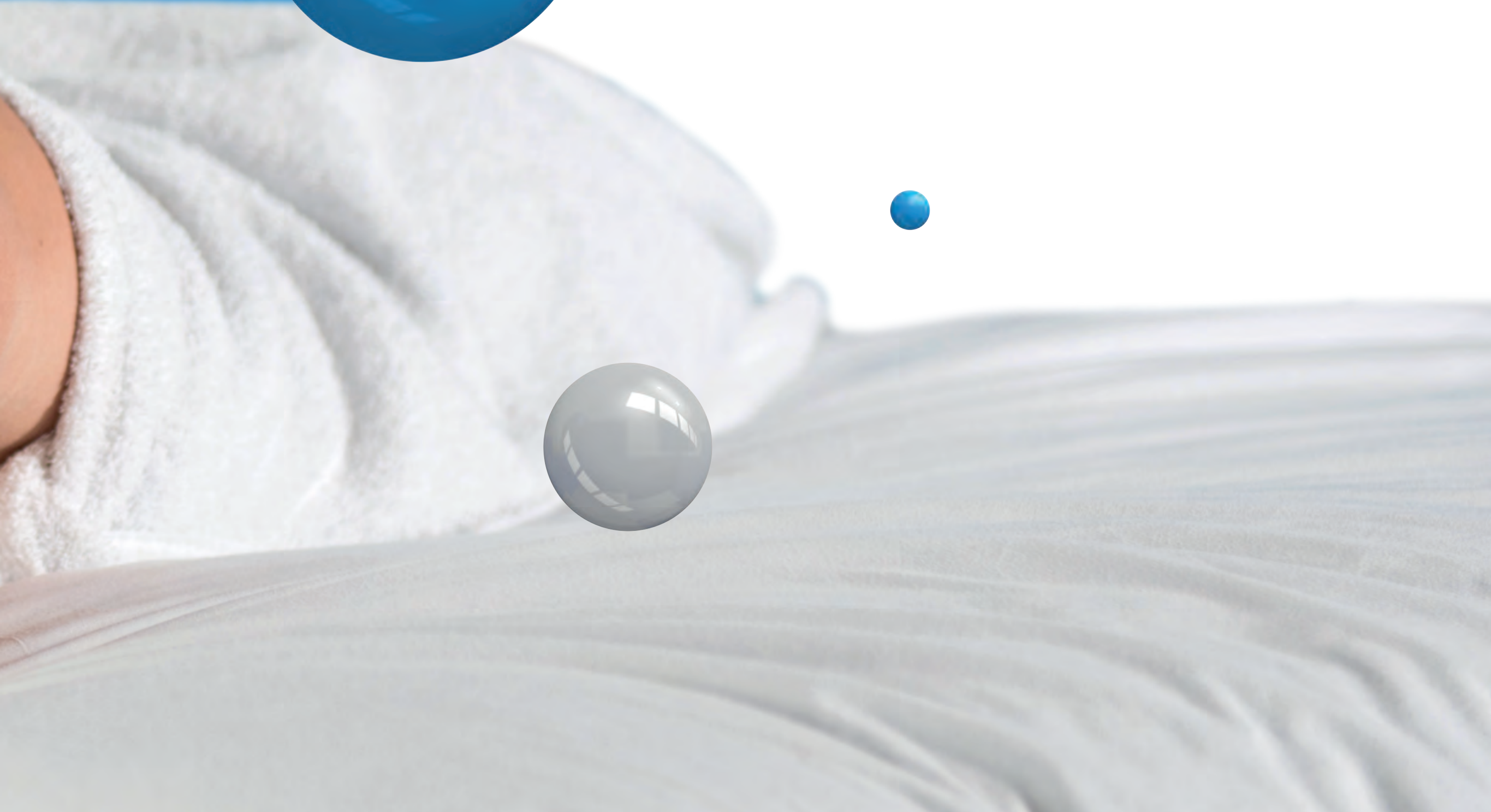
Note 2: A vote 'Withheld' is not a vote under English law and is not counted in the calculation of votes 'For' or 'Against' a resolution.

The Committee welcomed the endorsement of the 2020 Directors' Remuneration Report by Shareholders. At the 2022 AGM, due to be held on 4 May 2022, Shareholders will be invited to vote on the Directors' Remuneration Report for 2021.

Nick Gregg
Chairman, Remuneration Committee

7 March 2022

3. Group Financial Statements



Independent Auditor's Report to the members of Johnson Service Group PLC

Opinion

Our opinion on the financial statements is unmodified

We have audited the financial statements of Johnson Service Group PLC (the 'parent company') and its subsidiaries (the 'Group') for the year ended 31 December 2021, which comprise the Consolidated Income Statement, Consolidated Statement of Comprehensive Income, Consolidated Statement of Changes in Shareholders' Equity, Consolidated Balance Sheet, Consolidated Statement of Cash Flows, Statement of Significant Accounting Policies, Notes to the Consolidated Financial Statements, Company Statement of Changes in Shareholders' Equity, Company Balance Sheet, Company Statement of Cash Flows, Statement of Significant Accounting Policies, and Notes to the Company Financial Statements. The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the parent company's affairs as at 31 December 2021 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the parent company financial statements have been properly prepared in accordance with UK-adopted international accounting standards; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the parent company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group or the parent company to cease to continue as a going concern.

A description of our evaluation of management's assessment of the ability to continue to adopt the going concern basis of accounting, and the key observations arising with respect to that evaluation is included in the Key Audit Matters section of our report.

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 parent 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.

In relation to the Group's and the parent 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.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

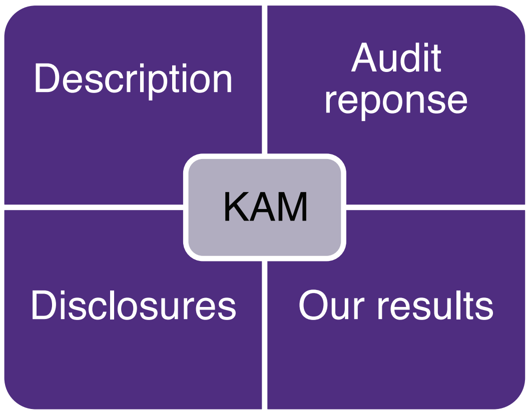
Our approach to the audit

Grant Thornton

Overview of our audit approach
Overall materiality: Group: £1,700,000, which represents approximately 0.6% of the Group's revenue. Parent company: £1,094,000, which represents approximately 0.5% of the parent company's net assets.
Key audit matters were identified as: • The revenue cycle includes fraudulent transactions; • Customer (rebate) arrangements; • Carrying value of goodwill; and • Going concern; We did not issue the audit report for the year ended 31 December 2020.
We have performed audits of the parent company and of the financial information of one component using component materiality (full scope audit). We have performed specific audit procedures relating to one component. We have performed analytical procedures at a Group level for the remaining 11 components in the Group during the year. In total, our audit procedures covered 99% of the Group's revenue, 94% of the Group's total assets and 93% of the Group's profit before tax.

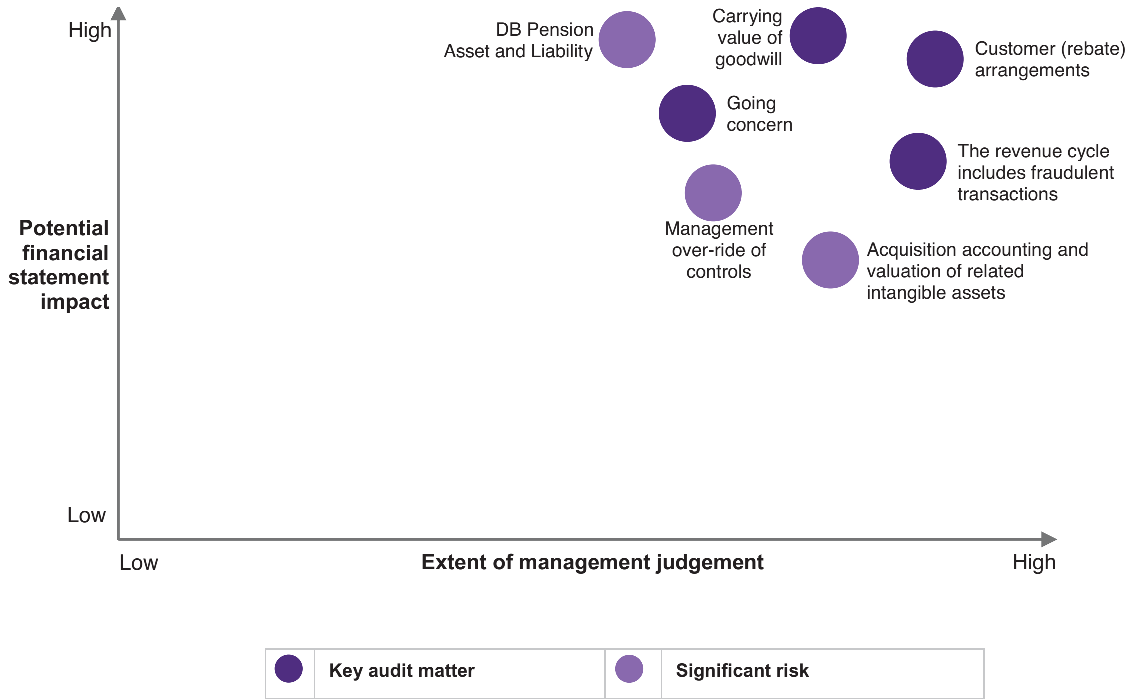
Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our 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) that we identified. These matters included those that 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 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.



Independent Auditor's Report to the members of Johnson Service Group PLC

In the graph below, we have presented the key audit matters, significant risks and other risks relevant to the audit.



Key Audit Matter – Group	How our scope addressed the matter – Group
The revenue cycle includes fraudulent transactions We identified the occurrence of revenue as one of the most significant assessed risks of material misstatement due to fraud. Under ISA 240 (UK) there is a presumed risk that revenue may be misstated due to the improper recognition of revenue. This is also considered to be a key audit matter given the importance of reported revenue to key stakeholders. The revenue recorded is one of the key factors that impacts EBITDA which is a Key Performance Indicator for the Group. The majority of revenue within the Group is considered non-complex. Journals outside of the normal business process therefore pose a risk of fraud due to their unusual nature. This is where the significant risk was pinpointed to.	In responding to the key audit matter, we performed the following audit procedures: • Obtained an understanding of the design and implementation of relevant controls in relation to the recognition of revenue; • Assessed whether the accounting policies adopted by the directors are in accordance with the requirements of IFRS 15 'Revenue from contracts with customers', and whether management accounted for revenue in accordance with the accounting policies; • Utilised audit data analytics techniques to identify journals outside of the normal business process. These postings have been assessed and tested to supporting evidence; and • Tested a sample of revenue transactions on material revenue streams to supporting evidence such as customer contract, sales invoices and proof of cash receipt.
Relevant disclosures in the Annual Report and Accounts 2021 • Financial statements: Statement of Significant Accounting Policies, Revenue recognition • Financial Statements: Note 1, Segment analysis	**Our results** Our audit testing performed did not identify any material misstatements in relation to revenue recognition.

Key Audit Matter – Group	How our scope addressed the matter – Group
Customer (rebate) arrangements We identified customer (rebate) arrangements as one of the most significant assessed risks of material misstatement due to fraud and error. Through its divisional trading activities, the Group has rebate agreements in place across certain key customers. These vary on a customer-by-customer basis, but relate largely to volume of sales made throughout the year. The complexity of such arrangements also vary, with some based on factual information and others requiring judgement. We have pinpointed the significant risk to the completeness of rebate arrangements which feature judgement. The level of rebate granted is based on contractual terms which are specific to each customer. These are not uniform, which means that there is inherently an element of complexity which gives rise to an increased risk of error or fraud occurring in respect of these balances. This includes both the amounts recognised within the income statement and balance sheet at year end.	In responding to the key audit matter, we performed the following audit procedures: • Obtained an understanding of the design and implementation of relevant controls over the recognition of customer rebates; • For a sample of customers, recalculated the rebate recognised both within the income statement and the balance sheet; • Performed year on year analysis of the accrual balance per customer to gain assurance over the reasonableness of the year end balance recognised. We tested for completeness of the liability by assessing contractual arrangements with the Group's key customers to check these were not indicative of unrecorded rebate liabilities; • Held discussions with members of staff outside of the finance function to understand any new rebate arrangements entered into in the year; • Obtained an understanding of significant revenue deductions or credits issued to customers in the year to determine if these related to rebate agreements; • For any identified significant new, large customers or revised agreements, considered whether there are appropriate rebate accruals in place; • Assessed transactions post year end to agree amounts recorded and check these have been accounted for in the correct period and determine whether post year end activity is indicative of unrecorded customer arrangements; and • Assessed ageing of the accruals and considered management's assessment of the likelihood of claims for historic amounts.
Relevant disclosures in the Annual Report and Accounts 2021 • Financial statements: Statement of Significant Accounting Policies, Rebates	**Our results** Our audit testing performed did not identify any material misstatements in relation to customer (rebate) arrangements.
Carrying Value of goodwill We identified the carrying value of goodwill as one of the most significant assessed risks of material misstatement due to error. We have pinpointed the significant risk in relation to the carrying value of goodwill to the London Linen Cash Generating Unit ('CGU'), which relates to the valuation and allocation assertion. Under International Accounting Standard IAS 36 'Impairment of Assets', management is required to assess at the end of each reporting period whether there is any indication that an asset may be impaired and to perform an annual assessment whether the Group's goodwill within a CGU is impaired. The process for assessing whether impairment of assets exists under IAS 36 is complex. Management prepare impairment models to assess the value in use. Calculating value in use, through forecasting cash flows related to CGUs and the determination of the CGUs, appropriate discount rate and other assumptions to be applied can be highly judgemental and subject to management bias or error. The selection of certain inputs into the cash flow forecasts can also significantly impact the results of the impairment assessment.	In responding to the key audit matter, we performed the following audit procedures: • Understood and evaluated the design and implementation of controls relating to the impairment model; • Assessed the mechanical accuracy of the impairment model and the methodology applied by management for consistency with the requirements of IAS 36, including their associated sensitivity analysis; • Obtained management's assessment over carrying value and value in use, understanding and challenging sensitivities performed; • Tested the accuracy of management's forecasting through a comparison of prior forecasts to actual data; • Considered the appropriateness of management's assumptions and sensitivities relating to the calculations of the value in use of CGUs and estimated future cash flows, including the growth rate and discount rate used to assess the level of headroom; • Performed our own sensitivity analysis and reverse stress test to understand the impact of any reasonably possible changes in assumptions, and evaluated the headroom available from different outcomes to assess whether goodwill could be impaired; • Used our internal valuation specialists to inform our challenge of management, that the assumptions used within the calculation of WACC is reasonable and consistent with other similar Groups; and • Assessed whether the Group's disclosures with respect to the carrying value of Group goodwill are adequate and the key assumptions are disclosed.

Independent Auditor's Report to the members of Johnson Service Group PLC

Key Audit Matter – Group	How our scope addressed the matter – Group
Relevant disclosures in the Annual Report and Accounts 2021 • Financial statements: Statement of Significant Accounting Policies, Impairment of non-financial assets; Goodwill • Financial statements: Note 12, Goodwill	**Our results** Our audit testing did not identify any material impairment of goodwill. We concluded that the assumptions used in management's impairment model were appropriate. We consider the disclosures with respect to the carrying value of the Group's goodwill to be in accordance with IAS 36.
Going concern We identified going concern as one of the most significant assessed risks of material misstatement due to fraud and error as a result of the judgement required to conclude whether there is a material uncertainty related to going concern. In our evaluation, we considered the inherent risks associated with the Group's business model including the effects arising from macro-economic uncertainties such as Brexit and Covid-19. The Group has been impacted by the Covid-19 pandemic, particularly within the HORECA segment. The Covid-19 impacts are ongoing, and still subject to unprecedented levels of uncertainty, which could adversely impact the future trading performance of the Group, again particularly within the HORECA segment, leading to increased judgement in respect of the forward-looking assessment. In undertaking their assessment of going concern for the Group, management considered the impact of Covid-19 related events in their forecast future performance of the Group and anticipated cash flows.	In responding to the key audit matter, we performed the following audit procedures: • Obtained an understanding of relevant controls relating to the assessment of going concern models, including the assessment of the inputs and assumptions used in those models; • Obtained and assessed management's paper and assessment of going concern, including forecasts covering the period to 30 June 2023 and tested the mathematical accuracy of the forecasts, as approved by the board; • Considered management's historic forecasting accuracy and the extent to which this impacts forecasts produced; • Assessed the forecasts prepared to ensure consistency with other areas of the audit, utilising the work performed such as using industry data and other external information to challenge the reasonableness of management's assumptions; • Tested compliance with financial covenants within the Group's facilities for the period to 30th June 2023; • Assessed scenario sensitivities and reverse stress tests performed by management, and determining if they are plausible; • Performing our own scenario sensitivities over and above the sensitivities of management and considering the available headroom and compliance with covenants; • Tested the adequacy of the supporting evidence for cash flow forecasts, assessed and performed arithmetical checks on the forecast and considered the headroom available to the Group; • Assessed the appropriateness of assumptions regarding mitigating actions to reduce costs or manage cashflows in downside scenarios; and • Assessed the adequacy of related disclosures within the annual report.
Relevant disclosures in the Annual Report and Accounts 2021 • Financial statements: Statement of Significant Accounting Policies, Going Concern; Going Concern Statement	**Our results** We have nothing to report in addition to that stated in the 'Conclusions relating to going concern' section of our report.

We note no key audit matters in relation to the parent company.

Our application of materiality

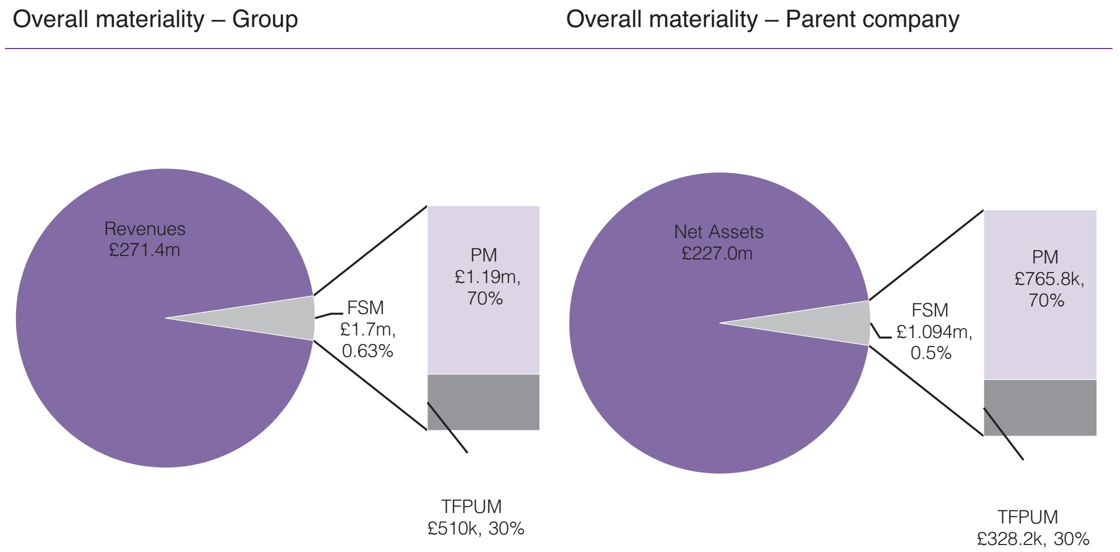
We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

Materiality was determined as follows:

Materiality measure	Group	Parent company
Materiality for financial statements as a whole	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£1,700,000, which is 0.63% of the Group's revenue.	£1,094,000, which is 0.48% of net assets.
Significant judgements made by auditor in determining the materiality	We determine revenue to be the most appropriate benchmark due to this having importance in both external financial reporting and internal management reporting. This is a key driver of business activity and is a measure on which growth is monitored.	We determine net assets to be the most appropriate benchmark because the parent company does not trade and largely holds investments in subsidiary undertakings.
Performance materiality used to drive the extent of our testing	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£1,190,000, which is 70% of financial statement materiality.	£765,800, which is 70% of financial statement materiality
Significant judgements made by auditor in determining the performance materiality	In determining performance materiality, we made the following significant judgements: • Our risk assessment procedures did not identify any significant changes in business objectives and strategy of the Group. • We considered qualitative and quantitative factors when considering the impact of prior period adjusted and unadjusted misstatements.	In determining performance materiality, we made the following significant judgements: • Our risk assessment procedures did not identify any significant changes in business objectives and strategy of the company. • We considered qualitative and quantitative factors when considering the impact of prior period adjusted and unadjusted misstatements.
Specific materiality	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	We determined a lower level of specific materiality for related party transactions and directors' remuneration.	We determined a lower level of specific materiality for related party transactions and directors' remuneration.
Communication of misstatements to the audit committee	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£85,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£54,000 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

Independent Auditor's Report to the members of Johnson Service Group PLC

The graph below illustrates how performance materiality interacts with our overall materiality and the tolerance for potential uncorrected misstatements.



FSM: Financial statements materiality, PM: Performance materiality, TFPUM: Tolerance for potential uncorrected misstatements

An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the Group's and the parent company's business and in particular matters related to:

Understanding the Group, its components, and their environments, including Group-wide controls

- The engagement team obtained an understanding of the Group and its environment, including Group-wide controls, and assessed the risks of material misstatement at the Group level; and
- The engagement team further considered the structure of the Group, including Group-wide processes and controls, and used this to inform our assessment of risk.

Identifying significant components

- In order to address the risks identified, the engagement team performed an evaluation of identified components to assess the significant components and to determine the planned audit response based on a measure of materiality, calculated by considering the component's significance as a percentage of the Group's total assets, revenue and profit before taxation.

Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

- Of the Group's 13 components, we identified 2 which, in our view, required an audit of their financial information (full scope audit), either due to their size or their risk characteristics. As a result of this, we performed an audit of the financial statements of the parent company and of the financial information of one component, Johnsons Textile Services Limited, using component materiality.
- We identified key audit matters which were the revenue cycle includes fraudulent transactions, customer (rebate) arrangements, carrying value of goodwill and going concern. The audit procedures performed in respect of these have been included within the key audit matters section of our report.
- We performed specific audit procedures in respect of one component, Johnson Group Properties PLC.
- We performed analytical procedures at a Group level over the remaining 11 components. These procedures, together with the additional procedures outlined above, gave us the audit evidence needed for our opinion on the Group financial statements as a whole. All audit work has been undertaken by the Group engagement team.

Performance of our audit

- Together, the components subject to full-scope audits covered 99% of the Group's revenue, 94% of the Group's total assets and 93% of the Group's profit before tax.
- All work including component work was performed by the Group audit team.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report and accounts, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion 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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Corporate governance statement

ISAs (UK) require us to review the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the Group's and the parent company's voluntary compliance with the provisions of the UK Corporate Governance Code.

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 or our knowledge obtained during the audit:

- Directors' statement with regards the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified;
- Directors' explanation as to their assessment of the Groups prospects, the period this assessment covers and why the period is appropriate;
- Director's statement on whether it has a reasonable expectation that the Group will be able to continue in operation and meets its liabilities;
- Directors' statement on fair, balanced and understandable;
- Board's confirmation that it has carried out a robust assessment of the emerging and principal risks;
- Section of the annual report that describes the review of effectiveness of risk management and internal control systems; and
- Section describing the work of the audit committee.

Responsibilities of directors for the financial statements

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors 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 parent 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 parent company or to cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report to the members of Johnson Service Group PLC

Auditor's 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 auditor's 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.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Explanation as to what extent the audit was considered capable of 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 above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the parent company and the Group and the industry in which they operate. We determined that the most significant laws and regulations are: UK-adopted international accounting standards, UK Corporate Governance Code and taxation laws;
- We obtained an understanding of how the parent company and the Group are complying with those legal and regulatory frameworks by making inquiries of management, those responsible for legal and compliance procedures and the company secretary. We corroborated our inquiries through our review of board minutes and papers provided to the Audit Committee;
- We assessed the susceptibility of the parent company's and Group's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the Group engagement team included:
  - Assessing the design and implementation of controls management has in place to prevent and detect fraud;
  - Obtaining an understanding of how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;
  - Challenging assumptions and judgments made by management in significant accounting estimates;
  - Identifying and testing journal entries, in particular any journal with unusual characteristics;
  - Engaging with our internal tax specialist to address the risk of non-compliance with taxation legislation;
  - Designing audit procedures to incorporate unpredictability around the nature, timing or extend of our testing; and
  - Assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it; and
- The assessment of the appropriateness of the collective competence and capabilities of the Group engagement team included consideration of the Group engagement team's knowledge of the industry in which the Group operates, and the understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Michael Frankish
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester
7 March 2022

Consolidated Income Statement

	Note	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m Restated*
Revenue	1	**271.4**	**229.8**
Impairment loss on trade receivables**	18	(0.4)	(3.6)
All other costs		(262.6)	(253.4)
Operating profit/(loss)	2	**8.4**	**(27.2)**
Operating profit/(loss) before amortisation of intangible assets (excluding software amortisation) and exceptional items	1	12.7	(11.9)
Amortisation of intangible assets (excluding software amortisation)	13	(11.0)	(11.0)
Exceptional items	6	6.7	(4.3)
Operating profit/(loss)	2	**8.4**	**(27.2)**
Finance cost	7	(3.3)	(4.9)
Profit/(loss) before taxation		**5.1**	**(32.1)**
Taxation credit	9	1.8	5.2
Profit/(loss) for the year from continuing operations		**6.9**	**(26.9)**
Loss for the year from discontinued operations	35	**(0.3)**	**–**
Profit/(loss) for the year attributable to equity holders		**6.6**	**(26.9)**

* See note 40 for further details of the prior year restatement

** Prior year presentation has been changed to be compliant with IAS 1.

	Note		
Earnings/(loss) per share (*restated)	11		
Basic earnings/(loss) per share			
– From continuing operations		1.6p	(6.5)p
– From discontinued operations		(0.1)p	–
From total operations		**1.5p**	**(6.5)p**
Diluted earnings/(loss) per share			
– From continuing operations		1.6p	(6.5)p
– From discontinued operations		(0.1)p	–
From total operations		**1.5p**	**(6.5)p**

See note 11 for Adjusted basic earnings/(loss) per share and Adjusted diluted earnings/(loss) per share.

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m Restated
Profit/(loss) for the year		**6.6**	**(26.9)**
Items that will not be subsequently reclassified to profit or loss			
Re-measurement and experience gains/(losses) on post-employment benefit obligations	25	11.0	(9.4)
Taxation in respect of re-measurement and experience (gains)/losses		(2.1)	1.7
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 gains/(losses)	26	1.3	(2.9)
– transfers to administrative expenses	26	–	1.8
– transfers to finance cost	26	–	0.6
Total other comprehensive income/(loss) for the year		**10.2**	**(8.0)**
Total comprehensive income/(loss) for the year		**16.8**	**(34.9)**

The notes on pages 140 to 177 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 Restated	Total Equity £m Restated
Balance at 31 December 2019 (as previously reported)	**37.0**	**16.1**	**1.6**	**0.6**	**(0.5)**	**152.7**	**207.5**
Prior year adjustment (note 40)	–	–	–	–	–	(1.1)	(1.1)
Restated balance at 1 January 2020	37.0	16.1	1.6	0.6	(0.5)	151.6	206.4
Loss for the year (as previously reported)	–	–	–	–	–	(27.1)	(27.1)
Prior year adjustment	–	–	–	–	–	0.2	0.2
Other comprehensive loss	–	–	–	–	(0.5)	(7.5)	(8.0)
Total comprehensive loss for the year	**–**	**–**	**–**	**–**	**(0.5)**	**(34.4)**	**(34.9)**
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 (Restated)	**44.4**	**16.3**	**1.6**	**0.6**	**(1.0)**	**192.7**	**254.6**
Balance at 31 December 2020 (as previously reported)	44.4	16.3	1.6	0.6	(1.0)	193.6	255.5
Prior year adjustment (note 40)	–	–	–	–	–	(0.9)	(0.9)
Balance at 31 December 2020 (Restated)	**44.4**	**16.3**	**1.6**	**0.6**	**(1.0)**	**192.7**	**254.6**
Profit for the year	–	–	–	–	–	6.6	6.6
Other comprehensive income	–	–	–	–	1.3	8.9	10.2
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**1.3**	**15.5**	**16.8**
Share options (value of employee services)	–	–	–	–	–	0.5	0.5
Purchase of own shares by EBT	–	–	–	–	–	(0.1)	(0.1)
Issue of share capital	0.1	0.5	–	–	–	–	0.6
Transactions with Shareholders recognised directly in Shareholders' equity	**0.1**	**0.5**	**–**	**–**	**–**	**0.4**	**1.0**
Balance at 31 December 2021	**44.5**	**16.8**	**1.6**	**0.6**	**0.3**	**208.6**	**272.4**

The Group has an Employee Benefit Trust (EBT) to administer share plans and to acquire shares, using funds contributed by the Group, to meet commitments to employee share schemes. At 31 December 2021 the EBT held 9,024 shares (2020: 8,388).

Consolidated Balance Sheet

	Note	As at 31 December 2021 £m	As at 31 December 2020 £m Restated
Assets			
Non-current assets			
Goodwill	12	135.2	130.9
Intangible assets	13	16.7	26.5
Property, plant and equipment	14	113.3	107.2
Right of use assets	15	35.5	38.5
Textile rental items	16	48.4	35.6
Trade and other receivables	18	0.3	0.4
Derivative financial assets	26	0.3	–
		349.7	**339.1**
Current assets			
Inventories	17	2.2	1.4
Trade and other receivables	18	47.9	31.3
Current income tax assets		3.6	3.3
Cash and cash equivalents		5.2	7.8
		58.9	**43.8**
Liabilities			
Current liabilities			
Trade and other payables	19	63.7	64.8
Borrowings	21	9.5	1.0
Lease liabilities	22	5.2	5.5
Derivative financial liabilities	26	0.1	0.1
Provisions	24	0.5	2.0
		79.0	**73.4**
Non-current liabilities			
Post-employment benefit obligations	25	2.1	14.9
Deferred income tax liabilities	23	3.3	1.2
Trade and other payables	20	0.3	0.4
Borrowings	21	18.0	–
Lease liabilities	22	32.6	35.1
Derivative financial liabilities	26	–	2.0
Provisions	24	0.9	1.3
		57.2	**54.9**
Net assets		**272.4**	**254.6**
Equity			
Capital and reserves attributable to the company's shareholders			
Share capital	29	44.5	44.4
Share premium	31	16.8	16.3
Merger reserve		1.6	1.6
Capital redemption reserve		0.6	0.6
Hedge reserve		0.3	(1.0)
Retained earnings		208.6	192.7
Total equity		**272.4**	**254.6**

The notes on pages 140 to 177 are an integral part of these Consolidated Financial Statements.

The financial statements on pages 121 to 177 were approved by the Board of Directors on 7 March 2022 and signed on its behalf by:

Yvonne Monaghan
Chief Financial Officer

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m Restated
Cash flows from operating activities			
Profit/(loss) for the year		6.6	(26.9)
Adjustments for:			
Taxation (credit)/charge – continuing	9	(1.8)	(5.2)
– discontinuing		0.3	–
Total finance cost	7	3.3	4.9
Depreciation and impairment		55.1	66.2
Amortisation	13	11.1	11.0
Loss on disposal of tangible fixed assets		0.1	0.8
Loss on disposal of textile rental items		–	0.2
Profit on termination of lease liabilities		(0.2)	–
(Increase)/decrease in inventories		(0.8)	0.9
(Increase)/decrease in trade and other receivables		(15.4)	23.7
Decrease in trade and other payables		(2.1)	(0.2)
Deficit recovery payments in respect of post-employment benefit obligations		(1.9)	(1.9)
Share-based payments	30	0.5	0.4
(Decrease)/increase in provisions		(2.0)	0.2
Commodity swaps not qualifying as hedges		(0.3)	0.3
Insurance claims		(5.3)	(2.5)
Business acquisition costs charged to the income statement		0.1	–
Cash generated from operations		47.3	71.9
Interest paid		(3.2)	(4.0)
Taxation received/(paid)		0.5	(3.4)
Net cash generated from operating activities		**44.6**	**64.5**
Cash flows from investing activities			
Acquisition of business (including acquired overdrafts)	34	(4.8)	(0.9)
Disposal of business costs	35	(3.6)	–
Purchase of other intangible assets		–	(1.2)
Purchase of property, plant and equipment		(24.2)	(20.4)
Insurance claims		5.3	2.5
Purchase of software		(0.2)	(1.0)
Proceeds from sale of property, plant and equipment		–	0.2
Purchase of textile rental items		(41.8)	(28.1)
Proceeds received in respect of special charges	16	2.4	2.1
Net cash used in investing activities		**(66.9)**	**(46.8)**
Cash flows from financing activities			
Proceeds from borrowings		29.0	58.0
Repayment of borrowings		(12.5)	(143.0)
Capital element of leases		(5.7)	(6.1)
Purchase of own shares by EBT		(0.1)	–
Proceeds from issue of ordinary shares	29	0.6	82.9
Net cash generated from/(used in) financing activities		**11.3**	**(8.2)**
Net (decrease)/increase in cash and cash equivalents		**(11.0)**	**9.5**
Cash and cash equivalents at beginning of year		6.6	(2.9)
Cash and cash equivalents at end of year	36	**(4.4)**	**6.6**
Cash and cash equivalents comprise:			
Cash		5.2	7.8
Overdraft		(9.6)	(1.2)
Cash and cash equivalents at end of year		**(4.4)**	**6.6**

The notes on pages 140 to 177 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 7 March 2022.

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.

Accounting policies have been applied consistently with the exception of the change in accounting policy, following the IFRIC agenda decision published in 2021, for costs incurred in relation to the configuration and customisation of the Group's cloud-based software applications. Further details of the IFRIC agenda decision and the prior year restatement can be found in note 40.

The Consolidated Financial Statements of the Group have been prepared on a going concern basis in accordance with UK-adopted international accounting standards. 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 UK adopted international standards 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 within the HORECA division, of a protracted delay in returning to pre-pandemic trading levels. 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 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 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 2022 and into 2023 to reflect subdued trading conditions.

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 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 is defined as adjusted operating profit before property, plant and equipment depreciation, rental stock depreciation, right of use asset depreciation and software amortisation. 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 continues to improve, with no further social distancing restrictions being imposed. The impact of the recent slow-down in HORECA revenue recovery experienced at the end of 2021 and also in January 2022 has been reflected however, an immediate rebound in volumes, and hence revenue, is assumed thereafter. The scenario also includes an estimate of the current and future impact of cost pressures which the Group, in line with all UK businesses, is experiencing, particularly in relation to energy and labour.

Limited Slow Down in Revenue Recovery Scenario

Although only limited restrictions have been in place over the winter months, the ongoing pandemic dampened HORECA volumes, to a certain extent, particularly during December 2021 and January 2022. This scenario assumes that it will take three months for HORECA revenue to return to the level assumed within the Base Case. Accordingly, HORECA revenue within this scenario has been reduced to some 84%, 91% and 96% of Base Case levels in February 2022, March 2022 and April 2022 respectively before returning to that set out in the Base Case.

Severe but Plausible Scenario

Building upon the "Limited slow-down in revenue recovery scenario" above, this scenario assumes a more protracted recovery in that it will take until September 2022 for HORECA revenue to return to the level assumed within the Base Case. Accordingly, HORECA revenue within this scenario has been reduced to some 82% of Base Case levels in February 2022, gradually improving thereafter month on month and returning to that set out in the Base Case by September 2022.

2) Covenants

As previously announced, from March 2022, bank 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 remains well funded with access to a committed Revolving Credit Facility of £135 million (the 'Facility), which matures in August 2023. The Facility is considerably in excess of our anticipated borrowings and provides ample liquidity in all scenarios modelled. We anticipate that the facility will be renewed in the coming months and have commenced discussions with our banks to this effect.

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 period to 30 June 2023. As a consequence, and having reassessed the principal risks and uncertainties, the Directors considered it appropriate to adopt the going concern basis in preparing the 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 2021:

- Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 amendments

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 (have not been endorsed by the UKEB) and have not been early adopted by the Group

- Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities
- Amendments to IAS 12, 'Deferred tax' on deferred tax related to assets and liabilities arising from a single transaction
- Amendments to IFRS 3 'Business combination', reference to the Conceptual Framework and IAS 36, 'Provisions', on onerous contracts
- A number of narrow-scope amendments to IFRS 1, IAS 8, IAS 16 and IAS 17
- A number of annual improvements on IFRS 1,IFRS 9, IAS 41 and IFRS 16

Statement of Significant Accounting Policies Continued >

COVID-19 accounting policies

The Group's trading has been impacted by the various UK government restrictions in place throughout 2021. During the year, the Group experienced reduced customer demand across its business, particularly 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 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 was inextricably linked to the prevailing imposed lockdown and operating restrictions at the time 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 during national restrictions imposed in the first half of 2021. 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, in accordance with IAS 20, "Government Grants", and therefore in the Consolidated Income Statement matches the payroll cost of furloughed employees. CJRS ceased to be claimed from the end of June 2021 and all claimed amounts have been received. In the year to 31 December 2021, £9.9 million (2020: £28.2 million) has been included with Consolidated Income Statement.

VAT deferrals

In the prior year VAT liabilities of £10.6 million that fell due between 20 March 2020 and the end of June 2020 were deferred with the approval of HMRC. All VAT liabilities have been repaid in instalments during the year to 31 December 2021. Amounts deferred were 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 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 pages 126 to 127.

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 135. The Group considers that, given the on-going economic uncertainty partly due to the COVID-19 pandemic, 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.

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. Under IFRS 16, 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 acquisition 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 Executive 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);
- adjusted earnings per share which refers to earnings per share calculated based on adjusted profit or loss after taxation (note 11); and
- adjusted earnings per share which refers to earnings per share calculated based on adjusted profit or loss after taxation excluding super deduction (note 11).

Statement of Significant Accounting Policies Continued >

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

Rendering of services

Revenue recognition is based on the principle that revenue is recognised when the performance obligation is satisfied i.e. control of a service transfers to a customer and is measured based on the consideration specified in a contract with a customer. The Group's contracts are repeat service-based contracts where value is transferred to the customer over time as the services are delivered. The provision of clean items of workwear/linen is a repetitive service of the same nature even though the number of items delivered may vary based on customer needs. As such, the Group's contracts have a single performance obligation as this is a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. The Group applies the practical expedient under IFRS 15 B16 and recognises the revenue in the amount to which the Group has a right to invoice.

Revenue recognised is the amount of consideration to which the Group expects to be entitled to, in accordance with the existing contract, in exchange for transferring promised services to a customer, excluding amounts collected on behalf of third parties, such as VAT.

Customers are generally invoiced weekly or monthly in arrears for service contracts with 30 day credit terms.

Revenue from services provided to customers not invoiced as at the balance sheet date is recognised as unbilled receivables as where the service has already been performed, the Group has an unconditional right to consideration before it invoices where only the passage of time is required before payment of that consideration is due.. This typically arises where the timing of the related billing cycle occurs in a period after the performance obligation is satisfied.

Contract modifications occur on a regular basis to record change in stock requirements for customers or price changes. 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. Changes in stock requirements do not result in additional distinct services being provided as the service provided is of the same nature with the amount of garments/linen varying. Given the provision of clean items of garments/linen is a repetitive service of the same nature, any remaining services following a modification are distinct from those previously provided. 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. 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 approach would also apply to any mid-contract price increases.

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 services received by the customer to date.

Supply of goods

Where sale of goods occur, revenue is recognised at a point in time when goods are delivered to customers. Revenue recognised is the amount of consideration to which the Group expects to be entitled to, in accordance with the existing contract, in exchange for transferring promised goods to a customer, excluding amounts collected on behalf of third parties, such as VAT.

Invoices are raised to customers for the sale of goods following delivery.

The breakdown of revenue within the Group is presented, by operating segment, in the Segment Analysis (note 1).

Rebates

Rebates payable to customers 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.

Costs incurred to obtain a contract

The incremental costs incurred to directly obtain a contract with a customer are capitalised and recognised as an asset within Trade and other receivables (note 18) where management expects to recover those costs. Such costs are subsequently amortised over the period consistent with the Group's transfer of the related goods or services to the customer. 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.

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 asset balance in the period therefore represents additional payments made, subsequent amortisation and any required impairment.

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, one off income relating to non-trading activities, 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 the defined benefit pension plan 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. See the Directors' Remuneration Report for further information.

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.

Statement of Significant Accounting Policies Continued >

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).

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

- Amounts paid to the cloud vendor for configuration and customisation that are not distinct from access to the cloud software are expensed over the SaaS contract term.
- In limited circumstances, other configuration and customisation costs incurred in implementing SaaS arrangements may give rise to an identifiable intangible asset, for example, where code is created that is controlled by the entity.
- In all other instances, configuration and customisation costs will be expensed as the customisation and configuration services are received.

Following the agenda decision, the Group reviewed its costs incurred in respect of the configuration and customisation of cloud-based software arrangements implemented across the Group. As it was concluded that the Group's arrangements were not in the scope of IFRS 16, the costs were assessed in line with the guidance in IAS 38. The costs incurred did not create a resource controlled by the Group that is separate to the software and as such did not relate to a separately identifiable asset under IAS 38. The Group's accounting policy has therefore been revised so that such costs are expensed to the Consolidated Income Statement. As the configuration and customisation services were performed in conjunction with a third party, the costs should be expensed as and when the services are received. Configuration and customisation costs which include the development of software code that enhances or modifies,,or creates additional capability to the existing on-premise software to enable it to connect with the cloud-based software applications, are recognised as intangible assets. See note 40 for further details about prior year restatement in relation to the treatment of these costs in previous 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 thirteen 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.

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

Statement of Significant Accounting Policies Continued >

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.

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 Statement 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.

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.

Statement of Significant Accounting Policies Continued >

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.

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.

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.

Statement of Significant Accounting Policies Continued >

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.

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 customer, 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 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. More significantly in the prior year, this would include the impact of COVID-19 with possible customer closures, unemployment increases, and the ability for customers to work from home which were all factors impacting the ability of customers to settle outstanding debts. In the current year, the risks associated with COVID-19 have been assessed as lower than the prior year but the Group's HORECA division still includes a higher risk of default of the customer base due to the 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 the Financial Review and 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 2021.

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

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

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

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

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

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

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

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

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

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

The CODM assesses the performance of the reporting segments based on a measure of operating profit, both including and excluding the effects of non-recurring items from the reporting segments, such as restructuring costs and impairments when the impairment is the result of an isolated, non-recurring or non-operating event. Interest income and expenditure are not included in the result for each reporting segment that is reviewed by the CODM. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis, for example rental income received by Johnson Group Properties PLC (the property holding company of the Group) is credited back, where appropriate, to the paying company for the purpose of segmental reporting. There have been no changes in measurement methods used compared to the prior year.

Other information provided to the CODM is measured in a manner consistent with that in the financial statements. Segment assets exclude deferred income tax assets, derivative financial assets, current income tax assets and cash and cash equivalents, all of which are managed on a central basis. Segment liabilities include 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 141 to 142.

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 • Lilliput
All Other Segments Comprising of central and Group costs.	

1 SEGMENT ANALYSIS (Continued)

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

		Workwear £m	HORECA £m	All Other Segments £m	Total £m
Balance sheet information					
Segment assets		138.7	259.7	1.1	399.5
Unallocated assets:	Current income tax assets				3.6
	Derivative financial assets				0.3
	Cash and cash equivalents				5.2
Total assets					**408.6**
Segment liabilities		(38.4)	(61.8)	(3.0)	(103.2)
Unallocated liabilities:	Bank borrowings				(27.5)
	Derivative financial liabilities				(0.1)
	Post-employment benefit obligations				(2.1)
	Deferred income tax liabilities				(3.3)
Total liabilities					**(136.2)**
Other information					
Non-current asset additions					
– Property, plant and equipment		12.7	9.8	–	22.5
– Right of use assets		0.4	0.6	–	1.0
– Textile rental items		19.6	27.1	–	46.7
– Capitalised software		–	0.1	–	0.1
Depreciation, impairment and amortisation expense					
– Property, plant and equipment		5.5	11.3	–	16.8
– Right of use assets depreciation		2.2	3.9	–	6.1
– Textile rental items depreciation		16.1	16.1	–	32.2
– Capitalised software		–	0.1	–	0.1
– Customer contracts		–	11.0	–	11.0

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 >

1 SEGMENT ANALYSIS (Continued)

Year ended 31 December 2020 (Restated)	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	**23.5**	**(31.5)**	**(3.9)**	**(11.9)**
Amortisation of intangible assets (excluding software amortisation)	(0.1)	(10.9)	–	(11.0)
Exceptional items	(0.1)	(4.2)	–	(4.3)
Operating profit/(loss)	**23.3**	**(46.6)**	**(3.9)**	**(27.2)**
Total finance cost				(4.9)
Loss before taxation				**(32.1)**
Taxation credit				5.2
Loss for the year attributable to equity holders				**(26.9)**

		Discontinued Operations £m	Workwear £m	HORECA £m	All Other Segments £m	Total £m
Balance sheet information						
Segment assets		–	130.9	239.1	1.8	371.8
Unallocated assets:	Current income tax assets					3.3
	Cash and cash equivalents					7.8
Total assets						**382.9**
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
– Capitalised 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
– 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.

2 EXPENSES BY FUNCTION

	2021 £m	2020 £m Restated
Revenue		
Rendering of services	268.1	227.4
Sale of goods	3.3	2.4
Total revenue	**271.4**	**229.8**
Cost of sales	(173.1)	(156.5)
Administrative expenses	(38.5)	(38.4)
Distribution costs	(47.1)	(46.8)
Operating profit/(loss) before amortisation of intangible assets (excluding software amortisation) and exceptional items	**12.7**	**(11.9)**
Amortisation of intangible assets (excluding software amortisation)	(11.0)	(11.0)
Exceptional items	6.7	(4.3)
Operating profit/(loss)	**8.4**	**(27.2)**

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

	2021 £m	2020 £m
Employee benefit expense (note 4)	127.7	110.7
Auditors' remuneration (note 3)	0.6	0.6
Exceptional items (note 6)	(6.7)	4.3
Trade receivables impairment (note 18)	0.4	3.6
Insurance proceeds re business interruption costs	–	(1.9)
Business interruption costs	0.3	1.9
All other operating costs*	73.3	59.8
Amortisation of intangible assets: (note 13)		
Capitalised software	0.1	–
Customer contracts	11.0	11.0
Depreciation and impairment of:		
Property, plant and equipment (note 14)	16.8	16.5
Right of use assets (note 15)	6.1	6.9
Textile rental items (note 16)	32.2	42.8
Operating leases:		
Land and buildings	0.1	0.1
Sublet rental income	(0.3)	(0.3)
Plant and equipment	1.4	1.0

* All other operating costs includes other distribution costs, other production costs and costs of inventory.

3 AUDITORS' REMUNERATION

	2021 £m	2020 £m
Fees payable for the audit of the Company	0.1	–
Fees payable for the audit of the Company's subsidiaries	0.3	–
Auditors' remuneration (Current Auditors)	**0.4**	–
Fees payable for the audit of the Company	–	0.1
Fees payable for the audit of the Company's subsidiaries and pension schemes	0.1	0.4
Fees payable for services relating to tax compliance	0.1	0.1
Auditors' remuneration (Previous Auditors)	**0.2**	**0.6**

Fees shown above for Current Auditors relate to Grant Thornton who were appointed as Company Auditors in March 2021. Fees shown for Previous Auditors relate to PwC who resigned as the Company Auditor for the Group in March 2021. Included within the above is an amount of £7,800 (2020: £20,000) in respect of fees payable to the Previous auditors for services relating to the audit of the Company's pension schemes.

Fees payable to PwC in respect of audit related services and non-audit related services for the year ending 31 December 2020 are disclosed within the 2020 Annual Report. Additional fees of £113,000 in the current year in respect of audit related services for the year ending 31 December 2020 were subsequently invoiced by PwC following the publication of the 2020 Annual Report.

Notes to the Consolidated Financial Statements Continued >

4 EMPLOYEE BENEFIT EXPENSE

	2021 £m	2020 £m
Wages and salaries	122.9	120.1
Social security costs	10.3	9.7
Redundancy costs	0.1	5.2
Cost of employee share schemes (Note 30)	0.5	0.3
Private healthcare costs	0.4	0.4
Pension costs – defined contribution plans (Note 25)	3.4	3.2
Total costs (excluding furlough claims)	**137.6**	**138.9**
Furlough claims	(9.9)	(28.2)
Total costs	**127.7**	**110.7**

Redundancy costs of £nil (2020: £5.1 million) have been included within exceptional items.

The monthly average number of persons employed by the Group during the year was:

	2021	2020
Workwear	2,074	2,218
HORECA	2,887	3,368
All other segments	19	18
Total	**4,980**	**5,604**

The remuneration of the key management personnel is set out below. Additional information on directors' and key management remuneration, long term incentive plans, pension contributions and entitlements can be found in the Directors' Remuneration Report on pages 85 to 108.

	2021 £m	2020 £m
Wages and salaries	1.4	0.9
Social security costs	0.2	0.1
Cost of employee share schemes	0.2	0.1
Pension costs – defined contribution plans	0.1	0.1
Total	**1.9**	**1.2**

Key management personnel is defined as the Board. More details of which can be found on pages 85 to 108 of these Consolidated Financial Statements.

5 DIRECTORS' EMOLUMENTS

Detailed disclosures that form part of these financial statements are given in the Directors' Remuneration Report on pages 85 to 108.

6 EXCEPTIONAL ITEMS

	2021 £m	2020 £m
Costs in relation to business acquisition activity	(0.1)	–
Restructuring costs	–	(5.8)
Insurance claims	5.9	2.5
Impairment losses re insurance claims	–	(1.0)
Other costs re insurance claims	(0.6)	–
Income from Parent Company Guarantees	1.5	–
Total exceptional items	**6.7**	**(4.3)**

Of the exceptional items shown above £6.7 million credits (2020: £3.2 million cost) are administrative costs and £nil (2020: £1.1 million) are cost of sales.

6 EXCEPTIONAL ITEMS (Continued)

CURRENT YEAR EXCEPTIONAL ITEMS

Costs in relation to business acquisition activity

During the year, professional fees of £0.1 million were paid relating to the acquisition of Lilliput (Dunmurry) Limited. Further information relating to the acquisition is provided in note 34.

Insurance claims and other costs

During the prior year, a Workwear processing plant was destroyed as a result of a fire. Interim insurance proceeds of £5.2 million have been received during the current year. Costs of £0.4 million have been incurred for initial works to demolish the damaged building along with associated professional fees of £0.2 million. Negotiations are continuing with the insurers for a final settlement value which is expected to be received in 2022.

A further Workwear processing plant was damaged as a result of flooding during the previous year. Final settlement proceeds of £0.7 million were received during the current year in respect of this insurance claim.

Income from Parent Company Guarantees

As referred to in note 28, 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. A further clause within the Sale and Purchase Agreement, obligated the purchaser to make an additional one-off payment in the event the business was subsequently sold. On 16 November 2021, the business was sold and therefore a payment of £1.5 million was made to the Group in respect of this obligation.

PRIOR 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 prior 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 were received.

A further Workwear processing plant was damaged as a result of flooding during the prior year. Plant and equipment with a net book value of £0.3 million was written off. Interim insurance proceeds of £1.0 million were received.

7 FINANCE COST

	2021 £m	2020 £m
Finance cost:		
– Interest payable on bank loans and overdrafts	1.4	2.0
– Discontinuance of hedge accounting on interest rate swaps previously designated as cash flow hedges	–	0.6
– (Gain)/loss on interest rate swaps not qualifying as hedges (note 26)	(0.2)	0.1
– Amortisation of bank facility fees	0.3	0.4
– Finance costs on lease liabilities relating to IFRS 16 (note 22)	1.6	1.7
– Notional interest on post-employment benefit obligations (note 25)	0.2	0.1
Total finance cost	**3.3**	**4.9**

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. The change in fair value on interest rate swaps has been recognised directly within finance costs resulting in a £0.2 million credit (2020: £0.1 million charge).

Notes to the Consolidated Financial Statements Continued >

8 ALTERNATIVE PERFORMANCE MEASURES (APMs)

As discussed on page 129 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:

	2021 £m	2020 £m Restated
Adjusted profit/(loss) before taxation		
Profit/(loss) before taxation	5.1	(32.1)
Amortisation of intangible assets (excluding software amortisation)	11.0	11.0
Exceptional items	(6.7)	4.3
Adjusted profit/(loss) before taxation	**9.4**	**(16.8)**
Taxation thereon	0.5	3.2
Adjusted profit/(loss) after taxation	**9.9**	**(13.6)**

	2021 £m	2020 £m Restated
Adjusted EBITDA		
Operating profit/(loss) before amortisation of intangible assets (excluding software amortisation) and exceptional items	12.7	(11.9)
Software amortisation	0.1	–
Property, plant and equipment depreciation	16.8	16.5
Right of use asset depreciation	6.1	6.8
Textile rental items depreciation	32.2	42.2
Adjusted EBITDA	**67.9**	**53.6**

9 TAXATION

	2021 £m	2020 £m
Current tax		
UK corporation tax credit for the year	–	(3.7)
Adjustment in relation to previous years	(0.8)	(0.4)
Current tax credit for the year	**(0.8)**	**(4.1)**
Deferred tax		
Origination and reversal of temporary differences	(3.0)	(1.9)
Changes in tax rate	1.6	0.7
Adjustment in relation to previous years	0.4	0.1
Deferred tax credit for the year	**(1.0)**	**(1.1)**
Total credit for taxation included in the Consolidated Income Statement for continuing operations	**(1.8)**	**(5.2)**

The tax credit for the year is lower than (2020: lower than) the effective rate of Corporation Tax in the UK of 19% (2020: 19%). A reconciliation is provided below:

	2021 £m	2020 £m Restated
Profit/(loss) before taxation	5.1	(32.1)
Profit/(loss) before taxation multiplied by the effective rate of Corporation Tax in the UK	1.0	(6.1)
Factors affecting taxation charge for the year:		
Non-taxable income	(0.4)	–
Tax effect of expenses not deductible for tax purposes	0.5	0.5
Impact of the super deduction	(2.5)	–
Difference in current and deferred taxation rates	(1.6)	–
Changes in tax rate	1.6	0.7
Adjustments in relation to previous years	(0.4)	(0.3)
Total credit for taxation included in the Consolidated Income Statement for continuing operations	**(1.8)**	**(5.2)**

9 **TAXATION** (Continued)

Taxation in relation to amortisation of intangible assets (excluding software amortisation) has increased the credit for taxation on continuing operations by £1.6 million (2020: £1.2 million increase). Taxation in relation to exceptional items has decreased the credit for taxation on continuing operations by £0.3 million (2020: £0.8 million increase).

The rate of UK corporation tax is currently 19.0%. The Finance Bill 2021 enacted provisions to increase the main rate of UK corporation tax to 25% from 6 April 2023 for businesses with profits of £250,000 or more. As such, deferred income tax balances at the balance sheet date have been measured at the tax rate expected to be applicable at the date the deferred income tax assets and liabilities are realised. Management has performed an assessment, for all material deferred income tax assets and liabilities, to determine the period over which the deferred assets and liabilities are forecast to be realised, which has resulted in an average deferred income tax rate of 23.3%.

The impact of the change in deferred tax rate has been a £1.6 million charge (2020: £0.7 million charge) in the Consolidated Income Statement and £nil (2020: £0.2 million credit) recognised within Other Comprehensive Income.

A capital allowance super deduction, which offers 130% first year relief on qualifying main rate plant and machinery investments until 31 March 2023, has been included within the tax calculations for 31 December 2021. This allowance provides a 30% permanent difference on our Textile Rental items given their short life nature. The impact of the super deduction to 31 December 2021 is a £2.5 million credit recognised within the Consolidated Income Statement.

During the year, a deferred taxation charge of £2.1 million (2020: £1.7 million credit) has been recognised in Other Comprehensive Income in relation to post-employment benefit obligations.

During the year, £nil relating to deferred taxation (2020: £0.2 million charge) has been recognised directly in Shareholders' equity.

10 **DIVIDENDS**

Whilst the Board recognises the importance of dividends to our Shareholders, this had to be balanced with the impact that COVID-19 has had on our business. As previously guided, the Board does not propose to declare a dividend in respect of 2021 but will keep future dividends under review and look to reinstate its dividend policy once there is more certainty that trading levels will return to, and remain at, more normal levels.

Notes to the Consolidated Financial Statements Continued >

11 EARNINGS PER SHARE

	2021 £m	2020 £m Restated
Profit/(loss) for the financial year from continuing operations attributable to Shareholders	6.9	(26.9)
Amortisation of intangible assets from continuing operations (net of taxation)	9.4	9.8
Exceptional costs from continuing operations (net of taxation)	(6.4)	3.5
Adjusted profit/(loss) from continuing operations attributable to Shareholders	9.9	(13.6)
Loss from discontinued operations attributable to Shareholders	(0.3)	–
Total profit/(loss) from all operations attributable to Shareholders	**9.6**	**(13.6)**

	No. of shares	No. of shares
Weighted average number of Ordinary shares	444,939,982	412,947,064
Potentially dilutive Ordinary shares	206,112	835,491
Diluted number of Ordinary shares	445,146,094	413,782,555

	Pence per share (p)	Pence per share (p)
Basic earnings/(loss) per share		
From continuing operations	1.6p	(6.5)p
From discontinued operations	(0.1)p	–
From total operations	1.5p	(6.5)p
Adjustments for amortisation of intangible assets (continuing)	2.1p	2.4p
Adjustment for exceptional items (continuing)	(1.5)p	0.8p
Adjustment for exceptional items (discontinued)	0.1p	–
Adjusted basic earnings/(loss) per share (continuing)	2.2p	(3.3)p
Adjusted basic earnings/(loss) per share (discontinued)	–	–
Adjusted basic earnings/(loss) per share from total operations	2.2p	(3.3)p
Diluted earnings/(loss) per share		
From continuing operations	1.6p	(6.5)p
From discontinued operations	(0.1)p	–
From total operations	1.5p	(6.5)p
Adjustments for amortisation of intangible assets (continuing)	2.1p	2.4p
Adjustment for exceptional items (continuing)	(1.5)p	0.8p
Adjustment for exceptional items (discontinued)	0.1p	–
Adjusted diluted earnings/(loss) per share (continuing)	2.2p	(3.3)p
Adjusted diluted earnings/(loss) per share (discontinued)	–	–
Adjusted diluted earnings/(loss) per share from total operations	2.2p	(3.3)p
Adjusted diluted earnings/(loss) per share excluding super deduction (continuing)	1.7p	(3.3)p

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.

As disclosed in note 9, the current year total taxation credit has benefited from £2.5 million of additional credit resulting from the capital allowance super deduction, which offers 130% first year relief on qualifying main rate plant and machinery investments until 31 March 2023. Due to the distortion this has on adjusted diluted earnings per share in 2021, an adjusted diluted earnings per share value excluding this benefit has been disclosed.

11 EARNINGS PER SHARE (Continued)

For diluted earnings per share, the weighted average number of Ordinary shares in issue is adjusted to assume conversion of all potentially dilutive Ordinary shares. The Company has potentially dilutive Ordinary shares arising from share options granted to employees. Options are dilutive under the SAYE scheme, where the exercise price together with the future IFRS 2 charge of the option is less than the average market price of the Company's Ordinary shares during the year. Options under the LTIP schemes, as defined by IFRS 2, are contingently issuable shares and are therefore only included within the calculation of diluted 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 2021 potentially dilutive Ordinary shares have 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 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.

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

	2021 £m	2020 £m
Cost		
Brought forward	130.9	130.5
Business combinations (see note 34)	4.3	0.4
Carried forward	**135.2**	**130.9**
Accumulated impairment losses		
Brought forward	–	–
Carried forward	–	–
Carrying amount		
Opening	130.9	130.5
Closing	**135.2**	**130.9**

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:

	2021 £m	2020 £m
Workwear	41.7	41.7
Stalbridge	19.1	19.1
London Linen	29.2	29.2
Hotel Linen	40.9	40.9
Lilliput (note 34)	4.3	–
HORECA	93.5	89.2
Total	**135.2**	**130.9**

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.

Notes to the Consolidated Financial Statements Continued >

12 GOODWILL (Continued)

The recoverable amount for each of the Cash Generating Units (CGUs) is as follows:

	2021 £m	2020 £m
Workwear	215.4	259.7
Stalbridge	122.3	108.4
London Linen	65.3	60.5
Hotel Linen	194.1	149.1
Lilliput	8.0	–
HORECA	389.7	318.0
Total	**605.1**	**577.7**

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. Further details on this can be found in the going concern section of the accounting policies. In arriving at the values assigned to each key assumption management make reference to past experience and external sources of information regarding the future – for example tax rate changes. Key assumptions around income and costs within the budget are derived on a detailed, 'bottom up' basis. All income streams and cost lines are considered and appropriate growth, or decline, rates are assumed for each, all of which are then reviewed, challenged and stress tested, firstly by senior management and ultimately by the Board. Income and cost growth forecasts are risk adjusted to reflect specific risks facing each CGU and take into account the markets in which they operate. Cash flows beyond the above period are, ordinarily, extrapolated using the estimated growth rate stated below, which does not exceed the long-term average growth rate for the markets in which the CGU's operate, into perpetuity. When assessing the recoverable amount for CGUs as at 31 December 2021, the forecasts covered the period to the end of 2024. Cash flows beyond that period were then extrapolated using the estimated growth rate stated below. Other than as included in the financial forecasts, it is assumed that there are no material adverse changes in legislation that would affect the forecast cash flows.

The pre-tax discount rate used within the recoverable amount calculations was 10.51% (2020: 10.79%) and is based upon the weighted average cost of capital reflecting specific principal risks and uncertainties. The discount rate takes into account, amongst other things, the risk free rate of return (derived from a 20 year government bond price), the market risk premium, size premium and beta factor reflecting the average Beta for the Group and comparator companies which are used in deriving the cost of equity.

The same discount rate has been used for each CGU as the principal risks and uncertainties associated with the Group, as highlighted on pages 46 to 52, 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 127) 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 assumptions used for value-in-use calculations are as follows:

	2021	2020
Annual growth rate (after forecast period)	2.00%	2.00%
Risk free rate of return	1.22%	0.72%
Market risk premium	6.00%	7.50%
Beta Factor	1.10	1.05
Size Premium	3.00%	3.00%
Cost of debt	3.09%	2.25%

Having completed the 2021 impairment review, no impairment has been recognised in relation to the CGUs (2020: 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. Significant headroom exists in each of the cash generating units and, based on the stress testing performed, reasonable possible changes in the assumptions would not cause the carrying amount of the cash generating units to equal or to exceed their recoverable amount, other than potentially for the one cash generating units discussed below.

For the Lilliput cash generating unit, the estimated recoverable amount of the cash generating unit exceeded its carrying value by £1.6m and therefore the Directors concluded that no impairment was required; however the calculations are sensitive to changes in assumptions. The assumptions considered by the Directors, where a reasonably possible change could give rise to an impairment, were a reduction of the annual growth rate. If the growth rate was reduced to 0.25%, the recoverable amount for the cash generating unit would be reduced to a level comparable with its carrying value. Any further reduction beyond 0.25% or if this were combined with a higher discount rate, then an impairment would be triggered.

13 INTANGIBLE ASSETS

Restated	Capitalised Software £m	Other Intangible Assets £m	Total £m
Cost			
At 31 December 2019	**2.7**	**81.9**	**84.6**
Prior year restatement (note 40)	(1.5)	–	(1.5)
At 1 January 2020	**1.2**	**81.9**	**83.1**
Additions	1.0	1.2	2.2
At 31 December 2020	**2.2**	**83.1**	**85.3**
Additions	0.1	–	0.1
Business combination (note 34)	–	1.2	1.2
At 31 December 2021	**2.3**	**84.3**	**86.6**
Accumulated amortisation			
At 31 December 2019	**0.8**	**47.1**	**47.9**
Prior year restatement (note 40)	(0.1)	–	(0.1)
At 1 January 2020	**0.7**	**47.1**	**47.8**
Charged during the year (as previously reported)	0.2	11.0	11.2
Prior year restatement (note 40)	(0.2)	–	(0.2)
At 31 December 2020	**0.7**	**58.1**	**58.8**
Charged during the year	0.1	11.0	11.1
At 31 December 2021	**0.8**	**69.1**	**69.9**
Carrying amount			
At 31 December 2019	**1.9**	**34.8**	**36.7**
At 31 December 2020	**1.5**	**25.0**	**26.5**
At 31 December 2021	**1.5**	**15.2**	**16.7**

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

- Amounts paid to the cloud vendor for configuration and customisation that are not distinct from access to the cloud software are expensed over the SaaS contract term.
- In limited circumstances, other configuration and customisation costs incurred in implementing SaaS arrangements may give rise to an identifiable intangible asset, for example, where code is created that is controlled by the entity.
- In all other instances, configuration and customisation costs will be expensed as the customisation and configuration services are received.

Following the agenda decision, the Group reviewed its costs incurred in respect of the configuration and customisation of cloud-based software applications implemented across the Group. It was concluded that the costs incurred did not create a resource controlled by the Group that is separate to the software and as such did not relate to a separately identifiable asset under IAS 38. The Group's accounting policy has therefore been revised so that such costs are expensed to the Consolidated Income Statement. As the configuration and customisation services were performed in conjunction with a third party, the costs should be expensed as and when the services are received. Configuration and customisation costs which include the development of software code that enhances or modifies, or creates additional capability to the existing on-premise software to enable it to connect with the cloud-based software applications, are recognised as intangible assets. See note 40 for further details about prior year restatement in relation to the treatment of these costs in previous years.

Amortisation of capitalised software is included within administrative expenses in the Consolidated Income Statement in determining operating profit/(loss) 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 thirteen years). The longest estimated useful life remaining at 31 December 2021 is thirteen years.

Notes to the Consolidated Financial Statements Continued >

14 PROPERTY, PLANT AND EQUIPMENT

	Properties £m	Plant and Equipment £m	Total £m
Cost			
At 31 December 2019	**40.8**	**155.7**	**196.5**
Additions	1.1	19.6	20.7
Disposals	–	(6.6)	(6.6)
At 31 December 2020	**41.9**	**168.7**	**210.6**
Additions	–	22.5	22.5
Disposals	–	(1.7)	(1.7)
Business Acquisitions (note 34)	–	0.5	0.5
Reclassification of assets	(0.4)	0.4	–
At 31 December 2021	**41.5**	**190.4**	**231.9**
Accumulated depreciation and impairment			
At 31 December 2019	**12.5**	**80.0**	**92.5**
Charged during the year	1.2	15.3	16.5
Eliminated on disposals	–	(5.6)	(5.6)
At 31 December 2020	**13.7**	**89.7**	**103.4**
Charged during the year	1.3	15.5	16.8
Eliminated on disposals	–	(1.6)	(1.6)
At 31 December 2021	**15.0**	**103.6**	**118.6**
Carrying amount			
At 31 December 2019	**28.3**	**75.7**	**104.0**
At 31 December 2020	**28.2**	**79.0**	**107.2**
At 31 December 2021	**26.5**	**86.8**	**113.3**

The value of assets under construction at 31 December 2021 was £4.4 million shown above within plant and equipment (2020: £0.9 million within properties and £9.5 million within plant and equipment). Depreciation charges are recognised in cost of sales, administrative expenses and distribution costs depending on the assets to which the depreciation relates.

15 RIGHT OF USE ASSETS

	Properties £m	Plant and Equipment £m	Total £m
Cost			
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**
Additions	0.4	0.6	1.0
Business combinations (note 34)	0.8	–	0.8
Reassessment/modification of assets previously recognised	1.2	0.1	1.3
Disposals	(0.4)	(1.9)	(2.3)
At 31 December 2021	**43.2**	**7.4**	**50.6**
Accumulated depreciation and impairment			
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**
Charged during the year	3.9	2.2	6.1
Disposals	(0.4)	(1.9)	(2.3)
At 31 December 2021	**11.0**	**4.1**	**15.1**
Carrying amount			
At 31 December 2019	**33.1**	**5.9**	**39.0**
At 31 December 2020	**33.7**	**4.8**	**38.5**
At 31 December 2021	**32.2**	**3.3**	**35.5**

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 leases relates to rental increases and extensions to lease terms that have been agreed during the year to 31 December 2021 and 31 December 2020 for property leases that were in place at the start of the relevant year.

16 TEXTILE RENTAL ITEMS

	2021 £m	2020 £m
Cost		
Brought forward	97.9	125.1
Additions	46.7	23.9
Business combinations	0.7	–
Disposals	(49.6)	(46.9)
Special charges	(4.8)	(4.2)
Carried forward	**90.9**	**97.9**
Accumulated depreciation and impairment		
Brought forward	62.3	68.3
Charged during the year	32.2	42.2
Impairment losses	–	0.6
Disposals	(49.6)	(46.7)
Special charges	(2.4)	(2.1)
Carried forward	**42.5**	**62.3**
Carrying amount		
Opening	35.6	56.8
Closing	**48.4**	**35.6**

Depreciation charges and impairment losses are recognised in cost of sales within the Consolidated Income Statement.

Notes to the Consolidated Financial Statements Continued >

17 INVENTORIES

	2021 £m	2020 £m
New textile rental items	1.6	0.9
Goods for resale	0.1	0.1
Raw materials and stores	0.5	0.4
	2.2	**1.4**

The amounts above are net of an inventory provision of £0.7 million (2020: £0.9 million). There has been £nil (2020: £0.4 million) stock provision recognised during the year within cost of sales in the Consolidated Income Statement. Amounts transferred to cost of sales in the year are £7.3 million (2020: £8.3 million).

18 TRADE AND OTHER RECEIVABLES

	2021 £m	2020 £m
Amounts falling due within one year:		
Trade receivables	46.5	29.0
Less: provision for impairment of trade receivables	(3.3)	(3.6)
Trade receivables – net	43.2	25.4
Unbilled receivables	1.6	0.6
Other receivables	1.3	3.4
Prepayments	1.2	1.3
Costs incurred to obtain a contract	0.6	0.6
	47.9	**31.3**
Amounts falling due after more than one year:		
Other receivables	–	0.2
Costs incurred to obtain a contract	0.3	0.2
	0.3	**0.4**
	48.2	**31.7**

Costs capitalised as costs incurred to obtain a contract during the year total £0.9 million (2020: £0.5 million). The charge recognised during the year relating to costs incurred to obtain a contract is £0.8 million (2020: £0.8 million). Costs capitalised in relation to costs incurred to obtain a contract are expected to be recoverable.

The maturity of financial assets (which comprise of current and non-current trade receivables, unbilled receivables and other receivables) is analysed below:

	Gross £m	Provision £m	2021 Net £m	Gross £m	Provision £m	2020 Net £m
Trade receivables, unbilled receivables and other receivables						
– Not yet due and up to 3 months overdue	48.1	(2.3)	45.8	31.2	(2.2)	29.0
– 3 to 6 months past due	1.0	(0.7)	0.3	1.3	(0.7)	0.6
– 6 to 12 months past due	0.3	(0.3)	–	0.6	(0.6)	–
– Over 12 months past due	–	–	–	0.1	(0.1)	–
	49.4	**(3.3)**	**46.1**	**33.2**	**(3.6)**	**29.6**

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.

18 TRADE AND OTHER RECEIVABLES (Continued)

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. In the prior year, the expected credit losses were assessed to be higher, particularly as a result of COVID-19. In the current year, the risks associated with COVID-19 have been assessed as lower than the prior year, therefore the value of the provision as a % of the total trade and other receivables has reduced, albeit, the absolute value of the provision is relatively unchanged.

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:

	2021 £m	2020 £m
At 1 January	(3.6)	(2.4)
Provisions for receivables impairment	(0.4)	(3.6)
Amounts unused reversed	–	0.4
Receivables written off during the year as uncollectable	0.7	2.0
At 31 December	**(3.3)**	**(3.6)**

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.

All trade and other receivable balances at the balance sheet date are denominated in Sterling (2020: 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)

	2021 £m	2020 £m
Trade payables	25.8	16.8
Other payables	2.2	4.1
Other taxation and social security liabilities	6.9	16.3
Deferred income	0.3	0.4
Deferred consideration	–	0.8
Accruals	28.5	26.4
	63.7	**64.8**

All trade and other payables balances at the balance sheet date are denominated in Sterling (2020: 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)

	2021 £m	2020 £m
Deferred income	0.3	0.4
	0.3	**0.4**

The difference between the book value and fair value of non-current trade and other payables is not material.

Notes to the Consolidated Financial Statements Continued >

21 BORROWINGS

	2021 £m	2020 £m
Current		
Overdraft	9.6	1.2
Bank loans	(0.1)	(0.2)
	9.5	**1.0**
Non-current		
Bank loans	18.0	(0.2)
	18.0	**(0.2)**
	27.5	**0.8**
The maturity of non-current bank loans is as follows:		
– Between one and two years	18.0	–
– Unamortised issue costs of bank loans	–	(0.2)
	18.0	**(0.2)**

At 31 December 2021, 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 was cancelled by the Group on 11 February 2022.

Individual tranches are drawn down, in sterling, for periods of up to six months at SONIA rates of interest prevailing at the time of drawdown, plus the credit adjustment spread and the applicable margin. The margin for the period to 31 March 2022 is fixed at 2.00% and then varies between 1.25% and 2.25% thereafter.

The secured bank loans are stated net of unamortised issue costs of £0.1 million (2020: £0.4 million) of which £0.1 million is included within current borrowings (2020: £0.2 million) and £nil is included within non-current borrowings (2020: £0.2 million within non-current trade and other receivables as there were no borrowings at the end of the prior 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 (2020: £5.0 million and £3.0 million).

As at 31 December 2021, the Group has in place the following hedging arrangements which have the effect of replacing LIBOR/SONIA with fixed rates as follows:

- 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 2022. From 10 January 2022 to 9 January 2023, SONIA plus 0.1193% Credit Adjustment Spread is replaced with 0.805%.

As the final rate fix for the interest rate swap ending 31 January 2022 was 31 October 2021, when LIBOR was still being quoted, the transition from LIBOR to SONIA was not required for this swap.

Following the equity placing in June 2020 hedge accounting was discontinued at that date as the Group no longer had any loans for the Group's interest rate swaps to economically hedge. Hedge accounting has not been resumed. 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 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**
Additions	0.4	0.6	1.0
Reassessment/modification of liabilities previously recognised	1.2	0.1	1.3
Business combinations (note 34)	0.8	–	0.8
Disposals	(0.2)	–	(0.2)
Lease liability payments (including finance costs)	(5.0)	(2.3)	(7.3)
Finance costs	1.5	0.1	1.6
At 31 December 2021	**34.5**	**3.3**	**37.8**

The reassessment/modification of leases relates to rental increases and extensions to lease terms that have been agreed during the year.

Lease liabilities are comprised of the following balance sheet amounts:

	2021 £m	2020 £m
Amounts due within one year (Lease liabilities, Current liabilities)	5.2	5.5
Amounts due after more than one year (Lease liabilities, Non-Current liabilities)	32.6	35.1
	37.8	**40.6**

Lease liabilities are as follows:

	2021 £m	2020 £m
Not more than one year		
Minimum lease payments	6.7	7.2
Interest element	(1.5)	(1.7)
Present value of minimum lease payments	**5.2**	**5.5**
Between one and five years		
Minimum lease payments	20.4	21.0
Interest element	(4.2)	(4.6)
Present value of minimum lease payments	**16.2**	**16.4**
More than five years		
Minimum lease payments	23.0	26.0
Interest element	(6.6)	(7.3)
Present value of minimum lease payments	**16.4**	**18.7**

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 2021, £0.6 million (2020: £0.8 million) is subject to inflation-linked rentals, relating to the commercial vehicle fleet within the HORECA division. A further £31.7 million (2020: £34.1 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 £1.4 million (2020: £1.0 million).

Notes to the Consolidated Financial Statements Continued >

22 LEASE LIABILITIES (Continued)

At 31 December 2021 the Group had no committed leases which had not yet commenced. The total future cash outflows for leases that had not yet commenced are £nil (2020: £0.1 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 2021 was £7.3 million (2020: £7.8 million).

Furthermore, the Group sublets properties under operating leases. Income recognised in the Consolidated Income Statement during the year amounts to £0.3 million (2020: £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 2021 £m	Deferred Income Tax Assets 2020 £m	Deferred Income Tax Liabilities 2021 £m	Deferred Income Tax Liabilities 2020 £m
Recognised deferred income tax assets and liabilities				
Depreciation less than capital allowances	–	–	(11.2)	(1.2)
Employee share schemes	0.3	0.3	–	–
Post-employment benefit obligations	0.4	2.8	–	–
Derivative financial liabilities	–	0.2	(0.1)	–
Trading losses	10.3	0.3	–	–
Other short term timing differences	0.2	0.8	–	–
Separately identifiable intangible assets	–	–	(3.2)	(4.4)
	11.2	**4.4**	**(14.5)**	**(5.6)**

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

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 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)**
(Charge)/credit to income	(10.0)	–	(0.3)	–	10.0	(0.6)	1.6	0.7
Business Acquisitions (note 34)	–	–	–	–	–	–	(0.4)	(0.4)
Charge to other comprehensive income	–	–	(2.1)	(0.3)	–	–	–	(2.4)
At 31 December 2021	**(11.2)**	**0.3**	**0.4**	**(0.1)**	**10.3**	**0.2**	**(3.2)**	**(3.3)**

The (charge)/credit to income above includes £1.0 million credit in relation to continuing operations and a charge of £0.3 million in relation to discontinued operations.

Deferred income taxes at the balance sheet date have been measured at an effective tax rate of 23.3% as at 31 December 2021 (2020: 19.0%). The impact of the change in tax rates has been a £1.6 million charge (2020: £0.7 million charge) in the Consolidated Income Statement and £nil (2020: £0.3 million credit) within other comprehensive income.

The Group has estimated that £3.4 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.

Lilliput has pre-acquisition trading losses for which a deferred tax asset has not been recognised. Per IAS 12, a deferred tax asset is recognised where it is probable that taxable profits will be available to offset these losses. Currently, it is concluded that it is not 'probable' that taxable profits will be available to offset these losses as the pre-acquisition losses cannot be used elsewhere in the Group and, due to the impact of the capital allowances super deduction, there will be expected tax losses in 2022 and 2023 for Lilliput. Were deferred tax on these unused tax losses to be recognised, a further £0.8 million deferred tax asset would be recognised. Management will continue to review this assessment at each reporting period.

24 PROVISIONS

	Property £m	Self Insurance £m	Total £m
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**
Utilised during the year	(0.2)	(0.1)	(0.3)
Released during the year	(1.6)	–	(1.6)
At 31 December 2021	**1.1**	**0.3**	**1.4**

	2021 £m	2020 £m
Analysis of total provisions		
Current	0.5	2.0
Non-current	0.9	1.3
	1.4	**3.3**

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 11 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 £3.4 million (2020: £3.2 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 2021 by an independent qualified actuary. The updated actuarial valuation at 31 December 2021 showed a deficit of £1.1 million (2020: £13.8 million). During the year, no employer or employee contributions were made (2020: £nil).

Deficit recovery payments of £1.9 million (2020: £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 2022.

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.

Notes to the Consolidated Financial Statements Continued >

25 POST-EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

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 (2020: 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

Assumptions used

	2021	2020
Rate used to discount scheme liabilities	1.95%	1.35%
Retail price inflation (RPI)	3.45%	2.85%
Consumer price inflation (CPI)	2.75%	2.10%
Rate of increase of pensions in payment (5.0% RPI linked)	3.35%	2.81%
Rate of increase of pensions in payment (2.5% RPI linked)	2.28%	2.08%
Rate of increase of pensions in payment (2.5% CPI linked)	2.13%	1.75%

Life expectancy at age 60 for current male pensioners is assumed to be 26.4 years (2020: 26.3 years) and 29.1 years for current female pensioners (2020: 29.0 years). Life expectancy at age 60 for male future pensioners is assumed to be 26.6 years (2020: 26.6 years) and 29.2 years for current female pensioners (2020: 29.1 years). "S2PXA 102%/99% males/females (YoB) CMI 2020 with a 1.25% long term trend rate with core parameters" has been used to derive these mortality rates (2020: "S2PXA 102%/99% males/females (YoB) CMI 2019 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 (2020: 100% of members will commute 25% of pension).

It has been assumed that 50% (2020: 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.

25 POST-EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

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%	(£2.7 million)/£2.7 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	£8.6 million/(£8.6 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 2021, the deficit of the scheme was £1.0 million (2020: £1.1 million). The Group accounted for a current service cost of £nil and a notional interest cost of £15,000 in the Consolidated Income Statement (2020: £nil and £26,000 respectively). The current service cost in 2022 is expected to be £nil with a notional interest cost of £15,000.

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 in 2020 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.

An increase of 1% 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:

	2021 £m	2020 £m
Current service costs – charged to administrative expenses	–	–
Notional interest on post-employment benefit obligations	0.2	0.1
Total amounts charged to the Consolidated Income Statement	**0.2**	**0.1**

Current service costs are charged or credited to the Consolidated Income Statement in arriving at operating profit/(loss) 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:

	2021 £m	2020 £m
Return on scheme assets excluding interest income	0.1	13.2
Re-measurement gains/(losses) arising from changes in demographic assumptions	0.1	(7.4)
Re-measurement gains/(losses) arising from changes in financial assumptions	10.5	(21.5)
Experience gains on liabilities	0.3	6.3
Total amounts recognised in the Consolidated Statement of Comprehensive Income	**11.0**	**(9.4)**

Notes to the Consolidated Financial Statements Continued >

25 POST-EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Amounts recognised in the Balance Sheet are as follows:

	2021 £m	2020 £m
Present value of funded obligations	(222.3)	(240.5)
Fair value of scheme assets	221.2	226.7
Defined benefit pension obligations	(1.1)	(13.8)
Post-retirement healthcare obligations	(1.0)	(1.1)
Post-employment benefit obligations	**(2.1)**	**(14.9)**

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

	2021 £m	2020 £m
Fair value of scheme assets at beginning of the year	226.7	221.3
Interest income	3.0	4.5
Return on scheme assets (excluding interest income)	0.1	13.2
Deficit recovery payments	1.9	1.9
Benefits paid – defined benefit pension obligations	(10.5)	(14.2)
Fair value of scheme assets at end of the year	**221.2**	**226.7**

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

	2021 £m	2020 £m
Fair value of scheme liabilities at beginning of the year	(241.6)	(228.6)
Interest expense	(3.2)	(4.6)
Re-measurement gains/(losses) from changes in demographic assumptions	0.1	(7.4)
Re-measurement gains/(losses) from changes in financial assumptions	10.5	(21.5)
Experience gains on liabilities	0.3	6.3
Utilisation of healthcare provision	0.1	–
Benefits paid - defined benefit pension obligations	10.5	14.2
Fair value of scheme liabilities at the end of the year	**(223.3)**	**(241.6)**

Movements in post-employment benefit obligations were as follows:

	2021 £m	2020 £m
Opening post-employment benefit obligation	(14.9)	(7.3)
Notional interest	(0.2)	(0.1)
Deficit recovery payments	1.9	1.9
Re-measurement and experience gains/(losses)	11.0	(9.4)
Utilisation of healthcare provision	0.1	–
Closing post-employment benefit obligation	**(2.1)**	**(14.9)**

The major categories of scheme assets were as follows:

	Quoted Market Price Active Market £m	No Quoted Market Price Active Market £m	2021 Total Scheme £m	Quoted Market Price Active Market £m	No Quoted Market Price Active Market £m	2020 Total Scheme £m
Bonds	–	67.8	67.8	–	48.5	48.5
Liability driven investments*	37.1	–	37.1	41.6	–	41.6
Real return funds*	–	–	–	28.8	–	28.8
Alternative return seeking assets	–	68.2	68.2	–	59.5	59.5
Diversified growth fund*	–	23.6	23.6	–	21.7	21.7
Cash and cash equivalents	24.5	–	24.5	26.6	–	26.6
Total market value of assets	**61.6**	**159.6**	**221.2**	**97.0**	**129.7**	**226.7**

The assets of the pension scheme include no (2020: none) shares in the Group.

25 POST-EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Following a review of the classification of assets, the LGIM Diversified Fund (£21.7 million as at 31 December 2020) has been reclassified from Real return funds to Diversified growth fund and the Liquidity Plus fund (£17.1 million at 31 December 2020) within the LDI portfolio has been reclassified as cash. The Diversified growth fund in 2020 has also been reclassified to No Quoted Market price Active Market.

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 would be expected to rise, all else being equal, to help offset the expected increase in the present value placed on the scheme's 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

	2021 £m	2020 £m
Cash at bank and in hand		
Sterling	4.9	7.8
US Dollars	0.3	–
At 31 December	**5.2**	**7.8**

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	2021 £m	2020 £m
Cash at bank and in hand			
Royal Bank of Scotland	A-1	3.5	7.7
Lloyds Bank	A-1	1.7	0.1
Total cash and cash equivalents		**5.2**	**7.8**

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.

Notes to the Consolidated Financial Statements Continued >

26 FINANCIAL INSTRUMENTS (Continued)

Financial liabilities

	As per Balance Sheet £m	Future Interest Cost £m	2021 Total Cash Flows £m	As per Balance Sheet £m	Future Interest Cost £m	2020 Total Cash Flows £m
Trade and other payables*	56.5	–	56.5	48.1	–	48.1
Overdraft	9.6	–	9.6	1.2	–	1.2
Bank loans**	18.0	–	18.0	–	–	–
Lease liabilities	37.8	12.3	50.1	40.6	13.6	54.2
Provisions	1.4	–	1.4	3.3	–	3.3
Derivative financial instruments	0.1	–	0.1	2.1	–	2.1
	123.4	**12.3**	**135.7**	**95.3**	**13.6**	**108.9**

* 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	2021 Total £m	Current £m	Non-Current £m	2020 Total £m
Trade and other payables	63.7	0.3	64.0	64.8	0.4	65.2
Less: Other taxation and social security liabilities	(6.9)	–	(6.9)	(16.3)	–	(16.3)
Less: Deferred income	(0.3)	(0.3)	(0.6)	(0.4)	(0.4)	(0.8)
	56.5	**–**	**56.5**	**48.1**	**–**	**48.1**

** 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, all bank loans are currently drawn under an RCF arrangement and as such there is no contractual future interest cost. Interest paid in the year in relation to bank loans drawn down amounted to £1.0 million. Interest is payable at a rate of SONIA prevailing at the time of drawdown plus the credit adjustment spread and 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	2021 Total £m	Current £m	Non-Current £m	2020 Total £m
Bank loans	–	18.0	18.0	–	–	–
Less: Unamortised bank fees	(0.1)	–	(0.1)	(0.2)	(0.2)	(0.4)
	(0.1)	**18.0**	**17.9**	**(0.2)**	**(0.2)**	**(0.4)**

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 2021							
Due within one year	56.5	9.6	–	6.7	0.5	0.1	73.4
Due within one to two years	–	–	18.0	6.0	0.2	–	24.2
Due within two to five years	–	–	–	14.4	0.4	–	14.8
Due after more than five years	–	–	–	23.0	0.3	–	23.3
	56.5	**9.6**	**18.0**	**50.1**	**1.4**	**0.1**	**135.7**
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**

Interest rate risk profile

	Fixed Rate Financial Liabilities £m	Floating Rate Financial Liabilities £m	Financial Liabilities on which no Interest is paid £m	Total £m
As at 31 December 2021				
Sterling	50.1	27.6	58.0	135.7
As at 31 December 2020				
Sterling	54.2	1.2	53.5	108.9

Fixed rate financial liabilities

At 31 December 2021 the Group's fixed rate financial liabilities related to lease liabilities (2020: lease liabilities).

For lease liabilities, the weighted average interest rate incurred is 4.3% (2020: 4.4%) and the weighted average period remaining is 134 months (2020: 138 months).

Floating rate financial liabilities

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 typically 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. 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.

Notes to the Consolidated Financial Statements Continued >

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. In 2021, the gain in fair value on interest rate swaps of £0.2 million (2020: £0.1 million loss) was recognised directly within finance costs in the Consolidated Income Statement. The Group's borrowings are £18.0 million as at 31 December 2021 however hedge accounting has not been reinstated and no amounts remain in the hedging reserve within equity.

At 31 December 2021, the Group had in place the following interest rate swaps which had the effect of replacing LIBOR/SONIA with fixed rates as follows:

- 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, SONIA plus 0.1193% Credit Adjustment Spread is replaced with 0.805% from 8 January 2020 to 9 January 2023.

As the final rate fix for the interest rate swap ending 31 January 2022 was 31 October 2021, when LIBOR was still being quoted, the transition from LIBOR to SONIA was not required for this swap.

Floating rate financial liabilities bear interest at rates based on relevant SONIA 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 13 months (2020: 0 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 44 basis points (2020: 1,007 basis points).

Fair values of financial liabilities

Bank loans are drawn down and interest set for no more than a six month period (2020: 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.

Prior to 2020, the Group hedged the significant majority of its annual diesel usage using commodity swaps. 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 had hedging arrangements in place. This additional £0.3 million would not have been recognised in the Consolidated Income Statement until 2021 and 2022 had there been no discontinuance of hedge accounting. In 2021, management reassessed these assumptions of future diesel purchases and deemed them appropriate, as such there has been no further discontinuance in 2021. The remaining diesel hedged for 2022 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 2021 or 2020 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.

26 FINANCIAL INSTRUMENTS (Continued)

As at the balance sheet date, the Group has the following commodity swaps in place:

- 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

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 2021, 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 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**
Gain in fair value of swaps recognised in OCI	–	(1.6)	(1.6)
Deferred tax	–	0.3	0.3
At 31 December 2021	**–**	**(0.3)**	**(0.3)**

For both the years ended 31 December 2021 and 31 December 2020 the assets/(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 2021 £m	Fair Value 2020 £m
Derivative financial instruments held:		
Non-Current assets		
– Commodity products – cash flow hedges	0.3	–
Current liabilities		
– Interest rate products – held for trading	(0.1)	(0.1)
Non-Current liabilities		
– Interest rate products – held for trading	–	(0.5)
– Commodity products – cash flow hedges	–	(1.2)
– 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 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)**
Gain in fair value of swaps recognised in OCI	–	1.6	1.6
Gain in fair value of swaps not qualifying as hedges recognised in profit or loss	0.2	0.1	0.3
Cash payments	0.3	0.1	0.4
At 31 December 2021	**(0.1)**	**0.3**	**0.2**

Notes to the Consolidated Financial Statements Continued >

26 FINANCIAL INSTRUMENTS (Continued)

Fair value gains/(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.

Cash flows from operating activities includes a £0.3 million deduction (2020: £0.3 million add back) relating to non-cash movements on commodity swaps. A £0.2 million credit (2020: £0.6 million add back) relating to non-cash movements on interest rate swaps 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 or reduce 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 (being EBIT plus property, plant and equipment, rental stock and right of use depreciation and software amortisation) 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 maintain the capital structure such that we operate at no more than 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, improving production efficiencies and investing in new laundries.

27 CONTINGENT ASSETS

During the prior year the Group made claims against its insurance policy in relation to a fire and a flood at two Workwear processing plants. £5.9 million in respect of capital items of insurance proceeds have been recognised within the Consolidated Income Statement during the year, all within exceptional items.

Work is ongoing with the insurers such that the claims will likely be finalised in 2022. Further insurance proceeds relating to capital items of at least £0.8 million are expected to be received in 2022. Additional proceeds are expected to be received in relation to business interruption costs, the quantum of which has yet to be agreed with the insurer.

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 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.

29 SHARE CAPITAL

Issued and Fully Paid	Shares	2021 £m	Shares	2020 £m
Ordinary shares of 10p each:				
– At start of year	444,211,100	44.4	369,760,824	37.0
– New shares issued	1,045,539	0.1	74,450,276	7.4
At end of year	**445,256,639**	**44.5**	**444,211,100**	**44.4**

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	2021 £	Shares	2020 £
Ordinary shares of 10p each:					
– EBT	Note a	560,000	56,000	300,000	30,000
– SAYE	Note b	485,539	48,554	235,088	23,509
– Placing	Note c	–	–	73,915,188	7,391,519
New shares issued		**1,045,539**	**104,544**	**74,450,276**	**7,445,028**

Note a: 560,000 (2020: 300,000) 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 £56,000 (2020: £30,000). At the time of allotment, the EBT already held 8,388 (2020: 12,468) Ordinary shares of 10 pence each which, together with the 560,000 (2020: 300,000) newly allotted Ordinary shares of 10 pence each, were used to satisfy the exercise of 559,364 (2020: 304,080) LTIP options. In addition, the EBT did not sell any shares (2020: nil).

Note b: 485,539 (2020: 235,088) SAYE Scheme options were exercised with a total nominal value of £48,554 (2020: £23,509).

Notes to the Consolidated Financial Statements Continued >

29 SHARE CAPITAL (Continued)

Note c: 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 the above transactions were £0.6 million (2020: £82.9 million) and were credited as follows:

	2021 £m	2020 £m
Share capital	0.1	7.4
Share premium	0.5	0.2
Retained earnings	–	75.3
	0.6	**82.9**

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 2021, 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	95,000	Note d	Nil
2018 LTIP	5 March 2019	–	Note d	Nil
2018 Approved LTIP	3 March 2020	91,368	Note d	197.0
2018 LTIP	3 March 2020	698,134	Note d	Nil
2018 LTIP	22 March 2021	905,951	Note d	Nil
		1,790,453		
SAYE Scheme	4 October 2017	212,915	1 December 2022	125.75p
SAYE Scheme	3 October 2019	665,936	1 December 2022	155.75p
SAYE Scheme	3 October 2019	185,159	1 December 2024	155.75p
SAYE Scheme	1 October 2021	1,132,876	1 December 2024	129.75p
SAYE Scheme	1 October 2021	319,558	1 December 2026	129.75p
		2,516,444		
		4,306,897		

Note d: 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 1.81 years (2020: 1.10 years).

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 vesting periods or non-market vesting conditions apply, the expense is allocated over the vesting period based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. 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 vesting periods or non-market vesting conditions apply, the expense is allocated over the vesting period based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. 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 £0.5 million (2020: £0.3 million) including associated social security costs of £nil million (2020: £0.1 million credit) in relation to equity-settled share based payment transactions.

The average share price of Johnson Service Group PLC during the year was 149.0 pence (2020: 130.0 pence).

The aggregate gain made by Directors on the exercise of share options during the year was £0.6 million (2020: £nil). Further details are disclosed within the Directors' Remuneration Report on pages 85 to 108.

Movements in the current and prior year in respect of all share schemes are summarised below:

	Number of Options	2021 Weighted Average Exercise Price (p)	Number of Options	2020 Weighted Average Exercise Price (p)
Executive schemes				
Outstanding at beginning of the year	2,437,442	9p	2,758,951	–
Granted during the year	1,016,917	–	888,759	24p
Exercised during the year	(559,364)	–	(304,080)	–
Lapsed during the year	(1,104,542)	3p	(906,188)	–
Outstanding at the end of the year	1,790,453	10p	2,437,442	9p
Exercisable at the end of the year	95,000	–	654,364	–
SAYE schemes				
Outstanding at beginning of the year	2,215,402	134p	2,667,460	130p
Granted during the year	1,462,144	130p	–	–
Exercised during the year	(485,539)	105p	(235,088)	96p
Lapsed during the year	(675,563)	129p	(216,970)	133p
Outstanding at the end of the year	2,516,444	138p	2,215,402	134p
Exercisable at the end of the year	–	–	970,464	114p

For options outstanding at 31 December 2021, the exercise date and the exercise price are disclosed within note 29.

Notes to the Consolidated Financial Statements Continued >

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 2021	Options Granted During 2020
Weighted average share price at date of grant (pence)	149	197
Weighted average exercise price (pence)	77	24
Weighted average fair value (pence)	118	151
Expected volatility (%)	50.7	25.6
Expected life (years)	3.4	3.0
Risk free interest rate (%)	0.4	0.2
Expected dividend yield (%)	1.4	2.0

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

	2021 £m	2020 £m
Balance brought forward	16.3	16.1
Received on allotment of shares	0.5	0.2
Balance carried forward	**16.8**	**16.3**

32 OWN SHARES

	2021 £m	2020 £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:

	2021	2020
Number of shares held	9,024	8,388
Market value £m	–	–

33 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' EQUITY

	2021 £m	2020 £m Restated
Profit/(loss) for the year	6.6	(26.9)
	6.6	**(26.9)**
Other recognised gains and losses relating to the year:		
Issue of share capital	0.6	82.9
Share options (value of employee services)	0.5	0.4
Purchase of own shares by EBT	(0.1)	–
Re-measurement and experience gains/(losses) (net of taxation)	8.9	(7.5)
Deferred tax on share options	–	(0.2)
Cash flow hedges movement	1.3	(0.5)
Net addition to Shareholders' equity	**17.8**	**48.2**
Opening Shareholders' equity	254.6	207.5
Prior year restatement	–	(1.1)
Closing Shareholders' equity	**272.4**	**254.6**

34 BUSINESS COMBINATIONS

On 30 September 2021, the Group acquired 100% of the share capital of Lilliput (Dunmurry) Limited ('Lilliput') for a net consideration of £3.1 million (being gross consideration of £6.2 million adjusted for normalised working capital, cash and debt like items) plus associated fees. Since acquisition, Lilliput has incurred a loss of £0.2 million on revenue of £1.6 million. Had the business been acquired at the start of the period it is estimated that a loss of £0.7 million would have been generated from revenue of £5.2 million.

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

	Lilliput £m
Intangible assets – Goodwill	4.3
Intangible assets – Customer contracts	1.2
Property, plant and equipment	0.5
Right of use assets	0.8
Textile rental items	0.7
Trade and other receivables	1.4
Cash and cash equivalents/(overdraft)	(0.8)
Trade and other payables	(2.3)
Borrowings	(1.5)
Lease liabilities	(0.8)
Deferred income tax liability	(0.4)
Net consideration	**3.1**

Goodwill represents the deferred income tax arising on the recognition of the customer contracts plus the expected benefits to the wider Group arising from the acquisition. None of the acquired goodwill is expected to be deductible for tax purposes.

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:

	2021 £m	2020 £m
Net consideration payable	(3.1)	–
Deferred consideration	(0.8)	(0.9)
Overdraft acquired	(0.8)	–
Costs in relation to business acquisition activity	(0.1)	–
	(4.8)	**(0.9)**

In respect of deferred consideration

- the 2021 figure of £0.8 million reflects the payment of the Fresh Linen deferred consideration of £0.8 million recognised in 2019
- 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.

35 DISCONTINUED OPERATIONS

As previously disclosed, a contingent liability arose as a condition of the sale of the Facilities Management division in August 2013, whereby the Group had put in place indemnities, to the purchaser, in relation to any future amounts payable in respect of contingent consideration relating to the Nickleby acquisition which was completed in February 2012. The contingent consideration was settled during the year for £3.3 million including associated costs. £1.6 million has been recognised in the Consolidated Income Statement during 2021 in relation to this settlement.

Notes to the Consolidated Financial Statements Continued >

35 DISCONTINUED OPERATIONS (Continued)

On 4 January 2017, the Group disposed of the Dry Cleaning division. Provisions of £1.1 million, made at the point of disposal are no longer required and have been credited to the Consolidated Income Statement during 2021. Furthermore, property provisions of £0.5 million relating to historic disposals are also no longer required and have been credited back to the Consolidated Income Statement in 2021.

Income Statement

The Income Statement from discontinued operations included within the Consolidated Income Statement are as follows:

	2021 £m	2020 £m
Exceptional items		
– Property provision	1.6	–
– Indemnity settlement	(1.6)	–
Operating result	–	–
Taxation	(0.3)	–
Retained loss from discontinued operations	**(0.3)**	**–**

Cash Flows

The cash flows from discontinued operations included within the Consolidated Statement of Cash Flows are as follows:

	2021 £m	2020 £m
Net cash used in investing activities	(3.6)	–
Net cash flow from discontinued operations	**(3.6)**	**–**

Along with the settlement discussed above, a further cash settlement of £0.3 million was made in relation to indemnities made to the purchaser of the Dry Cleaning division. These amounts had been provided for in full at the point of disposal.

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 2021	At 31 December 2020 £m	Cash Flow £m	Non-cash Changes £m	At 31 December 2021 £m
Debt due within one year	0.2	1.5	(1.6)	0.1
Debt due after more than one year	0.2	(18.0)	(0.2)	(18.0)
Lease liabilities (See note 22)	(40.6)	5.7	(2.9)	(37.8)
Total debt and lease financing	(40.2)	(10.8)	(4.7)	(55.7)
Cash and cash equivalents	6.6	(11.0)	–	(4.4)
Net debt	**(33.6)**	**(21.8)**	**(4.7)**	**(60.1)**

36 ANALYSIS OF NET DEBT (Continued)

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)**

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

	2021 £m	2020 £m
Cash (Current assets)	5.2	7.8
Overdraft (Borrowings, Current liabilities)	(9.6)	(1.2)
	(4.4)	**6.6**

Lease liabilities are comprised of the following balance sheet amounts:

	2021 £m	2020 £m
Amounts due within one year (Lease liabilities, Current liabilities)	(5.2)	(5.5)
Amounts due after more than one year (Lease liabilities, Non-current liabilities)	(32.6)	(35.1)
	(37.8)	**(40.6)**

37 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2021 £m	2020 £m
(Decrease)/increase in cash in the year	(11.0)	9.5
(Increase)/decrease in debt and lease financing	(10.8)	91.3
Change in net debt resulting from cash flows	(21.8)	100.8
Debt acquired through business acquisition	(2.3)	–
Lease liabilities recognised during the year	(2.1)	(6.3)
Non-cash movement in unamortised bank facility fees	(0.3)	(0.4)
Movement in net debt	(26.5)	94.1
Opening net debt	(33.6)	(127.7)
Closing net debt	**(60.1)**	**(33.6)**

38 FINANCIAL COMMITMENTS

Capital expenditure

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

	2021 £m	2020 £m
Capitalised software	–	0.1
Property, plant and equipment	10.9	10.3

Notes to the Consolidated Financial Statements Continued >

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'.

40 PRIOR YEAR RESTATEMENT

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

- Amounts paid to the cloud vendor for configuration and customisation that are not distinct from access to the cloud software are expensed over the SaaS contract term.
- In limited circumstances, other configuration and customisation costs incurred in implementing SaaS arrangements may give rise to an identifiable intangible asset, for example, where code is created that is controlled by the entity.
- In all other instances, configuration and customisation costs will be expensed as the customisation and configuration services are received.

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

The Group identified £1.5 million of capitalised costs incurred prior to 1 January 2020 which should, in light of the agenda decision, have been expensed to the Consolidated Income Statement as incurred. Amortisation thereon of £0.1 million was charged to the Consolidated Income Statement prior to 1 January 2020 resulting in a £1.4 million adjustment to Intangible assets at 1 January 2020.

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

	As at 31 December 2019 £m	Prior year adjustment £m	As at 1 January 2020 £m
Non-current assets			
Intangible assets	36.7	(1.4)	35.3
Current liabilities			
Current income tax liabilities	4.5	(0.3)	4.2
Net assets	**207.5**	**(1.1)**	**206.4**
Capital and reserves attributable to the Company's Shareholders			
Retained earnings	152.7	(1.1)	151.6
Total equity	**207.5**	**(1.1)**	**206.4**

The impact of the prior year restatement on the Group's retained earnings as at 1 January 2020 is as follows:

	£m
As at 31 December 2019	152.7
Recognition of cloud based software costs	(1.5)
Reverse amortisation previously charged	0.1
Decrease in current income tax liabilities	0.3
Adjustment to retained earnings	(1.1)
As at 1 January 2020	151.6

40 PRIOR YEAR RESTATEMENT (Continued)

As a result of the above costs being expensed through the Consolidated Income Statement prior to 1 January 2020, amortisation of the previously capitalised costs have been reversed in the year to 31 December 2020. This cost was £0.2 million. The impact of the prior year restatement on the Consolidated Income Statement for the year ended 31 December 2020 is as follows:

	Year ended 31 December 2020 £m	Prior year adjustment £m	Year ended 31 December 2020 £m
Operating loss before amortisation of intangible assets (excluding software amortisation) and exceptional items	(12.1)	0.2	(11.9)
Operating loss	(27.4)	0.2	(27.2)
Loss before taxation	(32.3)	0.2	(32.1)
Loss for the year attributable to equity holders	(27.1)	0.2	(26.9)

The impact of the prior year restatement on the Group's earnings per share for the year ended 31 December 2020 is as follows:

	Year ended 31 December 2020 p	Prior year adjustment p	Year ended 31 December 2020 p
Basic loss per share	(6.6)	0.1	(6.5)
Adjusted basic loss per share	(3.4)	0.1	(3.3)
Diluted earnings per share	(6.6)	0.1	(6.5)
Adjusted diluted earnings per share	(3.4)	0.1	(3.3)

4. Company Financial Statements

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 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**
Profit for the year	–	–	–	–	–	0.9	0.9
Other comprehensive income	–	–	–	–	1.3	8.9	10.2
Total comprehensive income for the year	–	–	–	–	1.3	9.8	11.1
Share options (value of employee services)	–	–	–	–	–	0.5	0.5
Purchase of own shares by EBT	–	–	–	–	–	(0.1)	(0.1)
Issue of share capital	0.1	0.5	–	–	–	–	0.6
Transactions with Shareholders recognised directly in Shareholders' Equity	0.1	0.5	–	–	–	0.4	1.0
Balance at 31 December 2021	**44.5**	**16.8**	**3.5**	**0.6**	**0.3**	**161.3**	**227.0**

Company Balance Sheet

	Note	As at 31 December 2021 £m	As at 31 December 2020 £m
Assets			
Non-current assets			
Right of use assets	5	0.3	–
Trade and other receivables	8	206.7	171.4
Derivative financial assets	14	0.3	–
Deferred income tax assets	6	1.3	4.0
Investments	7	568.9	565.7
		777.5	**741.1**
Current assets			
Trade and other receivables	8	0.8	0.9
Cash and cash equivalents		–	5.0
		0.8	**5.9**
Liabilities			
Current liabilities			
Trade and other payables	9	2.7	5.2
Current income tax liabilities		–	0.5
Borrowings	10	9.5	0.2
Lease liabilities	11	0.1	–
Derivative financial liabilities	14	0.1	0.1
Provisions	15	–	0.5
		12.4	**6.5**
Non-current liabilities			
Post-employment benefit obligations	12	2.1	14.9
Trade and other payables	13	518.6	508.1
Borrowings	10	18.0	–
Lease liabilities	11	0.2	–
Derivative financial liabilities	14	–	2.0
Provisions	15	–	0.6
		538.9	**525.6**
Net assets		**227.0**	**214.9**
Equity			
Capital and reserves attributable to the company's shareholders			
Share capital	17	44.5	44.4
Share premium	18	16.8	16.3
Merger reserve		3.5	3.5
Capital redemption reserve		0.6	0.6
Hedge reserve		0.3	(1.0)
Retained earnings		161.3	151.1
Total Shareholders' equity		**227.0**	**214.9**

The Company recognised a profit during the year of £0.9 million (2020: Loss of £3.3 million).

The financial statements on pages 180 to 191 were approved by the Board of Directors on 7 March 2022 and signed on its behalf by:

Yvonne Monaghan
Chief Financial Officer

Company Statement of Cash Flows

	Note	Year ended 31 December 2021 £m	Year ended 31 December 2020 £m
Cash flows from operating activities			
Profit/(loss) for the year		0.9	(3.3)
Adjustments for:			
Income tax charge/(credit)		0.4	(0.3)
Total finance income		(5.1)	(2.2)
Depreciation	5	0.1	0.1
Dividend income		–	(0.5)
Decrease/(increase) in trade and other receivables		0.3	(0.3)
Increase/(decrease) in trade and other payables		2.1	(0.4)
Increase in amounts due from subsidiary companies		(1.7)	(0.5)
Investment impairment	7	–	2.9
Deficit recovery payments in respect of post-employment benefit obligations		(1.9)	(1.9)
Share-based payments		0.2	0.2
Commodity swaps not qualifying as hedges		(0.3)	0.3
Decrease in provisions		(1.1)	–
Business acquisition costs		0.1	–
Cash used in operations		(6.0)	(5.9)
Interest paid		(2.2)	(3.1)
Taxation received/(paid)		0.5	(3.2)
Net cash used in operating activities		**(7.7)**	**(12.2)**
Cash flows from investing activities			
Acquisition of investment in subsidiary		(4.0)	(0.9)
Disposal of business costs		(3.6)	–
Dividends received	23	–	0.5
Interest received	23	7.4	6.3
Loans advanced to subsidiary companies		(37.0)	(18.7)
Net cash used in investing activities		**(37.2)**	**(12.8)**
Cash flows from financing activities			
Loans received from subsidiary companies		12.3	43.0
Proceeds from borrowings		29.0	58.0
Repayments of borrowings		(11.0)	(143.0)
Capital element of leases		(0.1)	(0.1)
Purchase of own shares by EBT		(0.1)	–
Net proceeds from issue of Ordinary shares		0.6	82.9
Net cash generated from financing activities		**30.7**	**40.8**
Net (decrease)/increase in cash and cash equivalents		(14.2)	15.8
Cash and cash equivalents at beginning of year		4.6	(11.2)
Cash and cash equivalents at end of year	20	**(9.6)**	**4.6**

Cash and cash equivalents at the end of the year include cash of £nil and an overdraft of £9.6 million (2020: £5.0 million and £0.4 million respectively).

Included within the Company Statement of Cashflows above is £3.6 million of cash used in investing activities relating to discontinued operations. Further details are provided in note 35 of the Consolidated Financial Statements.

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 7 March 2022.

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 126 to 139 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. The Company considers impairment of its investment in subsidiaries by estimating the recoverable amounts of the investments, which are based on either the net assets of the subsidiary, or value-in-use calculations. For further details of value-in-use calculations, see note 12 of the Consolidated Financial Statements. 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. 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 Company 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 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 126.

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. Sensitivities are shown in note 25 of the Consolidated Financial Statements.

Notes to the Company Financial Statements

1 COMPANY INCOME STATEMENT AND COMPANY STATEMENT OF COMPREHENSIVE INCOME

As permitted by Section 408(3) of the Companies Act 2006, the Company Income Statement and the Company Statement of Comprehensive Income are not presented with these 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 note 4 of the Consolidated Financial Statements and the Directors' Remuneration Report on pages 85 to 108.

3 EMPLOYEE BENEFIT EXPENSE

	2021 £m	2020 £m
Wages and salaries	2.7	1.9
Social security costs	0.4	0.2
Cost of employee share schemes	0.3	0.1
Pension costs – defined contribution plans	0.1	0.1
Total	**3.5**	**2.3**

The monthly average number of persons employed for the Company during the year was 18 (2020: 17).

4 PROPERTY, PLANT AND EQUIPMENT

	Plant And Equipment £m
Cost	
At 31 December 2019, 2020 & 2021	**0.3**
Accumulated depreciation and impairment	
At 31 December 2019, 2020 & 2021	**0.3**
Carrying Amount	
At 31 December 2019, 2020 & 2021	–

There were £nil assets under construction at 31 December 2021 (2020: £nil).

5 RIGHT OF USE ASSETS

	Properties £m
Cost	
At 31 December 2019 & 2020	**0.2**
Reassessment and modifications	0.4
At 31 December 2021	**0.6**
Accumulated depreciation and impairment	
At 31 December 2019	**0.1**
Charged during the year	0.1
At 31 December 2020	**0.2**
Charged during the year	0.1
At 31 December 2021	**0.3**
Carrying amount	
At 31 December 2019	**0.1**
At 31 December 2020	–
At 31 December 2021	**0.3**

6 DEFERRED INCOME TAX ASSETS/LIABILITIES

Deferred income tax assets/(liabilities) attributable to the Company are as follows:

	Deferred tax assets 2021 £m	Deferred tax assets 2020 £m	Deferred tax liabilities 2021 £m	Deferred tax liabilities 2020 £m
Deferred income tax balances in respect of:				
Depreciation in excess of capital allowances	0.1	0.1	–	–
Post-employment benefit obligations	0.4	2.8	–	–
Derivative financial instruments	–	0.2	(0.1)	–
Employee share schemes	0.3	0.3	–	–
Trading losses	0.6	0.3	–	–
Other short term timing differences	–	0.3	–	–
	1.4	**4.0**	**(0.1)**	**–**

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

	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 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**
Charge to income	–	(0.3)	–	–	0.3	(0.3)	(0.3)
Charge to other comprehensive income	–	(2.1)	(0.3)	–	–	–	(2.4)
At 31 December 2021	**0.1**	**0.4**	**(0.1)**	**0.3**	**0.6**	**–**	**1.3**

Deferred income taxes at the balance sheet date have been measured at an effective deferred tax rate of 22.6% as at 31 December 2021 (2020: 19.0%). The impact of the change in tax rates has been a £0.2 million charge (2020: £0.1 million credit) to income and £nil (2020: £0.2 million credit) within other comprehensive income.

The Company has estimated that £0.3 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

	2021 £m	2020 £m
Investment in subsidiary undertakings		
Cost		
Brought forward	576.3	576.1
Additions	3.1	–
Movement relating to share options	0.1	0.2
Carried forward	**579.5**	**576.3**
Accumulated impairment		
Brought forward	10.6	7.7
Impairment	–	2.9
Carried forward	**10.6**	**10.6**
Carrying amount		
Opening	565.7	568.4
Closing	**568.9**	**565.7**

Particulars of subsidiary undertakings are shown in note 25.

During the prior 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) were impaired as net assets were below the current investment carrying amount.

The Directors deem the investments to be recoverable due to the future forecasts of the Group.

8 TRADE AND OTHER RECEIVABLES

	2021 £m	2020 £m
Amounts falling due within one year:		
Receivables from subsidiaries	0.7	0.5
Prepayments and other receivables	0.1	0.4
	0.8	**0.9**
Amounts falling due after more than one year:		
Receivables from subsidiaries	206.7	171.2
Other receivables	–	0.2
	206.7	**171.4**

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 from subsidiaries. Taking into account the one year risk free rate of return of 0.41% (2020: -0.15%), as at the balance sheet date, the fair value of amounts receivable from subsidiaries would be £205.9 million (2020: £171.5 million). Balances are interest bearing with interest charged based on one month GBP SONIA plus 0.1193% Credit Adjustment Spread 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 (2020: 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)

	2021 £m	2020 £m
Trade payables	0.3	0.1
Other payables	0.6	2.3
Other taxation and social security liabilities	0.3	0.5
Deferred consideration	–	0.8
Accruals	1.5	1.5
	2.7	**5.2**

All trade and other payable balances at the balance sheet date are denominated in Sterling (2020: Sterling) and are held at amortised cost. Given their short term nature there is to be no difference between this and their fair value.

10 BORROWINGS

	2021 £m	2020 £m
Current		
Overdraft	9.6	0.4
Bank loans	(0.1)	(0.2)
	9.5	**0.2**
Non-current		
Bank loans	18.0	(0.2)
	18.0	**(0.2)**
Total Borrowings	**27.5**	**–**
The maturity of non-current bank loans is as follows:		
– Between one and two years	18.0	–
– Unamortised issue costs of bank loans	–	(0.2)
	18.0	**(0.2)**

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 £0.1 million (2020: £0.4 million) of which £0.1 million is included within current borrowings (2020: £0.2 million) and £nil is included within non-current borrowings (2020: £0.2 million within non-current trade and other receivables 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 (2020: £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 (2020: £10.0 million and £5.0 million).

11 LEASE LIABILITIES

	Properties £m
At 31 December 2019	**0.1**
Lease liability payments (including finance costs)	(0.1)
At 31 December 2020	**–**
Reassessment and modifications	0.4
Lease liability payments (including finance costs)	(0.1)
At 31 December 2021	**0.3**

Lease liabilities are comprised of the following balance sheet amounts:

	2021 £m	2020 £m
Amounts due within one year (Lease liabilities, Current Liabilities)	0.1	–
Amounts due more than one year (Lease liabilities, Non-current Liabilities)	0.2	–
	0.3	**–**

Notes to the Company Financial Statements Continued >

11 LEASE LIABILITIES (Continued)

Lease liabilities are as follows:

	2021 £m	2020 £m
Not more than one year		
Minimum lease payments	0.1	–
Interest element	–	–
Present value of minimum lease payments	**0.1**	**–**
More than one year		
Minimum lease payments	0.2	–
Interest element	–	–
Present value of minimum lease payments	**0.2**	**–**

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 2021 and 31 December 2020 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 (2020: £0.1 million).

13 TRADE AND OTHER PAYABLES (NON-CURRENT)

	2021 £m	2020 £m
Payables to subsidiaries	518.6	508.1
	518.6	**508.1**

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 -0.41% (2020: -0.15%), as at the balance sheet date, the fair value of amounts payable to subsidiaries would be circa £516.5 million (2020: £508.9 million).

Of the balance outstanding, £210.4 million (2020: £199.9 million) is interest bearing with interest charged based on one month GBP SONIA plus 0.1193% Credit Adjustment Spread plus a 0.25% margin.

14 DERIVATIVE FINANCIAL ASSETS AND 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

	Property £m
At 31 December 2019 & 2020	**1.1**
Released during the year	(1.1)
At 31 December 2021	**–**

	2021 £m	2020 £m
Analysis of total provisions		
Current	–	0.5
Non-current	–	0.6
	–	**1.1**

Property

The property provision related 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.

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.

17 SHARE CAPITAL

Issued and Fully Paid	Shares	2021 £m	Shares	2020 £m
Ordinary shares of 10p each:				
At start of year	444,211,100	44.4	369,760,824	37.0
New shares issued	1,045,539	0.1	74,450,276	7.4
At end of year	**445,256,639**	**44.5**	**444,211,100**	**44.4**

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

	2021 £m	2020 £m
Balance brought forward	16.3	16.1
Received on allotment of shares	0.5	0.2
Balance carried forward	**16.8**	**16.3**

19 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' EQUITY

	2021 £m	2020 £m
Profit/(loss) for the year	0.9	(3.3)
	0.9	**(3.3)**
Other recognised gains and losses relating to the year:		
Issue of share capital	0.6	82.9
Share option (value of employee services)	0.5	0.4
Purchase of own shares by EBT	(0.1)	–
Deferred tax on share options	–	(0.2)
Re-measurement and experience losses (net of taxation)	8.9	(7.5)
Cash flow hedges movement	1.3	(0.5)
Net addition to Shareholders' equity	**12.1**	**71.8**
Opening Shareholders' equity	**214.9**	**143.1**
Closing Shareholders' equity	**227.0**	**214.9**

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 31 December 2020 £m	Cash Flow £m	Other Non-cash Changes £m	At 31 December 2021 £m
Debt due within one year	0.2	–	(0.1)	0.1
Debt due after more than one year	0.2	(18.0)	(0.2)	(18.0)
Lease liabilities	–	0.1	(0.4)	(0.3)
Total debt and lease liabilities	0.4	(17.9)	(0.7)	(18.2)
Cash and cash equivalents	4.6	(14.2)	–	(9.6)
Net debt	**5.0**	**(32.1)**	**(0.7)**	**(27.8)**

	At 31 December 2019 £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**

21 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2021 £m	2020 £m
(Decrease)/increase in cash in year	(14.2)	15.8
(Increase)/decrease in debt financing	(17.9)	85.3
Change in net debt resulting from cash flows	(32.1)	101.1
New leases	(0.4)	–
Non-cash movement in unamortised bank facility fees	(0.3)	(0.4)
Movement in net debt in year	(32.8)	100.7
Opening net debt	5.0	(95.7)
Closing net debt	**(27.8)**	**5.0**

22 FINANCIAL COMMITMENTS

CAPITAL EXPENDITURE

As at 31 December 2021 the Company had no contracts placed for future capital expenditure that were not provided for in the financial statements (2020: £nil).

23 RELATED PARTY TRANSACTIONS

Transactions during the year between the Company and its subsidiaries, which are related parties, are eliminated on consolidation. These transactions are carried out on an arms-length basis.

The following significant transactions with subsidiary undertakings occurred in the year:

	2021 £m	2020 £m
Dividends received	–	0.5
Interest paid	(0.6)	(0.9)
Interest received	7.4	6.3
	6.8	**5.9**

The key management of the Company are considered to be only the Directors of the Company. The Directors are related parties of the Company and further details of their compensation is provided in note 4 of the Consolidated Financial Statements and 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
Lilliput (Dunmurry) 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 and Lilliput (Dunmurry) Limited which registered in Northern Ireland. The registered office for all the companies listed above is Johnson House, Abbots Park, Monks Way Preston Brook, Runcorn, Cheshire, WA7 3GH apart from Lilliput (Dunmurry) Limited whose registered address is Suite 5, Ormeau House, 91-97 Ormeau Road, Belfast, BT7 1SH.

5. Shareholder Information

FINANCIAL CALENDAR

Results announcement for the year to 31 December 2021
8 March 2022

Results announcement for the half year to 30 June 2022
September 2022

Annual General Meeting
4 May 2022

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, 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.

It is the present intention of the Directors that the 2022 Annual General Meeting (the 'Meeting' or the 'AGM') of Johnson Service Group PLC ('JSG' or the 'Company') will be held at the Doubletree by Hilton Chester, Warrington Road, Hoole, Chester, CH2 3PD on Wednesday 4 May 2022 at 11:00. However, the measures being taken by the UK Government to help contain the spread of COVID-19 may be 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. Any changes to these arrangements will be communicated on the Company's website and announced via Regulatory News Service (RNS).

BUSINESS OF THE MEETING

The formal notice of the AGM is set out on pages 196 to 201 and full details of the Resolutions to be proposed at the AGM are contained in the Explanatory Notes on pages 199 to 201. The Resolutions are those that are dealt with as a matter of course at each annual general meeting of the Company.

FORM OF PROXY

As we did last year, and in order to reduce the Company's environmental impact, our intention is to once again remove paper from the voting process as far as possible. **As a result, you will not receive a hard copy Form of Proxy for the AGM but instead you will be able to register your vote electronically.**

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 2 May 2022 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.

HOW TO VOTE

Your vote is important to us. We strongly encourage you to vote in advance of the meeting by appointing the Chair of the Meeting as your proxy. Our Registrar, Link Group, must receive your Form of Proxy containing your voting instructions by 11:00 on Monday 2 May 2022 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.

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, the Board does not propose to declare a dividend in respect of 2021. The Board will keep future dividends under review and look to reinstate its dividend policy once there is more certainty that trading levels will return to, and remain at, more normal 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.

Jock Lennox
Non-Executive Chairman
7 March 2022

Notice of Annual General Meeting

Continued >

NOTICE is hereby given that the Annual General Meeting of Johnson Service Group PLC will be held at the Doubletree by Hilton Chester, Warrington Road, Hoole, Chester, CH2 3PD on Wednesday 4 May 2022 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 2021 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 85 to 108 of the 2021 Annual Report.

Election and Re-election of Directors

3. To re-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 £14,841,888.

    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 2023, 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 £2,226,283 (representing approximately 5% of the Company's issued share capital as at 7 March 2022).

This power 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 2023, 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 £2,226,283 (representing approximately 5% of the Company's issued share capital as at 7 March 2022); 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, 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 2023, 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, 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 aggregate number of Ordinary Shares that may be purchased under this authority is 44,525,663 (representing approximately 10% of the Company's issued share capital as at 7 March 2022);

    (ii) the minimum price which may be paid for each Ordinary Share is 10 pence, exclusive of attributable expenses payable by the Company (if any); and

    (iii) the maximum price which may be paid for each Ordinary Share is the higher of:

        (a) 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; and

        (b) the higher of the price of the last independent trade of Ordinary Shares and the highest current independent bid for Ordinary Shares on the trading venue where the purchase is carried out,

    in each case, exclusive of attributable expenses payable by the Company (if any).

    The authority hereby conferred 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 held after the passing of this Resolution or, if earlier, on 1 July 2023 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
7 March 2022

Johnson Service Group PLC
Abbots Park, Monks Way, Preston Brook, Cheshire, WA7 3GH

Notice of Annual General Meeting

Continued >

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 at close of business on 2 May 2022 or, in the event that the Meeting is adjourned, in the Register of Members at close of business on the date which is two days prior to the date 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 after that time shall be disregarded in determining the rights of any person to attend or vote at the Meeting.

2. Contacting the Company's Registrar

You can write to the Company's Registrar at the address below:

Link Group
10th Floor, Central Square
29 Wellington Street
Leeds
LS1 4DL

Alternatively, you can call 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).

When contacting the Registrar please ensure you provide your unique Investor Code (IVC), which can be found on a share certificate. Alternatively, you can sign in to www.signalshares.com to obtain your IVC.

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 contacting the Company's Registrar, Link Group, whose contact details are set out in Accompanying Note 2 above.

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 contact details set out in Accompanying Note 2 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 2 May 2022 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. 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 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 2 May 2022.

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.

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 and at the place of the Meeting for 15 minutes prior to and during the Meeting:

(i) the Register of Directors' interests kept by the Company under Section 809 of the Companies Act 2006;

(ii) copies of all service 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 business of 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.

10. Total Voting Rights

As at 7 March 2022 (being the last business day prior to publication of this notice) the Company's issued share capital consists of 445,256,639 Ordinary Shares carrying one vote each. The total voting rights in the Company as at 7 March 2022 are, therefore, 445,256,639.

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 2021 to the AGM.

Directors' Remuneration Report (Resolution 2)

It is proposed that the Directors' Remuneration Report for the financial year ended 31 December 2021, as set out on pages 85 to 108 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 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.

Notice of Annual General Meeting

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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 56 of the 2021 Annual Report and are also available for viewing on the Company's website (www.jsg.com).

In the final quarter of 2021, an independent, formal, external evaluation of the Board and its committees was conducted by Gould Consulting ('Gould') which is independent of, and has no other links with, the Company or its Directors. The evaluation comprised a series of online questionnaires for the Board and each of its principal committees for completion by the Board, committee members and the Company Secretary. Based on the agreed themes, the questionnaires were designed to encourage thought provoking and candid responses. Individual interviews were then conducted with each of the above individuals. In addition, Gould attended the November 2021 Board and Committee meetings as silent observers. Gould then prepared and circulated a report summarising the key findings. As a result of the evaluation, a number of actions were identified to help improve the performance and effectiveness of the Board. Further details are provided on pages 71 to 72 of the 2021 Annual Report. Additionally, the Independent Non-Executive Directors conducted a performance evaluation of the Chairman, after taking into account the views of the Executive Directors. Furthermore, the Remuneration Committee regularly reviewed the performance of each Executive Director.

As a result of these reviews and evaluations, 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. Resolution 8, which is recommended by the Audit Committee, proposes the reappointment of the Company's existing auditor, 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 2021 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 2023 or, if earlier, the close of business on 1 July 2023.

If passed, the authority granted by the passing of this Resolution will be limited to an aggregate nominal value of £14,841,888 of Ordinary Shares which represents approximately one third of the Ordinary share capital in issue as at 7 March 2022 (being the latest practicable date prior to publication of this Notice). If renewed, the authority will, 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 2023.

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 2021 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 £2,226,283, which is equivalent to approximately 5 per cent of the Company's issued ordinary share capital as at 7 March 2022 (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, unless previously renewed, varied or revoked by the Company in general meeting, expire at the conclusion of the next AGM of the Company in 2023 or, if earlier, the close of business on 1 July 2023. 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 2021 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 £2,226,283 (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 7 March 2022 (being the latest practicable date prior to the publication of this Notice).

If approved, the authority will, unless previously renewed, varied or revoked by the Company in general meeting, expire at the conclusion of the next AGM of the Company in 2023 or, if earlier, the close of business on 1 July 2023. 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 44,435,011 of its Ordinary Shares at the 2021 AGM (being equal to approximately 10 per cent of the Company's issued ordinary share capital as at 18 March 2021, the latest practicable date prior to the publication of the notice for the 2021 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 44,525,663 Ordinary Shares, representing approximately 10 per cent of the Company's issued ordinary share capital as at 7 March 2022, being the latest practicable date prior to the publication of this Notice. The authority specifies the minimum and maximum prices that may be paid for any Ordinary Shares.

Although the Directors have no present intention of purchasing Ordinary Shares in the market, this Resolution provides the flexibility to allow them to do so in the future. 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.

Any shares purchased in the market under this authority may be either cancelled or, pursuant to the Companies Act 2006 and the authority conferred by this Resolution, held as treasury shares. 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.

Shares held in treasury allow the Company to quickly and cost-effectively reissue shares and also gives the Company the opportunity to satisfy employee share scheme awards. The total number of options to subscribe for Ordinary Shares that were outstanding at 7 March 2022 (being the latest practicable date prior to publication of this Notice) was 4,306,897. 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.

The authority given under this Resolution will, unless previously renewed, varied or revoked by the Company in general meeting, expire at the conclusion of the next AGM of the Company in 2023, or, if earlier, the close of business on 1 July 2023. It is the present intention of the Directors to seek renewal of this authority annually.

Directors and Advisors

Directors and Officers

John (Jock) Fyfe Lennox, LLB, CA
Non-Executive Chairman
Chairman of Nomination Committee
Member of Remuneration Committee

Peter Egan, MBA
Chief Executive Officer
Director responsible for Health, Safety and the Environment
Member of Sustainability Committee

Yvonne May Monaghan, BSc (Hons), FCA
Chief Financial Officer
Member of Sustainability Committee

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

Timothy (Tim) James Morris, BA (Hons), FCA
Company Secretary & Group Financial Controller
Member of Sustainability Committee

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
Grant Thornton UK LLP
Chartered Accountants and Statutory Auditors
Landmark
St Peter's Square
1 Oxford Street
Manchester
M1 4PB

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 5 of the Notice of Annual General Meeting.

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

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