ANNUAL REPORT & ACCOUNTS 2022

JOHNSON
Service Group PLC

2022
ANNUAL REPORT & ACCOUNTS

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1 STRATEGIC REPORT

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"We remain excited about the significant organic and acquisitive growth opportunities, the potential for further revenue and profit growth, improvements in productivity and returns to shareholders over time. Accordingly, we expect the results for the current financial year to be in line with market expectations".

1 STRATEGIC REPORT

The actions we have taken have placed the Group in a favourable position

Reinstatement of dividend

Our employees are the foundation of our business

Strong balance sheet and capacity for further investment

Continuing to focus on delivering outstanding customer service

Publication of our inaugural Sustainability Report

Launch of share buyback programme of up to £27.5 million in September 2022

We continued to react to the ever-changing market conditions

Continued capital investment across the estate to increase efficiencies and underpin capacity

"The improved performance we are reporting today demonstrates the resilience of JSG's business model, operational expertise and strength of our relationships with our customers and business suppliers, alongside the hard work of our employees."

The Board remains confident about the growth opportunities available to the Group

Anticipate our EBITDA margin will continue to improve over the medium term

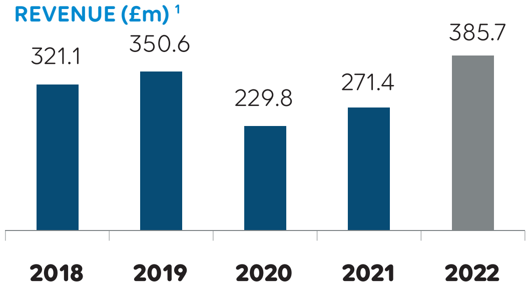
FINANCIAL HIGHLIGHTS 2022

GROUP OVERVIEW AND HIGHLIGHTS

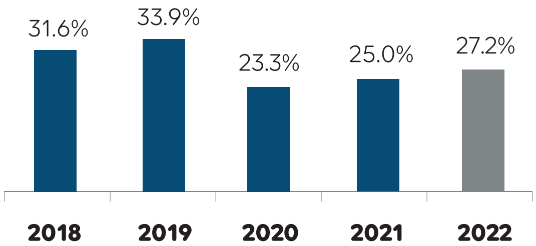
There is positive momentum moving into 2023

"Through the improving cash flow, we have been able to support our capital investment plans and increase in rental inventory, embark upon a share buyback programme and, in February 2023, complete another acquisition."

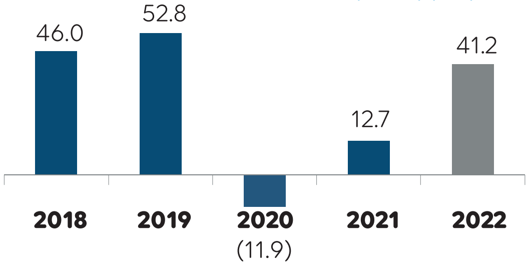
REVENUE (£m) [1]



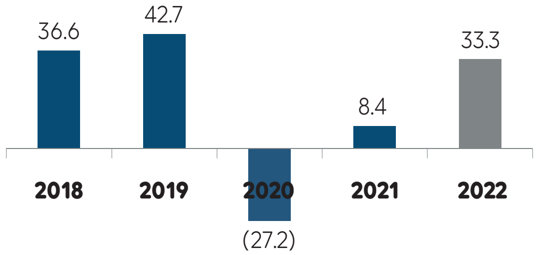
ADJUSTED EBITDA MARGIN (%)[1,2]



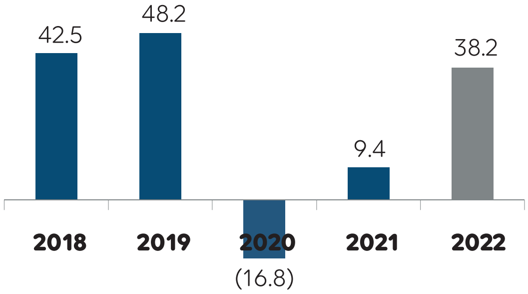
ADJUSTED OPERATING PROFIT/(LOSS) (£m)[1,3]



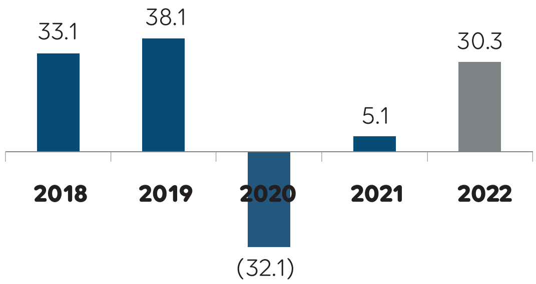
OPERATING PROFIT/(LOSS) (£m)[1]



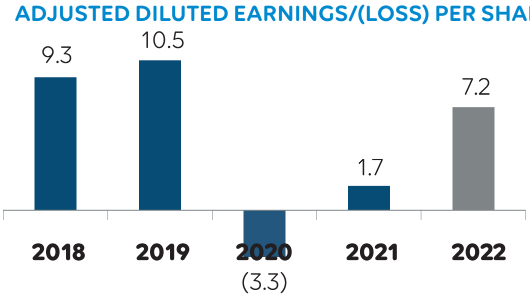
ADJUSTED PROFIT/(LOSS) BEFORE TAXATION (£m)[1,4]



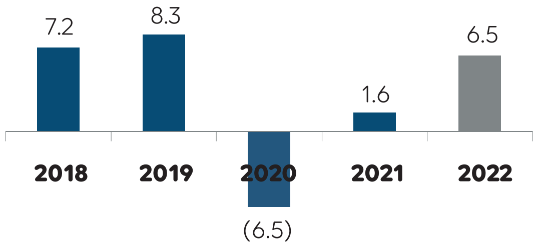
PROFIT/(LOSS) BEFORE TAXATION (£m)[1]



ADJUSTED DILUTED EARNINGS/(LOSS) PER SHARE (p)[1,5]



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



Notes

1. All figures are from Continuing Operations.
2. "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.
3. "Adjusted Operating Profit / (Loss)" refers to operating profit / (loss) before amortisation of intangible assets (excluding software amortisation), goodwill impairment and exceptional items.
4. "Adjusted Profit / (Loss) Before Taxation" refers to Adjusted Operating Profit / (Loss) less finance costs.
5. "Adjusted Diluted Earnings / (Loss) per Share" refers to diluted earnings per share calculated based on adjusted profit / (loss) after taxation and, in 2021 and 2022, excludes the benefit of the capital allowances super deduction which offers 130% first year relief on qualifying spend.

Chair's Statement

"I am proud to report that the Group has delivered a strong performance for the financial year ended 31 December 2022 and, as a result, is well placed for continued growth in the longer term".

Dear Shareholder

I am proud to report that the Group has delivered a strong performance for the financial year ended 31 December 2022 and, as a result, is well placed for continued growth in the longer term. The improved performance we are reporting demonstrates the resilience of the Group's business model, operational expertise and strength of our relationships with our customers and business suppliers, alongside the hard work and dedication of our employees. I would like to express my sincere thanks, on behalf of the Board, to all of our employees for everything that they have done and continue to do for the Group. I also wish to recognise and thank all of our stakeholders for their continued support.

Despite the strong performance in 2022, we recognise that challenging and uncertain macro-economic and geopolitical conditions persist. Accordingly, we remain focused on continuing to proactively manage the business to adapt to changing conditions and on capitalising on growth opportunities in our markets.

Financial Results

As explained in the Chief Executive's Operating review on page 18, total revenue for the year to 31 December 2022 increased by 42.1% to £385.7 million (2021: £271.4 million). This increase delivered profit before taxation of £38.2 million (adjusted operating profit of £41.2 million) (2021: £9.4 million). This return to a more 'normal' performance is due, in no small measure, to the energetic leadership displayed by your Executive Directors and their management team over the very difficult period since March 2020. Further details of our operational and financial performance can be found on pages 18 to 27.

Dividends

Reflecting a return to our progressive dividend policy, an interim dividend of 0.8 pence per share was paid on 4 November 2022. The Board is pleased to recommend a final dividend of 1.6 pence per share, which reflects the Board's confidence in the prospects of the business. Together with the interim dividend this takes the total dividend for the year to 2.4 pence per share. The proposed final dividend, if approved by Shareholders, will be paid on 12 May 2023 to Shareholders on the register at close of business on 14 April 2023. The ex-dividend date is 13 April 2023.

Acquisition of Regency Laundry Limited

The acquisition of Regency Laundry Limited ("Regency") on 13 February 2023, for a cash consideration of £5.75 million on a debt free, cash free basis and subject to an adjustment for normalised working capital, provides the Group with a significantly increased presence in the luxury/bespoke sector of the HORECA market. We plan to expand capacity on site and continue to grow Regency's presence in this sector of the market.

We anticipate that there may be further opportunities for us to invest to strengthen our position in the market and enhance our competitive advantage.

A Strong Capital Base

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. The Group's objective is to employ a disciplined approach to investment, returns and capital efficiency to deliver sustainable compounding growth whilst also maintaining a strong balance sheet. In September, the Group launched a share buyback programme of the Company's ordinary shares for up to a maximum aggregate consideration of £27.5 million (excluding expenses) and which is intended to end no later than the Company's 2023 Annual General Meeting. Further details of our capital allocation policy are provided on page 26 and further details of the share buyback programme can be found on page 57. We plan to continue with this programme for the time being.

Governance and the Board

Companies today are judged by their integrity and trustworthiness as well as by their financial performance. One of my key responsibilities as Chair is to ensure good governance for the Group. I am extremely well supported in this regard by all the members of the Board who bring a wealth of skills and

experience that complements the talents of our management teams across the Group. In June, the Board welcomed the appointment of Nicola Keach as an additional independent Non-Executive Director. 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.

Following the formal, independent, external evaluation of the Board and its Committees conducted in the final quarter of 2021 (the results of which were subsequently reported in the Company's annual report for the financial year ended 31 December 2021) the Board conducted an internal Board evaluation in the final quarter of 2022. Further details of the evaluation are set out within the Corporate Governance Report on page 72. Amongst other things, this anonymous evaluation sought Director views on the progress that the Board had made with reference to the implementation of follow up actions identified as part of the 2021 review.

The 2022 evaluation concluded that good progress has been made in relation to the implementation of the agreed action plan, the review also 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. Overall, the feedback from Board members was positive, indicating a desire to continue the Board's focus in 2023, primarily, on: strategy development and succession planning; whilst effectively exploiting the growth opportunities that are available to the Group; delivering on the Group's sustainability aims; and continuing to develop and encourage our people.

The CEO and CFO meet regularly with institutional investors to discuss strategic matters and to make presentations on the Group's results. 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. The feedback I received from major Shareholders was consistent with that given to the CEO and CFO. My intention is to once again extend this invitation to our major Shareholders during 2023.

Sustainability

Our belief 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 remains unchanged. Following the launch of 'The Johnsons Way', our group-wide approach to sustainability, we continue to make excellent progress, refining and executing our strategy around the four 'Pillars' of 'Our Family', 'Our World', 'Our Integrity' and 'Our Communities' and publishing our inaugural Sustainability Report. Further details are set out in the report on Sustainability on pages 28 to 46.

Summary and Outlook

We remain excited about the significant organic and acquisitive growth opportunities, the potential for further revenue and profit growth, improvements in productivity and returns to shareholders over time. Although we remain mindful of the macro-economic and geopolitical climate, we are confident that the actions we have taken together with our existing scale, strategy and focus on operational excellence, means that we are well placed to capitalise on opportunities as markets continue to recover. Accordingly, we expect the results for the current financial year to be in line with market expectations.

Jock Lennox
Non-Executive Chair

6 March 2023

Strategic Review

The Strategic Report

The Strategic Report comprises the Group Overview and Highlights, the Chair'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 Northern Ireland business, Lilliput, predominantly services hotels and restaurants as well as a number of healthcare customers.

Our Purpose Our purpose sets out why we do what we do:	**We do our job, so our customers can do theirs** Our purpose is to be an exceptional textile services provider to thousands of businesses every day, delivering sustainable growth and value to all our stakeholders.
Our Vision Our vision sets out where we want to be:	**We want to be number one** Our vision is to be recognised as the home of exceptional quality and sustainable textile services, where our people are integral to our success and where we lead the industry, setting the standards against which others aspire to.
Our Mission Our mission sets out what we do and how it will contribute to achieving our vision:	**We do textile services** Our mission is to provide valuable textiles services by building strong partnerships with our customers and providing exceptional service, quality products and sustainable innovation.
Our Values Our values set out what we collectively believe in and guide our behaviours – they act as our moral compass as a company:	**Delivering exceptional service** • We take pride in providing a professional, efficient, reliable and friendly service to our customers. • We are committed to disciplined management of our operations to deliver consistent standards of exceptional quality and to provide a service that our customers can trust. **Championing our people** • We embody a culture that recognises and respects the diversity and contribution of all our people and where everyone feels valued. • We promote a work environment where the health, safety and wellbeing of our people is a priority and which provides opportunities and support for everyone to grow and succeed. **Caring for our environment** • We care about our impact on the environment and consider ways to protect and enhance it. • We minimise the use of natural resources where possible and make sustainable purchasing choices so that we can leave a positive legacy. **Acting in a responsible way** • Operating from a resilient financial platform, we act with professionalism, integrity and the highest ethical standards in everything that we do. • We expect all our relationships to be based on honesty, respect, fairness and a commitment to openness and transparency. **Supporting our communities** • We collaborate with our neighbours and wider communities to create strong, long-lasting relationships. • We take part in programmes and activities that directly and indirectly support our communities to grow and thrive.

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

Strategic Review
Continued >

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.

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, we face a number of external cost pressures, in particular those arising as a result of the challenging macro-economic environment, 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, including in relation to energy costs.

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.

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 macro-economic 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 business model of the Group.

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 UK's current macro-economic environment remains uncertain and is likely to continue impacting the Group in the medium term, albeit to a significantly lesser extent than the impact of COVID-19;
- 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 2025, will likely be extended, subject to bank consent, by way of exercising the two, one-year, extension options; 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 47 to 53) 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 £85 million which matures in August 2025, the terms of which provide an option to extend the term for up to a further two years and an option to increase the facility by up to a further £50 million, both with bank consent, with significant headroom in terms of availability, which is considered to be sufficient to meet the Group's current requirements throughout that period;
- 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. The stress tests were designed to determine the performance level that would result in a reduction in headroom against the Group's committed facilities to nil or a breach of covenants. The Directors did not consider such a reduction in performance to be likely and hence were able to conclude that there were no indications of a significant threat to the future prospects of the Group;
- the Group continuously strives to seek out and invest in plant and equipment that will help drive operational efficiencies;
- a significant number of the Group's key processing sites are owned on either a freehold or long leasehold basis thereby providing security of tenure;
- the wide geographic spread of processing sites mitigates the effect of a loss of any single processing facility (as demonstrated during 2020 following serious fire damage at one of our sites and flood damage at another of our sites) and, furthermore, appropriate insurance cover is in place such that the increased cost of working following a loss of processing capacity may, in some circumstances, be recovered; and
- the Group continuously reviews the adequacy and strength of its management teams to ensure that appropriate experience and training is given and develops succession planning as part of the development programmes for our people.

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

Strategic Report Approval

The Strategic Report, outlined on pages 5 to 53, incorporates the Group Overview and Highlights, the Chair'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 6 March 2023.

By order of the Board.

Christopher Clarkson
Company Secretary

6 March 2023

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 within the report on Sustainability on pages 28 to 46.

	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 people to work in our sites. We partner with 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 ▪ sustainable customer relationship initiatives ▪ technology and innovation to support customer requirements	By understanding what is important to our customers, we ensure that our services are tailored to support their individual business objectives.	We aim to have open and transparent relationships that are based on honesty and respect. We conduct independent customer surveys which measure satisfaction levels.
Suppliers	Our trusted partners who source and supply products and services to us	▪ workplace health and safety ▪ supply chain integrity ▪ human rights	To develop mutually beneficial and lasting partnerships aimed at addressing shared challenges in responsible and sustainable sourcing and to communicate our supply chain standards, expectations and commitments.	We regularly communicate with our suppliers and we have also hosted multi-supplier conferences. We aim to pay suppliers within agreed contractual terms and endeavour to work in a collaborative manner with them in order to resolve any disputes that may arise.
Shareholders	Individuals or institutions that own shares in Johnson Service Group	▪ financial performance ▪ competitive positioning ▪ strategy and outlook ▪ ethical business practices and sound governance ▪ leadership and succession planning ▪ debt and liquidity ▪ sustainability	Our philosophy is to engage in regular, open and transparent dialogue with our existing and prospective shareholders. We value their thoughts and opinions which are shared with the Board. The Board reviews the feedback and, where relevant, takes appropriate actions to address any concerns.	We engage with our existing investors through one-to-one and group meetings, presentations, conference calls and at our AGM. The Group CEO and Group CFO dedicate significant time to engaging with our major shareholders.
Non-Governmental Organisations (NGOs)	NGOs support us with knowledge and expertise on key industrial, 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 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 47 to 53. 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 within our Viability Statement on page 15.

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 and equality, diversity and inclusion initiatives with the Group, please see pages 30 to 33.

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 pages 43 to 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 34 to 41 and pages 45 to 46.

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 purpose, mission, vision and values are set out on page 13 whilst details of our corporate culture can be found on page 32.

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, see pages 67 to 68.

Chief Executive's Operating Review

"The Board remains confident about the growth opportunities available to the Group. Our scale, expertise and operational excellence mean that we are well placed to capitalise on opportunities as markets continue to recover".

Basis of Preparation

Throughout this statement, and consistent with prior years, a number of other alternative performance measures ('APMs') are used to describe the Group's performance. APMs are not recognised under UK-adopted international accounting standards. Whilst the Board uses APMs to manage and assess the performance of the Group, and believes they are representative of ongoing trading, facilitate meaningful year on year comparisons, and hence provide useful information to Shareholders, it is cognisant that they do have limitations and should not be regarded as a complete picture of the Group's financial performance. APMs, which include adjusted operating profit, adjusted profit before taxation, adjusted EBITDA, adjusted EPS, adjusted EPS excluding super-deduction and Adjusted net debt are defined within the Statement of Significant Accounting Policies and are reconciled to statutory reporting measures in notes 1, 8, 11 and 36.

Trading Performance

Revenue

Total revenue for the year to 31 December 2022 increased by 42.1% to £385.7 million (2021: £271.4 million). Organic revenue growth was 39.0% over 2021 and 2.7% higher than 2019, reflecting both a return of volume in hospitality and price increases implemented throughout the year.

Financial Results

Our 2022 results reflect, albeit to a lessening extent, the continuing impact that COVID-19 has had on the Group, particularly within our Hotel, Restaurant and Catering ('HORECA') division, together with the high inflationary pressures on our cost base, particularly in respect of energy.

Adjusted EBITDA increased by 54.5% to £104.9 million (2021: £67.9 million) giving a margin of 27.2% (2021: 25.0%). As expected, we saw this improve from the 24.3% achieved in the first half of the year. Adjusted operating profit was £41.2 million (2021: £12.7 million), an increase

of 224.4%, whilst adjusted profit before taxation increased by 306.4% to £38.2 million (2021: £9.4 million). The price increases we have implemented have helped offset cost increases and these are ongoing into 2023.

The exceptional credit of £0.7 million (2021: exceptional credit of £6.7 million) relates to the receipt of £1.5 million from the insurer relating to capital items lost in the Exeter fire in 2020 offset by a charge of £0.8 million relating to Exeter site clearance costs.

Statutory operating profit increased to £33.3 million (2021: £8.4 million) whilst statutory profit before taxation, after amortisation of intangible assets (excluding software amortisation) of £7.2 million (2021: £11.0 million), goodwill impairment of £1.4 million (2021: £nil) and the exceptional credits referred to above, increased to £30.3 million (2021: £5.1 million).

Adjusted diluted earnings per share was 8.0 pence (2021: 2.2 pence) and includes the benefit of the capital allowances super-deduction which offers 130% first year relief on qualifying capital spend. Excluding the part of this benefit which is a permanent reduction in the corporation tax charge, adjusted diluted earnings per share was 7.2 pence (2021: 1.7 pence).

Dividend reflecting confidence in the future

The Board reinstated an interim dividend of 0.8 pence per share at the time of announcing interim results. We are pleased to recommend a final dividend of 1.6 pence per share, taking the full year dividend to 2.4 pence per share (2021: nil). Dividend cover was 3 times, based on Adjusted EPS excluding super-deduction.

Acquisition of Regency Laundry Limited

In line with our stated acquisition strategy, the Group has continued to seek out and acquire businesses which expand our market coverage and are earnings enhancing. On 13 February 2023, we completed the acquisition of the entire issued share capital of Regency Laundry Limited ('Regency') for a cash consideration of £5.75 million on a debt free, cash free basis and subject to an adjustment for normalised working capital.

Regency, which has 87 employees and operates from a 26,000 square foot leasehold processing facility in Corsham, operates in the luxury/bespoke 4 and 5 star hotel market in the South of England and regularly delivers some 200,000 pieces of linen per week to its customers.

This acquisition provides the Group with a presence in the luxury/bespoke sector of the HORECA market and will continue to operate under the Regency brand. We plan to expand capacity on site and continue to grow its presence in this market.

The unaudited revenue of Regency in the year ending 31 December 2022, as reported in its management accounts, was £6.1 million.

Operational Review

Our Businesses

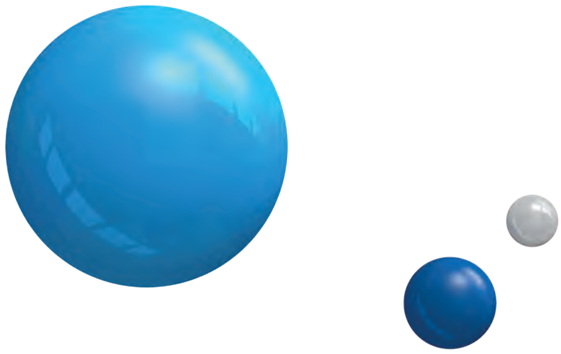
The Group comprises of Textile Rental businesses which trade through a number of very well recognised brands, servicing the UK's Workwear and HORECA (Hotel, Restaurant and Catering) sectors. The 'Johnsons Workwear' brand predominantly provides workwear rental and laundry services to corporates across 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, primarily serves the corporate independent, and budget hotel market. Also, within HORECA, our Northern Ireland business, Lilliput, additionally serves a number of healthcare customers. In February 2023 we acquired Regency which will add further to the HORECA business supplying more luxury/bespoke linen to the luxury market.

The year began with the continuing impact of COVID-19, particularly in our HORECA business. As volumes were beginning to recover into the spring we, like many UK businesses, experienced cost inflation and volatility, most notably around energy costs. We have continued to manage these and work with our customers to agree a number of price increases. This is ongoing into 2023.

Attracting new employees is a continuous challenge, and we have completed a strategic review of our current procedures in certain areas. With a more collaborative approach to marketing and recruitment, we have improved the onboarding process with the implementation of new procedures for induction, training and further learning and development opportunities. This will be complemented by the successful Johnsons Academy which will continue to provide a development and succession strategy for our employees. Our learning and development

Chief Executive's Operating Review

Continued >



teams are also actively promoting and supporting the business with the recruitment of apprentices in various roles across the business. Each business has conducted a further employment engagement survey in respect of 2022 and the various results are noted later in this report.

Energy

Energy costs (comprising gas, electricity and diesel) have remained highly volatile throughout the year and continue to be so. Costs for 2022, at £36.4 million, were significantly higher than the equivalent period in 2019 of £21.6 million and represented 9.4% of revenue (2019: 6.2%).

We have continued our policy of fixing gas and electricity prices and, as at the end of February 2023, we had fixed over 69% of our anticipated electricity usage and 80% of our anticipated gas usage for the first half of 2023 and 58% and 62% for the second half of 2023. In addition, we have hedged 75% of our anticipated diesel requirement across 2023.

Looking further ahead, we will continue to lock in prices as opportunities allow. For 2024, we currently, based on anticipated usage, have 24% gas, 41% electricity and 50% diesel at fixed prices, with reducing amounts into 2025.

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 increased by 4.4% to £134.6 million (2021: £128.9 million). Organic revenue increased by 3.7%. Adjusted EBITDA was £46.6 million (2021: £46.3 million) with a margin of 34.6% (2021: 35.9%). Adjusted operating profit was £21.9 million (2021: £22.5 million) and included a £1.1 million credit from the finalisation of the Exeter insurance claim in respect of additional revenue cost incurred in 2020 and 2021.

The customer service teams have remained focused on maintaining the quality of service and proactively managed to achieve additional service sales along with the renewal of a significant number of existing customers. We have, however, seen some of our customer base reduce their workwear spend as they seek to reduce their costs.

The business continues to provide excellent levels of service to our existing and new customers which is reflected in our customer retention remaining strong at 94.3%. The annual independent customer satisfaction survey results of 85% remains positive and again reported us as maintaining our position of being the market sector leader in providing a first-class service to our customers. Our industry leading service offering has assisted us in winning new business and regaining a large multi-site engineering account, commencing in April 2023.

The sales team has been restructured and brought in line with the operational regions, encouraging a more collaborative approach in actively engaging with prospective customers. The teams are gaining momentum with increased activity, sales and more robust pipelines. This is supported by the success of the National Accounts service and sales teams who have renewed significant national account customers for a further 3-year term. Our in-house call centre continues to provide valued support to our sales team. 27.5% of all new sales won came from new to rental.

The successful implementation of a new laundry management system provides new functionality and opportunities to introduce new practices and procedures not only to improve our efficiencies but also to enhance the customer experience and improve the working environment for our employees.

We remain committed to employee engagement and welfare programmes and creating an environment that is inclusive to all employees. Following the previous employee engagement survey, a number of initiatives were implemented to improve employee wellbeing including the introduction of awareness programmes along with confidential direct assistance being made available. A further survey was commissioned in early 2023 showing an overall score of 81%.

In response to rising costs the operational teams remain focused upon the continuous improvement of our processes and delivering further enhancements to our operational efficiencies. Despite the challenges around operational cost, the business is committed to an ongoing capital investment programme. Benefitting from advancements in laundry equipment technology, we have successfully installed several automated systems and have identified further opportunities whereby additional systems have been commissioned and will

be installed throughout 2023. This is complemented with further investment in folding and finishing equipment along with the continual upgrading of office, canteen and general working environments. The business has also implemented significant price increases to help mitigate inflationary pressures and this will continue into 2023.

Our new site in Exeter, which was commissioned in September 2021, is performing in line with our expectations and benefits from automated sorting systems which, as previously stated, are in the process of being rolled out to other sites.

Appreciating our environmental impact, the business continues to focus on the reduction of our consumption of natural resources. Several initiatives have been implemented to reduce our water and energy usage with a continuous heat and water recovery unit installed in Lancaster and an energy recovery unit in Perth, with a commitment to purchase more units in 2023.

In conjunction with our suppliers, we are looking at alternative ways to improve and manage our waste streams and have identified several opportunities to reduce our waste to landfill. We are also actively engaged with customers to reduce their requirements for single use plastic packaging, along with sourcing alternative recyclable plastics. The initial trials are encouraging.

The introduction of a sustainable and recyclable range of garments was successfully launched across the business in 2022. Initial sales are encouraging with interest from our customers increasing. Trials are also underway regarding the recycling of our used garments; six sites are actively engaged in a further feasibility study with an expectation of implementation in 2023.

HORECA Division

The total revenue for the HORECA division increased by 76.2% to £251.1 million (2021: £142.5 million). Volumes have continued to increase throughout the year albeit were impacted significantly in the first quarter due to the Omicron Covid variant. Organic growth was 70.9% and benefitted from price increases being implemented across the business in order to help offset the high level of cost inflation experienced.

Adjusted EBITDA for the year increased by 140.5% to £63.0 million (2021: £26.2 million) with a margin of 25.1% (2021: 18.4%). The adjusted EBITDA margin in the second half of the year was 28.2%, compared to 21.1% in the first half. Adjusted operating profit was £24.1 million (2021: £5.2 million loss).

Hotel, Restaurant and Catering, which includes Johnsons Stalbridge and London Linen, has recovered well after two years of pandemic led disruption.

Service and quality levels returned to our previous high standards, helping the business to maintain high levels of customer retention. This was evidenced in our excellent annual customer survey result of 86.5%, placing us in the top quartile of the business service sector. Service and quality were also aided by an easing of the recruitment difficulties during 2022 and a return to a less volatile marketplace for our customers and their linen requirements.

Customer demand and sales opportunities have been strong, leading to some localised capacity challenges. However, we have moved customers between operating sites to manage this volume and created additional capacity by the investment of a new sortation system and additional ironing lines in Wrexham and Grantham. Upgrades to chemical dosing equipment in a number of our sites have improved quality and delivered savings through bulk deliveries.

In addition, we are progressing plans to expand our capacity in the South East and have signed a new 20-year lease for an additional site. It is anticipated that the site will open in the second half of 2024. The new site will free up capacity at existing production facilities through the relocation of work, moving processing closer to customers. The capital investment is expected to amount to £16.0 million with cash spend incurred over 2023 and 2024.

Further investments have been made in replacement finishing equipment across the estate to increase efficiency, maintain our high quality and reduce energy use. A water recycling plant has successfully been in use returning a significant proportion of our used water in our Shaftesbury location and we are paper banding many products instead of using plastic wrap. Electric vehicles have been deployed for our engineering teams, and a selection of our delivery fleet now run on HVO, which is carbon free.

Chief Executive's Operating Review
Continued >

Post-Covid, we have been very active in supporting and seeking feedback from our employees. Accordingly, engagement with our people has shown a significant improvement with our employee engagement survey score increasing to 85% (2021: 79%).

Within Hotel Linen, our ability to predict and efficiently manage customer volumes remained challenging throughout the year, largely due to operational changes within our customer base including the number of linen items included in a room lay-up and the frequency of linen changes, both having reduced when compared to pre-Covid.

Our key focus was to deliver, on time and in full, to our customer base throughout 2022 and consequently employee recruitment and retention was paramount. Numerous initiatives have been introduced to attract and retain employees including guaranteed hours during low demand weeks, hourly rate increases, flexible working patterns and other financial incentives. Various benefits have also been introduced to enhance wellbeing, work/life balance and learning and development opportunities, as well as the launch of a new induction process. We continue to work closely with His Majesty's Prison Service, providing employment for prisoners qualifying for Release on Temporary Licence.

The National Accounts team continue to develop strong relationships with our hotel groups who have recognised the unprecedented cost pressures during price increase discussions. Successfully building strong relationships and strategic partnerships is reflected in significant growth, both in organic and new sales, with over 23,500 rooms installed in 2022, some at short notice and with exceptional feedback on contract implementation. 8,000 of the installs were in the final quarter of 2022 and a further 2,900 rooms have been installed in the first two months of 2023, bringing the total number of rooms being serviced by Hotel Linen to over 200,000. We were also pleased to renew the contract with the Belfast group of hospitals for a further seven years.

The recent investment in our largest facility in Bourne successfully met our objectives of improving both efficiency and capacity, as did the investment at our site in Belfast. The lease of an additional unit on the Belfast site will further improve employee welfare facilities and the packing area and the planned replacement of washing equipment in early 2023 will underpin growth in market share.

Investment has also focused on improving energy and water usage to support sustainability objectives, with 2023 plans including innovative investment in robotic machinery and dynamic production data capture.

Our field-based teams rolled out the new 'Linen Room' during the year, an online customer portal, which gives access to our linen ordering system. The portal scored a Customer Satisfaction Index of 89.7% in our independent Customer Satisfaction Survey which is very encouraging. The method for reporting and ordering stock through the portal is easier, complemented with improved customer business reports. In addition, the introduction and utilisation of our new Customer Service App provides an improved platform to gather customer feedback and identify areas for improvement. Overall, our Customer Satisfaction Survey increased to 85.2% reflecting the excellent contribution from all our teams.

Strategic relationships with business suppliers continue to develop, as demonstrated by the consistent supply of products and services to us, despite the challenges relating to increased cost and availability of products or components. This has been of particular note with the supply of vehicles during 2022 where we have taken delivery of 31 commercial vehicles. Our partnership approach has proved successful when negotiating with suppliers and customers alike.

The employee engagement survey for 2022 demonstrated an improvement in all four key focus areas (wellbeing increasing from 77% to 78%, work patterns from 74% to 79%, work/life balance from 78% to 80%, career development from 75% to 78%) and an overall score of 82%. A significant amount of engagement initiatives, planned activities and investment in developing our employees has taken place. Our focus continues in supporting our employees to perform to their best potential in their current roles, as well as develop for the future.

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 remain committed to further developing our environmental and social responsibility agenda, recognising that it plays a major part in leading and influencing all of our people and operations.

In February 2022, we published 'The Johnsons Way' which sets out the Group's targets for 2030 together with our objectives and plans for 2022. This was followed by the publication of our Inaugural Sustainability Report in August 2022. Both documents can be found on our website at www.jsg.com.

For the Group to realise the true value of its sustainability contribution, the sustainability programme must be embedded across all Group functions and operations. To this end we have spent much of 2022 refreshing our strategy and communicating our plans across the Group. Embedding the programme into everyday business is ongoing however, during this period we have made some significant strides forwards to better understanding those impacts and laying robust foundations that will support our Vision 2030 goals. Further details of our achievements during 2022 and our targets for 2023, ongoing initiatives and actions for the future are set out within the Group's 2022 Annual Report.

Employees

Our employees are key to the ongoing success of our business and 2022 has been another challenging year for each and every one of them.

The Board would like to thank all of our employees for their support, hard work and significant contribution to the success of the business during the last 12 months. The teamwork and determination demonstrated in order to deliver a professional and on time service to our customers is a credit to all of them and we thank them for their continued support.

Outlook

The Board remains confident about the growth opportunities available to the Group. Our scale, expertise and operational excellence mean that we are well placed to capitalise on opportunities as markets continue to recover.

Whilst customer behaviour remains difficult to predict and inflationary pressures continue to persist, we have a resilient business model to help mitigate these challenges. We also have some protection through the fixing of a proportion of our energy costs. We continue to secure and implement price increases across our customer base which, along with additional volume already secured which will better utilise our labour resource and improve processing efficiency, will help offset cost inflation.

Through the improving cash flow, we have been able to support our capital investment plans and increase in rental inventory, embark upon a share buyback programme and, in February 2023, complete another acquisition. There is positive momentum moving into 2023 and we will continue to identify opportunities to strengthen our position in the market as well as continuing to focus on delivering outstanding customer service and investing in both our employees and our laundry facilities.

After considering the current economic environment, including the recent, and possibly further, increases in UK interest rates and the subsequent impact on our cost of borrowing, the Board expects the result for the year to be in line with market expectations

Peter Egan
Chief Executive Officer

6 March 2023

Financial Review

"We have continued to invest in plant and equipment, spending £22.1 million in the year plus a further £0.3 million on software. The focus of the spend has been to update equipment to achieve a combination of reduced energy and water consumption and improved productivity and capacity".

Financial Results

Total revenue for the year to 31 December 2022 increased to £385.7 million (2021: £271.4 million).

Adjusted EBITDA was £104.9 million (2021: £67.9 million) giving a margin of 27.2% (2021: 25.0%) and in-line with management expectations, improving from the 24.3% margin achieved in the first half of 2022.

The analysis of the Group results across the segments shows the impact of the pandemic on the adjusted EBITDA of our different divisions and the recovery evident in 2022.

	2022			2021		
	Revenue £m	Adjusted EBITDA £m	Margin %	Revenue £m	Adjusted EBITDA £m	Margin %
Workwear	134.6	46.6	34.6	128.9	46.3	35.9
HORECA	251.1	63.0	25.1	142.5	26.2	18.4
Central Costs	-	(4.7)	-	-	(4.6)	-
Group	**385.7**	**104.9**	**27.2**	**271.4**	**67.9**	**25.0**

Statutory operating profit was £33.3 million (2021: £8.4 million) whilst adjusted operating profit was £41.2 million (2021: £12.7 million).

The total finance cost was £3.0 million (2021: £3.3 million) and included £1.5 million (2021: £1.5 million) of bank interest and hedging costs, £1.5 million (2021: £1.6 million) of interest in respect of IFRS 16 liabilities and £nil (2021: £0.2 million) in respect of notional interest on pension liabilities.

A net exceptional credit of £0.7 million (2021: £6.7 million credit) comprises the recognition of £1.5 million of insurance proceeds relating to the final receipt for capital items and property costs in relation to the 2020 Exeter plant fire and costs of £0.8 million in relation to Exeter site clearance costs.

Adjusted profit before taxation was £38.2 million (2021: £9.4 million). Statutory profit before taxation, after amortisation of intangible assets (excluding software amortisation) of £7.2 million (2021: £11.0 million) and an exceptional credit of £0.7 million (2021: £6.7 million), was £30.3 million (2021: £5.1 million).

Adjusted diluted earnings per share was 8.0 pence (2021: 2.2 pence) and includes the benefit of the capital allowances super-deduction which offers 130% first year relief on qualifying capital spend. Excluding the part of this benefit, which is a permanent reduction in the corporation tax charge, adjusted diluted earnings per share was 7.2 pence (2021: 1.7 pence).

Financing

Total net debt (excluding IFRS 16 liabilities) at the end of the year was £13.7 million (December 2021: £22.3 million) reflecting the improved trading performance and after an outflow of £5.6 million in respect of the ongoing share buyback. Including IFRS 16 liabilities, net debt at December 2022 was £48.0 million (December 2021: £60.1 million).

The Group remains well funded with access to a committed revolving credit facility of £85.0 million which matures in August 2025. The terms of the facility provide an option to extend the term for up to a further two years and an option to increase the facility by up to a further £50.0 million, both with bank consent. The facility is considerably in excess of our anticipated level of borrowings.

Bank covenants comprise gearing and interest cover tests. Gearing, for bank purposes, is calculated as Adjusted EBITDA compared to total debt, including IFRS 16 liabilities. The agreed covenant is for the ratio to be not more than three times and the ratio at 31 December 2022 was 0.5 times. Interest cover compares Adjusted EBIT to total interest cost with a minimum covenant ratio of four times. Our current scenario planning provides significant headroom against the covenants.

Interest payable on bank borrowings is based upon SONIA plus a margin linked to our gearing covenant and will range from 1.45% to 2.25%. The current margin is 1.45%.

Taxation

The tax rate on adjusted profit before taxation, was 6.8% (2021: tax credit (5.3)%). The rate is significantly below the headline corporation tax rate of 19% due to a prior year credit combined with the impact of the change in future tax rates and of the capital allowances super-deduction which offers 130% first year relief on qualifying main rate plant and machinery investments until 31 March 2023. The impact of the part of the super-deduction, which is a permanent reduction in the corporation tax charge in 2022, is estimated to be a £3.8 million credit (2021: £2.5 million credit) to corporation tax.

A tax refund of £3.5 million (2021: refund of £0.5 million) was received during the year in respect of prior year tax losses. Due to the impact of both tax losses carried forward and the continuing impact of the capital allowance super-deduction, we are expecting to pay some corporation tax in respect of 2023 increasing towards more normal levels thereafter.

Dividend

The Board was pleased to reinstate dividend payments, declaring an interim dividend of 0.8 pence per share in September 2022. The proposed final dividend of 1.6 pence per share brings the total dividend for 2022 to 2.4 pence per share.

The final dividend, if approved by Shareholders, will be paid on 12 May 2023 to Shareholders on the register at close of business on 14 April 2023. The ex-dividend date is 13 April 2023. It remains the Board's current intention to reduce dividend cover from the current level of 3 times to 2.5 times by financial year 2024.

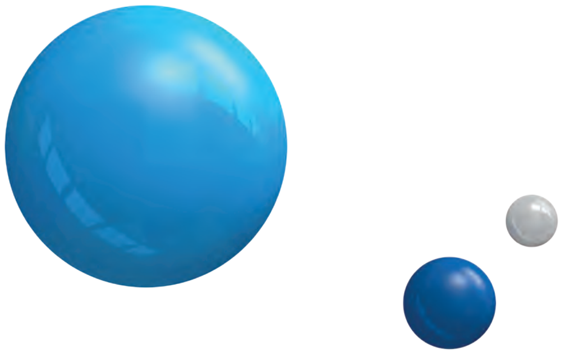
Cash Flow

Free cash flow in the year (calculated as net cash generated from operating activities, less net spend on textile rental items, less the capital element of leases) was £39.1 million compared to an outflow of £0.5 million in 2021. Of this, we invested £22.4 million (2021: £24.4 million) in the purchase of property, plant and equipment and software, as we proactively invest in the business to increase capacity and efficiency across the estate. Offsetting this spend was £1.5 million (2021: £5.3 million) received as part of the insurance claim in respect of capital items.

Free cash flow in 2022 was impacted by the net working capital outflow of £8.2 million (2021: £18.3 million), largely reflective of an increase in trade receivables, as HORECA volumes recovered and price increases were secured.

Financial Review

Continued >



Investment in Textile Rental Items

Spend on textile rental items amounted to £52.5 million (2021: £41.8 million). The increase reflects the return to more normal levels of spend. The relationships we have built with our chosen workwear and linen suppliers have ensured continuity of supply in a timely manner to give the best service to both existing and new customers.

Capital Investment and Acquisition

We have continued to invest in plant and equipment, spending £22.1 million in the year plus a further £0.3 million on software. The focus of the spend has been to update equipment to achieve a combination of reduced energy and water consumption and improved productivity and capacity.

The investment of £5.75 million in Regency Laundry Limited in February 2023 is a further step in expanding our range of services. We are assessing the opportunities to invest further in this business over the coming months.

Defined Benefit Pension Scheme Liabilities

As at 31 December 2022, the Scheme's assets had reduced by £73.0 million, to £148.2 million, after paying out benefits of £10.9 million during the year. Scheme liabilities reduced by £64.7 million to £157.6 million. The net deficit, including deferred taxation, has increased to £7.1 million (2021: £0.9 million) due largely to the significant downturn in financial markets felt across almost all asset classes in 2022. The increase in the net deficit at December 2022 will result in an estimated net notional interest cost of £0.5 million in 2023 (2022: £nil).

The turmoil in the gilt markets in the final quarter of 2022 adversely impacted the value of the Scheme's assets, although the Scheme's liabilities also fell as a result of falling gilt prices. The Scheme uses a Liability Driven Investment (LDI) strategy to partially mitigate the impact on the Scheme's deficit if interest rates fall or inflation expectations rise. Due to the gilt market crisis, the interest rate and inflation hedge ratios were reduced from the target 85% to approximately 70% at December 2022.

However, we remain confident that the Scheme's investment allocation is appropriate for its objectives and will be reviewed in detail once the triennial actuarial valuation as at 30 September 2022 is finalised.

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 which will be later this year.

Capital Structure and Share Buyback Programme

The Group maintains a strong Balance Sheet, with net assets having increased to £284.6 million (2021 £272.4 million).

The Group's medium to long-term intention is to return the capital structure such that we target leverage of 1x – 1.5x, other than for short term specific exceptions. Under this framework, our capital allocation policy remains unchanged and will continue to 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.

The share buyback programme announced in September 2022 is ongoing. As at 31 December 2022 we had utilised cash of £5.6 million on the programme with a further £5.8 million utilised up to 6 March 2023.

Going Concern

After considering the monthly cash flow projections, the stress tests and the facilities available to the Group and Company, the Directors 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 2024. Accordingly, and having reassessed the principal risks and uncertainties, the Directors considered that it was appropriate to adopt the going concern basis in preparing the Group and Company 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 and 2022, 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.

Summary

The focus of the Group continues to be to expand our Textile Services business through targeted capital investment to allow organic volume growth and through acquisition.

Yvonne Monaghan
Chief Financial Officer

6 March 2023

Sustainability

"We are tackling sustainability not because we have to but because it is the right thing to do."

Peter Egan, Chief Executive Officer of Johnson Service Group PLC

The Johnsons way

Change today. Change the future.

2022 Achievements at a Glance

Significant reduction in our carbon emission intensity rates (19% and 24% against revenue and weight processed respectively) when compared to our 2021 baseline

Achieved some 10% reduction in both water usage intensity rates when compared to our 2021 baseline

Successful completion of our first Employee Diversity Monitoring Survey

Published a refreshed and updated Equality, Diversity and Inclusion (ED&I) Policy

Determined the first group wide Waste Baseline

Refreshed Employee Code of Conduct

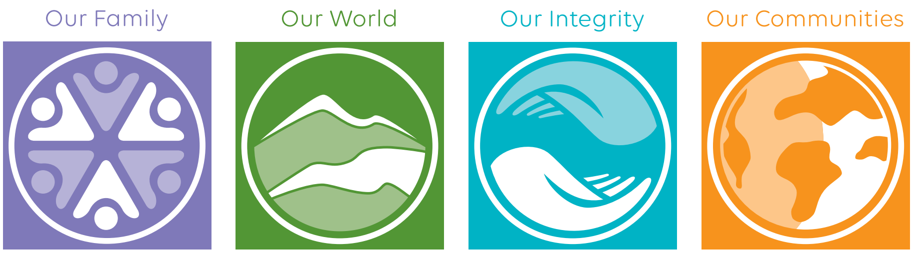
76% of "High-Risk" Tier 1 suppliers audited

Developed a new Supplier Framework and Guiding Principles

Published our Sustainable Purchasing Policy

£80,000 total Social Value from JSG charitable giving and community activities

Delivered 129 Volunteering hours



The Johnsons Way

The Johnsons Way was launched in February 2022 to provide a long-term strategic approach to managing the Group's social and environmental impacts and responsibilities and comprises of four "pillars" – Our Family, Our World, Our Integrity and Our Communities. Embedding the programme into everyday business is ongoing, however, during this period we have made some significant strides forwards to better understanding those impacts and laying robust foundations that will support our Vision 2030 goals.

Governance

Board Responsibility for Health, Safety and Environment (HSE) issues

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

Sustainability Committee

Sustainability is managed at the highest levels of the organisation by the new committee of the Board whose purpose is to provide advice on sustainability strategy, compliance and performance; as we increase our focus on climate impact, the oversight, remit, and responsibilities of the Sustainability Committee are also likely to increase. This committee is chaired by the CEO and reports into the Board. Key responsibilities 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.

Executive Pillar Sponsors and Pillar Working Groups

As part of our commitment to delivering the sustainability strategy and framework, each pillar has an Executive Sponsor who has been appointed by, and sits on, the Group Management Board. This allows for senior management leadership and ownership of the development and achievement of the strategic goals in each area. During the reporting period the pillar working groups have been actively developing action plans that will enable us to translate our strategic aims and targets into tangible and measurable actions.

Head of Sustainability/Central Team

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

During 2022 the team was extended to add a Sustainability Manager to broaden central capacity, provide support to the Head of Sustainability with embedding of the strategy and support to the Pillar Executive sponsors to deliver their objectives.

Sustainability

Continued >

Our Family

2022 Achievements at a Glance

- Successful completion of our first Employee Diversity Monitoring Survey
- Published a refreshed and updated ED&I Policy
- Refreshed our Purpose, Vision, Mission and Values and have begun to roll them out internally

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. **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.

Health, Safety & Wellbeing (HS&W)

The health, safety and wellbeing 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 (H&S) 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 2022 accident types:

- Manual Handling - 31%
- Cuts/Abrasions – 25%
- Hit by Moving/Falling object – 13%
- Slips & Trips – 12%

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

Specific training packages to address identified areas for improvement have been rolled out.

The Group has a HS&W policy statement which outlines our commitments to maintaining and improving the health, safety and welfare standards throughout the Group. 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 assessment 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 group wide Technical Department was previously responsible for the HS&W management on a day to day basis, with their primary objective to ensure that safety standards are met. In September 2022, the Board created a new role of Head of Health and Safety for the Group. A restructure of the H&S Department was initiated and at the start of 2023 the newly formed team will transfer from their individual divisions to a JSG team, with Safety Managers supporting sites within four regions. This will require the recruitment of an additional team member.

The new team will continue to undertake annual assurance reviews of the safety management systems to ensure they are suitable, sufficient and fit for purpose. They are also responsible for horizon scanning to keep abreast of, and inform upon, new health and 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.

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.

The Technical Department will retain responsibility 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 continued implementation of ISO14001. 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.

Our Family

COVID-19
Specific duties with regard to managing COVID-19 are now largely in abeyance, however, there remains a general duty to manage the spread of all respiratory viruses within the business. The measures in place to combat the spread of the respiratory viruses will continue to operate at least in line with government and public health guidance.

Equality, Diversity & Inclusion (ED&I)
During the period we refreshed and re-published a group wide Equality, Diversity & Inclusion policy which is available on our internal intranet, is displayed on site noticeboards and available on our website at jsg.com/ourfamily.

JSG Diversity Monitoring Survey
In 2022 we launched our first group-wide diversity survey. Previously we have collected some identity information as part of the employee onboarding process, but not enough to fully understand the nuances of our diverse workforce. In order to better understand the make-up of our workforce we issued a survey consisting of seven entirely voluntary diversity questions to all employees across the organisation. This survey was designed to collect anonymised information about the ethnicity, nationality, religion, disability, sex, gender, and sexual orientation of our workforce.

The aim of the survey was to gain a greater understanding of the unique backgrounds of our workforce to enable us to tailor our support, engagement and development programmes towards the needs of specific groups who may need additional support – and set meaningful targets for the years to come.

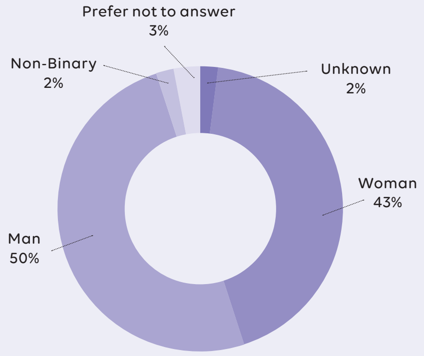
The overall response to the survey was positive (overall response rate of 38%) and the aggregated and anonymised results have delivered us greater detail on the demographics of our workforce across seven of the nine protected characteristics in the UK. We need time to consider the data more fully and ensure our next steps take into consideration the needs of the groups and individuals that have been identified. To this end, the key recommendation from the report is that a Diversity Strategy is to be developed which will clearly outline the Group's approach to ensuring we deliver a workplace where all our people feel valued and equal.

We have included some selected highlights from the survey results below; further analysis and detail will be published in our Sustainability Report later in the year.

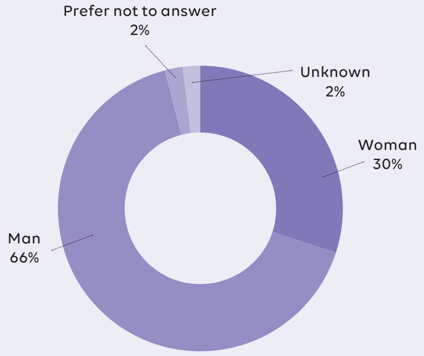
Gender Equality
We wanted to take an inclusive approach to the gender questions we asked in the survey and therefore we asked which gender our workforce most identify with and a follow up of whether this is the same gender as they were assigned at birth. These questions combined provided valuable sets of data outside of the simple Woman/Man binary narrative.

The question of gender identity has given us results that are broadly similar to those we have published previously with a generic split of **43% women to 50% men**. In addition, we also have 2% of our population that identify as non-binary.

What gender do you identify with?



Gender at Director and Senior Manager Level



Note

In each of the Diversity Survey charts, "unknown" refers to where the respondent left the answer blank. "Prefer not to say" was where the respondent selected that option from those provided.

This data set is very encouraging as it is the first evidence which suggests representation of women at leadership levels within the Group is higher than previously envisaged at 30%. As a result we have achieved the published 2030 target of 25% female representation at senior management level. We will consider moving forwards if we should now adopt a more stringent gender representation target or if we should address other areas of the diversity demographic.

Gender Pay Gap
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 pages 107 to 108 of this report for more information on specific 2022 data.

Sustainability
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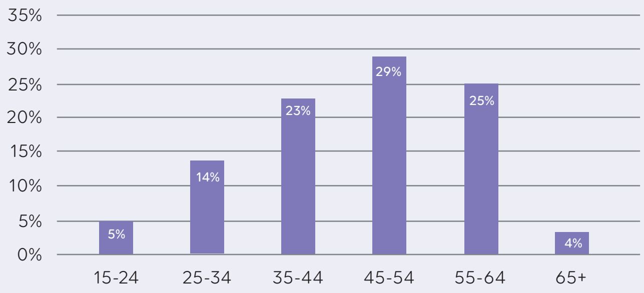
Our Family

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.

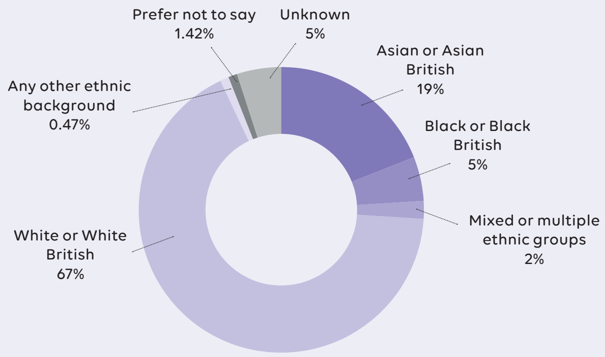
Age split across Johnson Service Group PLC



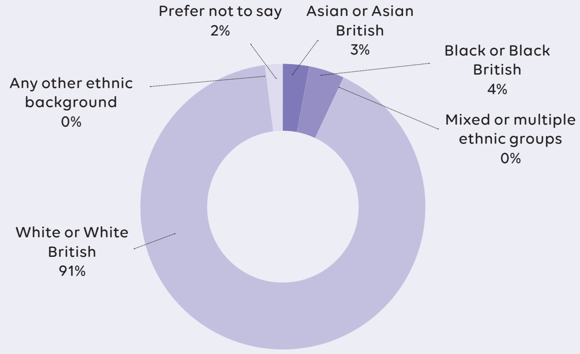
Ethnicity
The survey shows that the majority of our workforce identify as White (67%) however, the data also indicates that there are significant populations of those who identify as Asian (19%) and Black (5%) within our workforce.

It is worth noting that the ethnicity of our senior management group does not reflect this ratio and is almost exclusively made up of those who identify as white at 91%.

Ethnicity across Johnson Service Group PLC



Ethnicity of senior management



Culture & Engagement
Our newly refreshed Purpose, Vision, Mission and Values can be found on page 13.

During 2022 we completed an exercise to review and, where required, update these. Our previous Vision, Mission and Values have been in place for a number of years and we wanted to ensure they remained suitable and relevant to our business operations as well as resonating with our employees.

A working group led the exercise which included an informal consultation with a variety of members of our workforce. The general consensus was that the fundamental values across the business were sound but they needed some refreshing around language and translating existing expectations and behaviours into clear and concise values.

We are currently developing internal engagement and awareness materials in preparation for a formal launch of the refreshed Purpose, Vision, Mission and Values in the coming months. Longer term, the aim is to integrate these expectations and behaviours into the employee performance and development review processes.

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.

Our Family

Employee Engagement

We have recently completed the annual employee engagement surveys in each of the businesses and for the first time we also surveyed employees in the Group Centre team. The summary findings can be seen below.

	Workwear	Hotel Linen	HORECA	Group Centre
Enablement Score	84%	82%	82%	86%
Engagement Score	81%	82%	85%	84%
Empowerment Score	91%	88%	88%	96%

Across the surveys we scored highly in areas such as employees knowing what is expected of them in their job (96-97%), understanding of how their job impacts the customer (96-99%) and employees feeling that they play a part in the success of the company (91-94%).

Key themes of opportunities for further improvement include the following:

- Leadership visibility and communication
- Continue to focus on wellbeing
- Focus on listening and communicating

The results of the surveys have been communicated to the senior management teams for each business and action 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. Whilst the Board is aware of the three methods of engagement specified in the Financial Reporting Council's 2018 UK Corporate Governance 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, the Board intends that Nick will attend a number of employee focus groups during 2023 in order to hear and discuss further the ideas and concerns of the workforce.

Going Forward

We are in the process of launching our refreshed Purpose, Vision, Mission and Values through a variety of methods including awareness training and Sustainability Roadshows. Further to the diversity survey we intend to develop a Group wide strategy to identify key opportunities for improvement and roll out diversity training across the business.

Our Family 2023 Objectives

Vision 2030 Target	2023 Objectives
An Effective ED&I programme	• Diversity Awareness training • Group Wide ED&I strategy
Developed the Academy to provide life-long learning and career paths	• Review and Update Purpose, Mission and Scope of the Johnson Academy

Sustainability

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Our World

2022 Achievements at a Glance

- 19% and 24% reduction in our carbon emission intensity rates (against revenue and weight processed respectively) when compared to our 2021 baseline rates
- Achieved a 10% reduction in both water usage intensity rates when compared to our 2021 baseline rates
- Determined our first group wide Waste Baseline
- Implementation of Site Sustainability Management Plans across the whole Group portfolio

Energy Consumption and Carbon Emissions

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, do not yet address our wider Scope 3 emissions including those of our supply chain and of our product inventory; we have committed this year to furthering our understanding of this area.

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 ended 31 December 2022. 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 ended 30 September 2022.

The Group has applied an 'operational control' approach to define its 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 continues to be that of our Scope 3 supply chain emissions, which we intend to include in next year's report.

Scope 1 and 2

2022 Group Energy and Carbon Emissions

During 2022 we implemented regular performance monitoring and reporting which indicated that there were challenges with our energy and carbon data. Due to this a decision was taken to complete a recalculation of our baseline year (2021) and adopt new methodologies for our 2022 carbon year reporting. The key changes to our carbon calculations are:

- As we continued to experience ongoing challenges with obtaining timely invoices from our energy suppliers, we decided to adopt a different methodology by utilising primary data consisting of actual consumption data from meter readings.
- The weight processed factor that we are using to calculate one of the intensity ratios was being calculated using historical and legacy data sets therefore these calculations were adjusted and refreshed to be more appropriate.
- For the intensity ratios in 2021 we used revenue and weight data sets that were aligned with the financial reporting year (calendar year) however, we have adjusted these to now reflect the carbon reporting year (October – September). During normal operations this may not have any significant impact however, due to the recent years being heavily impacted by COVID-19, we felt this alignment would more accurately provide normalising factors that aligned with the energy consumption and carbon emissions.

Johnson Service Group's greenhouse gas emissions, reportable under SECR for the reporting year 2022, were **94,458 tonnes CO_2e**.

Our absolute greenhouse gas (GHG) emissions were 26% higher than in the previous year. These emissions include all material Scope 1 and Scope 2 emissions required to be disclosed by legislation, plus some additional Scope 3 emissions included voluntarily.

Emissions due to gas are up 23% when compared to the previous reporting period. Emissions due to commercial transport increased by 29%, and emissions for purchased electricity have increased by 34%. The primary reasons for such significant increases are due to the business returning to more "normal" operation following the two previous years being heavily impacted by COVID-19. Both of our intensity metrics have actually decreased year on year.

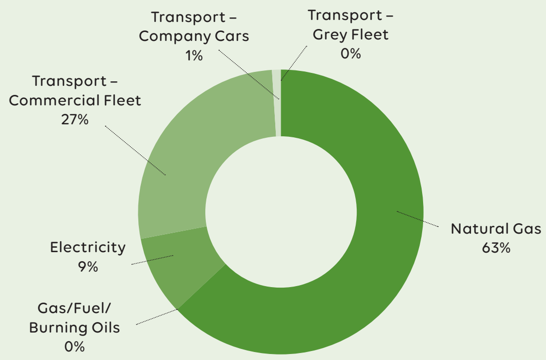
Our World

Emissions source	2022	2021	Share (%)	YoY Variance (%)
Fuel combustion: Natural gas	59,580	48,627	63%	23%
Fuel combustion: Gas oil	0	30	0%	-100%
Fuel combustion: Burning oil	50	15	<1%	240%
Fuel combustion: Transport - Commercial fleet	25,343	19,678	27%	29%
Fuel combustion: Transport - Company cars	670	453	1%	48%
Fuel combustion: Transport - Grey fleet	46	134	<1%	-66%
Purchased electricity	8,860	6,616	9%	34%
Total emissions (tCO_2e)	94,548	**75,553**	**100%**	**25%**
Revenue (£m)*	368.00	238.80		79%
Intensity: (tCO_2e per £m)	256.92	**316.39**		**-19%**
Weight processed (tonnes)*	304,325	184,243		65%
Intensity: (tCO_2e per weight processed (tonnes))	0.311	**0.410**		**-24%**

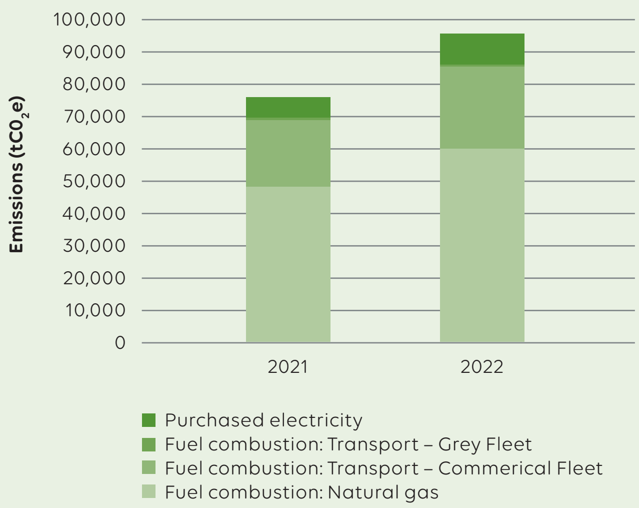
Please note that the 2021 emissions previously reported have been corrected to the above figures in line with our new data collection methodology. All 2021 data in subsequent tables and graphs have also been updated. The revenue and weight processed stated above are for the 12 month period to 30 September 2022.

The chart below shows GHG emissions by source for 2022, where emissions from natural gas (63%), commercial fleet (27%) and electricity (9%) dominate.

2022 Greenhouse Gas Emissions by Source as a Percentage of the Total



The chart below shows GH emissions by year and by source.



Total energy consumption across the Group has increased by 26% during 2022; it should be noted that this increase is similar to that seen in our greenhouse gas emissions and can be primarily attributed to a return to more "normal" operations following COVID-19.

Further granular level detail on our energy consumption can be seen in the table below which details consumption by emissions source. All emissions sources increased except for Grey fleet which is the smallest contributor to our energy consumption. Natural gas consumption has increased by 23%, commercial fleet by 29% and electricity by 47%.

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Emissions Source	2022	2021	Share (%)	YoY Variance (%)
Natural gas	278,880,562	226,689,164	68%	23%
Gas oil	0	102,888	0%	-100%
Burning oil	167,704	49,392	<1%	240%
Transport – Commerical Fleet	85,332,180	66,851,331	21%	28%
Transport – Company Cars	2,651,982	1,174,703	1%	126%
Transport – Grey Fleet	184,819	545,406	<1%	-66%
Electricity	41,974,888	28,625,659	10%	47%
Total consumption (kWh)	**409,192,135**	**324,038,543**	**100%**	**26%**

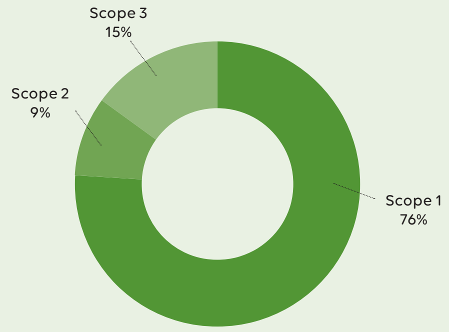
Greenhouse Gas Emissions by Scope

It is standard protocol to define greenhouse gas 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/controlled 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.

2022 Emissions by Scope can be seen in the chart below

2022 Greenhouse Gas Emissions by Scope



The split of reported emissions by scope in both 2021 and 2022 is shown in the table below.

Greenhouse Gas Emissions by Scope	2022	2021	Share (%)	YoY Variance (%)
Scope 1	72,050	57,755	76	25
Scope 2	8,132	6,078	9	34
Scope 3	14,366	11,720	15	23
Total emissions (t Co_2e)	**94,548**	**75,553**	**100**	**25**

The figures in the table above 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 all of which are considered best practice.

Scope 1 emissions together are the largest contributor to emissions as they make up 76% 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 fuel usage for emergency boiler power generation. Scope 1 emissions have increased by 25% when compared with 2021, which aligns with the increase in natural gas consumption (kWh) by 23%. The majority of the Group's gas usage comes from our operational sites and with the previous year being largely affected by Covid-19 when all sites were not all operating at full capacity.

Scope 2 emissions come entirely from purchased electricity and emissions from this source contribute 9% of the total. Scope 2 emissions have increased by 34% when compared to 2021. This increase is due to the fact that the consumption (kWh) from electricity at the Group increased by 47%, however as the conversion factor from electricity kWh to tonnes CO_2e continues to decrease year on year (due to the electricity grid mix getting greener) the difference between consumption and emissions is more pronounced. As for Scope 1 emissions, consumption will have been impacted by COVID-19 site closures therefore this increase is logical once sites returned to more normal operations during this reporting period.

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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.

Scope 3 Emissions Calculation, identification and management

During 2022 we have been working with third-party energy consultants, to further understand and develop an approach and methodology for our Scope 3 emission calculations. The intention is that this plan will define the scope and boundaries of the Scope 3 Emissions Calculation Project (what types of energy sources will be included), its timeline for implementation and the methodology intended for each aspect of the scope.

We anticipate that there will be a 3-phase approach to the calculations:

- **Product emissions –** the emissions associated with all the stages of life cycle of the products we offer to our customers and includes the raw material production, product development and manufacture and end of life management. There are currently no approved proxy values for our industry, therefore this will potentially require a combination of values from other similar industries (e.g. the fashion retail industry has approved proxy values for some garment production) plus significant collaboration with our supply chain (and their supply chains) to more fully understand their emissions.
- **Scope 3 emissions associated with our operations –** this is anything relating to our business operations that we do not have direct control over and will, for example, range from the emissions generated in the production and delivery of the equipment and chemicals we use in the plants, to emissions associated with our waste management and water usage, to those associated with our non-textile product purchases such as office supplies etc.
- **Embodied carbon across our fixed facilities –** this aspect covers all emissions that arise from the manufacturing, transportation, installation, maintenance and disposal of the building materials used across our estate.

Carbon Intensity Ratios

To allow for year on year comparison moving forward the absolute CO_2e totals have also been normalised using two relevant quantifiable factors to create two specific intensity ratios. The first intensity ratio calculated for the Group is tonnes of carbon dioxide equivalent (tCO_2e) per £million of revenue and the second is tonnes of carbon dioxide equivalent (tCO_2e) per tonnes weight processed.

As part of the recalculation exercise we have completed, both factors have been adjusted to align with the carbon year (October – September). The logic for the re-alignment is that due to the considerable differences in quarterly volumes and revenue through the COVID-19 period, continuing to use calendar reporting year datasets would result in significant disparity between emissions and the normalising factors.

The table below shows that we have achieved a year on year decrease in our **tCO_2e per £m intensity of 19%** and a **24% reduction in our tCO_2e per tonnes processed intensity**. It is probable that these results are impacted by a combination of greater accuracy in data and improved operational efficiency as the business returned to more normal volumes. As a result, it is highly unlikely that annual reductions of this magnitude will be replicated prospectively.

Intensity Ratio	2022	2021
tCO_2e per £m	256.92	316.39
tCO_2e per tonnes processed	0.311	0.410

Energy Efficiency and Carbon Emissions Initiatives and Recommendations

During the reporting period we implemented the following energy efficiency initiatives:

- Implemented energy management plans at all sites across the Group's estate
- Developed a central energy asset register to enable a full overview of the energy sources and equipment to be undertaken
- Completed high level carbon training with relevant site based managers
- Refreshed energy efficiency training at across operational sites
- Committed to several capital expenditure projects including boiler replacement and energy equipment replacement
- Continued to transition to electric vehicles (EVs) across our company car fleet
- Engaged consultants to undertake on site renewable energy generation (PV/Wind) feasibility studies

Metrics and Targets

'**The Johnsons Way**' sets out our 2030 Vision roadmap to achieving a transition towards decarbonisation. We have publicly stated our intention is to reduce our CO_2e intensity for Scope 1 and 2 emissions by 40% by 2030.

Our targets comprise targeted actions including conversion to renewable electricity and electric vehicles where practical, working with our suppliers on more sustainable sourcing methods and further capital investment in our business. We set ourselves a number of objectives to support our ambitions around carbon reduction which included the implementation of mandatory Energy Management Plans at all sites.

Decarbonising our Fleet

As indicated in our last report, we updated our Company Car policy at the start of 2022 to include a selection of both fully electric and hybrid options. These remain optional for employees in the scheme at this time however we have seen a significant uptake of these models and at the end of 2022 nearly 20% of the fleet had transitioned over to electric vehicles (EVs).

Sustainability
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In addition, we have undertaken a number of trials of smaller commercial EVs across the Group. Whilst these pilots have largely proved successful there still remain significant challenges to electrifying our commercial fleet including financial, availability and suitability constraints.

We have also completed a significant trial of alternative fuel solutions for our HGV commercial fleet. The trials and investigations are ongoing but the switch to HVO fuels is showing promising early results and we will continue to explore this option during the coming months.

Task Force on Climate Related Financial Disclosures ("TCFD")
The TCFD has developed a framework to assist companies in more effectively disclosing climate related risks and opportunities through their existing reporting processes. As an AIM listed company, it is not yet mandatory for the Group to report against the TCFD framework. We accept that climate change is a principal risk posing potential challenges to us and are therefore aligning our processes to reflect the requirements of the framework.

We made an initial disclosure in our previous Annual Report detailing the requirements that we were confident of having available and sufficient evidencable information for. We continue to implement a transition plan to ensure we are able to provide further and more detailed disclosures as required. The table below provides a summary of how we have disclosed against the framework in this 2022 Annual Report:

TCFD Category	TCFD Requirement	2022 Disclosure
Governance	**Describe the board's oversight of climate- related risks and opportunities.**	**Full Disclosure** Structure, Scope and responsibilities of the Risk and Sustainability Committees, the Executive Pillar Sponsors and the work undertaken by the pillar working groups to translate strategy into tangible actions. Description of the Risk Management Process and how this is overseen at the highest levels.
	Describe management's role in assessing and managing climate-related risks and opportunities.	**Partial Disclosure** Description of the Risk Management Process and how this enables identification and analysis of climate related risks. We have not yet completed a review of the processes for all the businesses therefore specific risks and associated management/mitigation processes not available in this cycle.
Strategy	**Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.**	**Partial Disclosure** The Priority Risks identified by the Group has a single generic climate and energy related risk. We intend to strengthen our processes to better identify specific climate related risks however we have not have completed this process for this reporting cycle.
	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	**No Disclosure**
	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	**No Disclosure**

Our World

TCFD Category	TCFD Requirement	2022 Disclosure
Risk Management	**Describe the organisation's processes for identifying and assessing climate-related risks.**	**Partial Disclosure** Description of the Risk Management Process and how this enables identification and analysis of climate related risks. We have not yet completed a review of the processes for all the businesses therefore specific risks and associated management/mitigation processes are not available in this cycle.
	Describe the organisation's processes for managing climate-related risks.	**Partial Disclosure** Description of the Risk Management Process and how this enables identification and analysis of climate related risks. We have not yet completed a review of the processes for all the businesses therefore specific risks and associated management/mitigation processes are not available in this cycle.
	Describe how processes for identifying, assessing, and managing climate- related risks are integrated into the organisation's overall risk management.	**Partial Disclosure** As above, provision of further detail on how climate risks are identified within the business level risk management processes is intended. We have not yet completed a review of the processes for all the businesses therefore specific risks and associated management/mitigation processes not available in this cycle.
Metric and Targets	**Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.**	**Partial Disclosure** Description of the Risk Management Process and how this enables identification and analysis of climate related risks. We have not yet completed a review of the processes for all the businesses therefore specific risks and associated management/mitigation processes are not available in this cycle.
	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	**Full Disclosure** Caveated. Improvements made to the data collation processes and methodology requiring recalculation of previous year's data and baseline for Scope 1 and 2 emissions.
	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	**Partial Disclosure** Targets for Scope 1 and 2 emissions disclosed plus contextualisation of how performance is monitored and reported, including providing year on year data comparisons.

Water Management

During 2022 we implemented regular sustainability performance monitoring and reporting which indicated that there were some areas of concern with our water data. Due to this a decision was taken to complete a recalculation of our baseline year (2021) and adopt new methodologies for our 2022 reporting year. The key changes to our water usage calculations are:

- As we continued to experience ongoing challenges with obtaining timely invoices from our water and utility suppliers, we decided to adopt a different methodology utilising primary data consisting of actual consumption data from meter readings.
- The weight processed factor that we are using to calculate one of the intensity ratios was being calculated using historical and legacy data sets which were no longer appropriate for some areas of the business therefore these calculations were adjusted and refreshed.

Johnson Service Group's absolute water abstraction for the reporting year 2022 was **2,196,058 M^3**. The adjusted baseline water consumption figure for 2021 is 1,716,751 M^3 therefore our absolute consumption was 28% higher in 2022 than in the previous year. It is likely that as for our energy consumption and carbon emissions this increase can be primarily attributed to a return to more "normal" operations following COVID-19.

Water Intensity Ratios

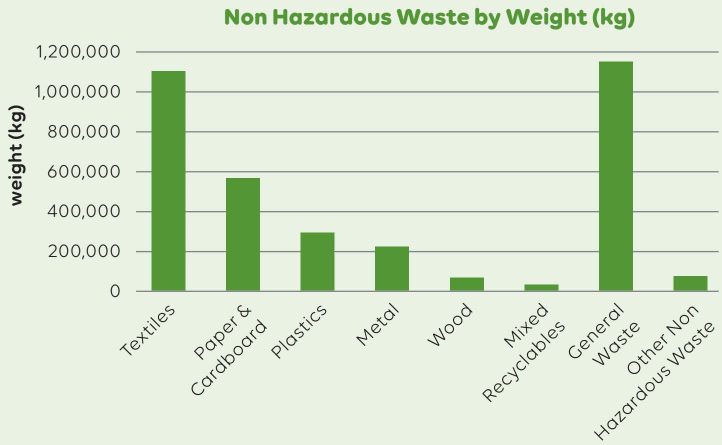
To allow for year on year comparison moving forward the absolute water M^3 totals have also been normalised using two relevant quantifiable factors to create two specific intensity ratios. The first intensity ratio calculated for the Group is volume of water used (M^3) per £million of revenue and the second is volume of water used (M^3) per tonnes weight processed.

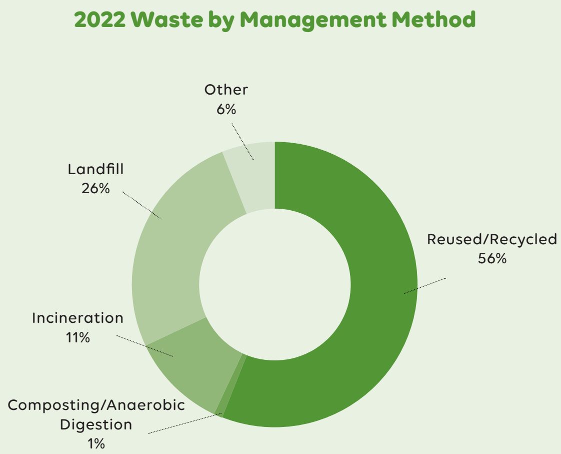
Sustainability
Continued >

Our World

The table below shows that we have achieved a year on year reduction in our M^3 per £m intensity of 10% and a 9% reduction in our M^3 per tonnes processed intensity. As stated above, in relation to our carbon emissions intensity ratios, it is probable that these results are impacted by a combination of greater accuracy in data and improved operational efficiency as the business returns to more normal volumes. As a result, it is highly unlikely that reductions of this magnitude will be replicated in 2023 and beyond.

Intensity Ratio	2022	2021	% Variance
M^3 per £m	5,694	6,326	-10%
M^3 per tonnes processed	7.216	7.940	-9%





Waste Management

Across the Group a significant volume of waste is generated 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 applicable regulations.

During 2022 we adopted a standardised and consistent methodology for calculating total volumes of all wastes generated by volume and by disposal route. This baseline has provided a more granular understanding of our waste and how we currently manage and dispose of it.

Key highlights from the baseline include:

- Total of 3,916 tonnes of waste generated across the Group
- 1,011 tonnes sent to landfill (26% of the total)
- 2,905 tonnes diverted from landfill (74% of all waste)
- 1,100 tonnes of textile waste was generated with over 750 tonnes being recycled
- 304 tonnes of plastics generated with 73% going to landfill

Our World

Textiles Circularity Transition Plan

Textiles are finally becoming part of the circular bioeconomy. We are currently working with several parties to identify sustainable options for managing our end of life textiles.

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. Our baseline data has indicated our recycling percentage is fairly high at around 68% however much of this is a single recycle into wipers that are then disposed of via traditional methods.

We are currently undertaking a number of feasibility projects that may enable us to return recycled cotton fibres into the textile manufacturing process. At the same time we are also exploring methods for recycling our polyester based products into content that could be used by industry, for example as insulation by the motor industry.

Whilst in the early stages all our pilot projects are providing promising results. We are aiming to be in a position to formally develop our management approach and strategy for end of life textiles across the Group during the coming year.

Looking Forward

We are now confident in the data we are using to monitor and assess our performance across the Our World impact areas. The coming months will be focussing on refining and finalising our long-term strategic approach across several key areas including transition to decarbonisation; water reduction; improved management of end of life textiles and looking to understand our wider biodiversity impacts and how we can manage and mitigate these.

Our World 2023 Objectives

Vision 2030 Target	2023 Objectives
Reduce Scope 1 and 2 CO_2e emissions intensity by 40%	• 40% of the Group company car fleet has transitioned to EV • 5% reduction compared to 2022 performance across Scope 1 and 2 CO_2e intensity
Reduce water consumption intensity by 25%	• 2% reduction of water intensity compared to 2022 performance
Reduce waste to landfill by 75%	• Reduction of all waste to landfill by 5% based on 2022 baseline • Reduction of plastics sent to landfill by 5% compared to 2022 baseline

Sustainability
Continued >

Our Integrity

2022 Achievements at a Glance

- Refreshed Employee Code of Conduct
- 76% of High-Risk Tier 1 suppliers audited
- Developed a new Supplier Framework and Guiding Principles
- Developed new Customer Guiding Principles
- Published a new Sustainable Purchasing Policy
- Launched the Flex Collection in Johnsons Workwear

Responsible Business Practices

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.

Employee Code of Conduct

As part of our commitment to ensure our employees behave with the highest ethical standards, we developed a new Employee Code of Conduct (The Code) during 2022. This document sets out the requirements and guidelines on expected behaviours 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. The Code, which encompasses a high level overview of each of the Group's more detailed policies, including the Code of Ethics, is available on our internal intranet system and hard copies can be obtained from Human Resources teams.

On joining the Group, whether by way of acquisition or otherwise, all employees will be made aware of these standards and procedures to ensure compliance is achieved. Senior employees are also required to sign an annual statement of compliance with the Code of Ethics.

During the coming year we will develop appropriate training packages to ensure all colleagues fully understand our compliance and behavioural 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'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 judgment 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.

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. As part of our continued efforts to ensure

Our Integrity

compliance with these requirements we have developed a robust supplier framework, which includes clear requirements and expectations that are set out in our new Guiding Principles on Supplier Conduct and which apply across all stages of our contractual relationship.

Our standard supplier contractual terms and conditions include a provision requiring suppliers (and each of their sub-contractors) to comply with the Modern Slavery Act 2015. 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 employees. 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.

Approach to Sustainability Related Risk Management

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.

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.

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

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. For more information on our risk management approach and processes please refer to page 47.

Environmental Risk Management and ISO 14001

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.

In a similar vein, all our operational sites are required to align their quality management systems with ISO9001 to ensure we are able to consistently provide products and services that meet our customer and local regulatory requirements. A number of our sites are formally certificated to the standard.

Social Risks Identification and Management

As reported last year, we identified that it would be beneficial to the Group to implement a bespoke Supplier Framework that has been designed to more suit our needs, supplier operations and geographical locations and potential risks. During the reporting period this was developed and approved internally. We intend to fully launch this new Framework with our supply partners over the coming months.

As part of the Framework, we have also implemented more formal and standardised supplier sustainability auditing and have become a member of the Sedex community to support the completion of compliance audits. During the period we completed sustainability audits on over 75% of our high-risk Tier 1 suppliers.

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 to 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.

We are committed to developing long term relationships with our customers and identifying opportunities for greater collaboration on sustainability innovation and initiatives. To support these aims, we have developed a new suite of Guiding Principles for Customer Conduct which sets out our aims and how we envisage working with our customers moving forwards.

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.

Sustainability

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Our Integrity

During the reporting period, we developed a new Supplier Framework, including a specific sustainable purchasing policy, a clear set of expectations and requirements as set out in the Guiding Principles for Supplier Conduct and standardised onboarding processes.

Both Sets of Guiding Principles can be found on our website here: www.jsg.com/about-us/sustainability/our-integrity

Sustainable Purchasing

JSG is committed to transitioning to an even more sustainable procurement model and has committed to increasing the volume and variety of sustainable products we offer to our customers. As part of this process, during the reporting period we published our new Group Sustainable Purchasing Policy that sets out sustainable purchasing objectives in line with our published Vision 2030 targets. These are:

- To comply with all relevant legislation and regulatory requirements and ensure we always act responsibly and ethically in our day-to-day business operations
- To promote, encourage and facilitate sustainable awareness and behaviours amongst our value chain, including our suppliers, customers and business partners
- To transition towards procurement of more sustainable products and services, with the aim of having fully sustainable core products as our preferred offering by 2030
- To continue to measure our sustainability performance and increase transparency of our metrics
- To include sustainability related criteria when evaluating offers from potential suppliers and monitor the sustainability performance and behaviours of existing suppliers
- To move towards greater weighting of sustainability considerations for all commercial decisions including customer partnerships

This policy can be found on our website here: www.jsg.com/about-us/sustainability/our-integrity

Better Cotton Initiative (BCI)

Johnson Service Group continues to be a proud member of Better Cotton and is committed to supporting the improvement of cotton farming practices globally.

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".

During the reporting year the volume of Better Cotton sourced as a percentage of our overall cotton purchases was 52%. This is a significant increase from 27% in 2021.

Sustainable Textiles Transition

In addition to investigating opportunities to better manage our textile waste, we are also committed to working with our supply partners to develop long term sustainable and circular solutions for product design and manufacture. In addition to being a member of Better Cotton, we are also working with suppliers on products containing other sustainable content such as recycled content and bio polymer. Our aim is to be able to provide fully sustainable core products in the coming years.

Flex Collection

During the reporting period and in partnership with one of our key suppliers, our Workwear brand launched the first product line made with fully sustainable fabric – the Flex Collection. The fabric is manufactured from a blend of 100% renewable and recycled fibres, including BCI cotton and recycled and renewable polyester. The circular nature of the recycled polyester means that we can start to contribute to reducing the use of petroleum manufactured products across the globe. There is also some carbon reduction in the amount of energy consumed during the laundering process as lower temperatures are used.

We are working with our supplier to increase the Flex range and continue to work with all our partners to identify more opportunities for expansion of sustainable material in our workwear product offerings.

Looking Forward

2022 was a consolidation year for much of the Our Integrity activities developing policies and foundational approaches to ensuring responsible and ethical business practices. Over the coming months we will look to engage further with our stakeholders, both internal and external, to roll out the new Employee Code of Conduct awareness training, the Supplier Sustainability Framework and the Guiding Principles on Customer Conduct.

Our Integrity 2023 Objectives

Vision 2030 Target	2023 Objectives
Fully sustainable core products as the preferred offerings	• Group wide strategy for transitioning to sustainable materials across our product ranges
Ethical Business Conduct (internal and external)	• Employee Code of Conduct training • Roll out the new Guiding Principles for Supplier and Customer Conduct

Our Communities

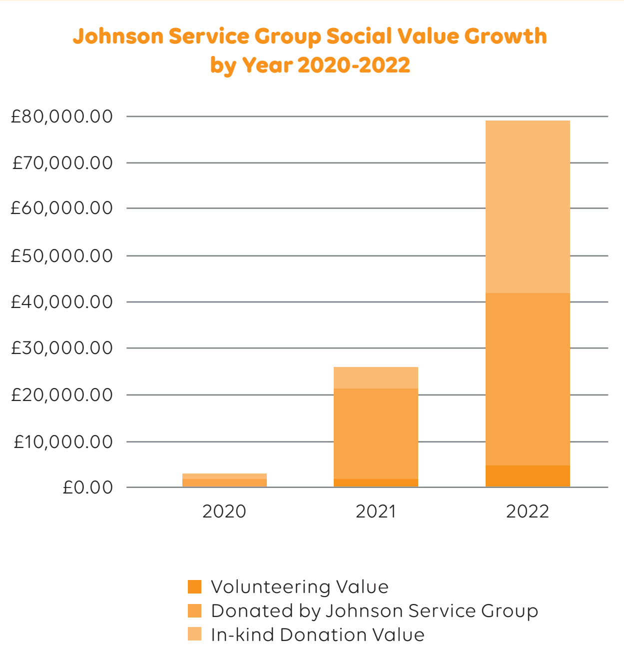
2022 Achievements at a Glance

- £80,000 total Social Value from JSG charitable giving and community activities
- 129 Volunteering hours
- Commenced partnership with Neighbourly to support our employee volunteering activities in the HORECA business

Charitable and In-Kind Donations

Johnsons has a strong history of charitable activity and we continued to stay true to this ethos in 2022. Following two intense years of the Covid-19 pandemic, many people across the UK started 2022 at an economic disadvantage because of loss of livelihoods. The demand on social welfare charities further increased as a result of soaring energy prices. The Group recognises the need to take meaningful action to support our local and international communities during these times of hardship and our social value output peaked in Q4 2022 with the increase in charitable activities around the festive period.

Please note social value does not include employee fundraising monies.



Some of the notable charitable donations from 2022 included:

- The total of direct donations to charity across the business totalled **almost £38,000**. Charities to receive donations in 2022 included national organisations such as Macmillan and the Hospitality Industry Trust, as well as local good causes such as the Vale Pantry near Sturminster Newton.
- JSG provided in-kind donations also to the value of **almost £38,000** to numerous good causes across the UK. For example, our Bourne site donated linen to Three Counties Dogs Home, our Clacton-on-Sea facility donated to the City Mission homelessness charity, and our Lancaster site regularly donated to the Morecambe Food Bank. These activities prolong the lifecycle of our products, so that they can provide comfort and practical support for even longer.
- Notably, our London Linen Southall site also donated over **800 chef jackets** to The Clink Charity, which provides additional social value of enabling prisoners to develop professional culinary skills and work experience as part of the Clink Prison Restaurants open to the public. This initiative also supports rehabilitation and peaceful reintegration of ex-offenders back into public life.

Local Communities Initiative

To further support the proactive activities of our employees throughout the year, in November 2022 JSG launched a new Group-wide charity programme, the "**Local Communities Initiative**". Through the Local Communities Initiative, each of our sites will allocate £500 per quarter to donate to a local good cause. These charities are nominated by employees and voted on by everyone, ensuring that the donations will go to an organisation that is meaningful and impactful to those in the local area. We look forward to reviewing the results of this programme as we progress into 2023.

Employee Volunteering

The Company understand that the skills our workforce can have huge benefit to charities and good causes and therefore this year we put extra focus into supporting our colleagues to donate their time through volunteering; increasing our overall employee volunteering hours by 31% compared to the previous year.

Sustainability
Continued >

Our Communities

- In 2022 we enabled **129 hours** of employee volunteering which generated £4,000 of social value for communities across the UK and Ireland.
- Our employees donated their time to numerous good causes including restoring the children's playground at the John McNeill Opportunity Centre in Wiltshire, and litter picking as part of a beach clean-up near our Pwllheli facilities. These physical activities are an important aspect of providing practical support to our local communities when and where they are most in need.
- During the reporting period we launched a partnership with Neighbourly, a volunteering platform provider who has enabled us to connect our employees with live volunteering opportunities across the UK. Throughout 2023 our employees in the HORECA division will have access to the Neighbourly platform to browse and book onto local volunteering opportunities with ease. We look forward to collating the results of this partnership in 2023.

Neighbourly partnership

An integral part of The Johnsons Way is ensuring that we positively impact our local communities. We believe that giving our employees the opportunity to volunteer their time to help good causes is one way of providing meaningful and effective support to communities local to our operations.

In 2022 our HORECA division teamed up with a business called Neighbourly to help devise, launch and manage a nationwide volunteering programme. Through smart matching technology, Neighbourly connect businesses that want to donate time, money or products with local causes that need it most, thereby building long lasting relationships.

Through the collaboration with Neighbourly, our employees have been able find and access opportunities to work with a wide range of good causes across the UK. In addition, Neighbourly have helped our business by sourcing appropriate opportunities and managing and reporting back on all employee volunteering activity including measuring social impact value.

Looking Forward

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 employee volunteering policy setting time and monetary targets for our social value activities.

Our Communities 2023 Objectives

Vision 2030 Target	2023 Objectives
Increased our social value spend as a % of revenue	• Formalise volunteering policy • 500 employee volunteering hours to be completed during paid time • Increase total amount to be donated (direct financial donations) by JSG to good causes to £120,000 • Full roll out of the new JSG Local Communities Initiative

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 March and August meetings, or more frequently should new matters arise. Throughout 2022, and other than as described below, the overall risk environment remained largely unchanged from that reported within the Group's 2021 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

Principal Risks and Uncertainties

Continued >

Risk Appetite

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

Emerging Risks

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

COVID-19 Pandemic

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, and disclosed how each of the Group's principal risks and uncertainties were impacted by it. Whilst the risks associated with the COVID-19 pandemic have reduced significantly, the Board is cognisant that a future significant unexpected event, such as a pandemic or other national crisis, could have a material impact on the Group and, accordingly, has introduced a new principal risk in respect of a future pandemic or other national crisis.

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 Financial Reporting Council's 2018 UK Corporate Governance Code (the '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 AND POLITICAL 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 the COVID-19 pandemic. Current macro-economic conditions, particularly high inflation rates, could negatively impact consumer spending and hence demand for our services, particularly in HORECA. Geopolitical tensions could have an impact on the price, or availability, of inputs (e.g. energy).	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. The Group has long standing relationships with its key suppliers and aims to develop a strategic partnership approach. These relationships mitigate, to a certain extent, the risk of a supplier not being able to supply us. In the event that a supply was rationed, for example energy blackouts at certain times, we would seek to adjust our shift and work patterns accordingly. As further detailed below within 'Cost Inflation', and in order to provide protection from pricing volatility, the Group proactively forward purchases certain of its energy requirements.
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, for example, energy, 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 prices with 71% of our 2023 gas requirement and 63% of our 2023 electricity requirement at fixed prices with reducing amounts fixed into 2024 and 2025. We are proactively monitoring the market with the aim of entering into further fixed arrangements when appropriate and have also continued to secure and implement price increases across our customer base. These actions, along with expected additional volume which will better utilise our labour resource and improve processing efficiency, help to mitigate the impact of cost inflation.

Principal Risks and Uncertainties

Continued >

Risk	Mitigation
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 macroeconomic 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. The recent acquisition of Regency Laundry Limited, in February 2023, is testament to this.
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 recently 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. 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 also undertakes employee engagement reviews, led by an external consultant, and operates a number of well-established initiatives in response to our people's needs. 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. Succession Planning is also now a regular agenda item at Board meetings.
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.

Risk	Mitigation
COMPETITION AND DISRUPTION **Risk Rating: High**	**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. However, in view of ongoing economic factors in the UK, the Board considers this risk to be more elevated than previously.
PANDEMIC OR OTHER NATIONAL CRISIS **Risk Rating: Medium**	**NEW RISK**
The Group's operations were significantly disrupted due to the COVID-19 pandemic. Whilst the risks associated with the COVID-19 pandemic have reduced significantly, the Board is cognisant that a future significant unexpected event, such as a pandemic or other national crisis, could cause further business risk and have a material impact on the Group.	Detailed business continuity plans are in place and, in response to COVID-19, the Group has recovered well and learned from the pandemic. The Group demonstrated its ability to continue trading throughout the pandemic through the implementation of action plans to protect the liquidity of the Group, reduce the cost base and protect the health, safety and wellbeing of our employees. The Board will continue to keep the potential for a significant unexpected event under review as part of its overall assessment of risk.
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. In September 2022, a new group-wide and dedicated role of Head of Health and Safety was created to further increase risk mitigation.
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 of Ethics') 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 of Ethics, 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.

Principal Risks and Uncertainties

Continued >

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. 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. In addition, we are progressing plans to expand our capacity in the South East and have recently signed a new 20-year lease for an additional site for our HORECA business. The new site which is anticipated to open in the second half of 2024, will also free up capacity at existing production facilities through the relocation of work.
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 or, in more extreme circumstances, an increase in business failures and insolvencies.	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.

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 January 2020, following a fire at our Johnsons Workwear site in Exeter, and again 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 appointment of a new dedicated Head of Sustainability role in 2021 and the launch of our refreshed Sustainability Strategy and Vision 2030 targets in 2022 demonstrate the commitments we are making in this area. These commitments are further supported by Sustainability targets having been incorporated into Executive and Senior management remuneration targets in 2022 and again in 2023. 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.

"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".

2 CORPORATE GOVERNANCE

Directors and Officers

Jock Lennox
Non-Executive Chair

Jock was appointed as Non-Executive Chair on 5 May 2021 having originally joined the Board as a Non-Executive Director and Chair 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 Chair of Barratt Developments PLC and was previously Chair 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 Chair of Trustees for the Slaughter and May Pension Fund. Chris was previously a Non-Executive Director and Chair of the Audit Committee of South East Water Limited, before stepping down, after 8 years, in January 2023. Chris also served as the Senior Independent Non-Executive Director and Chair of the Audit Committee of Workspace Group PLC, prior to stepping down from the Workspace Group PLC 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.

Nicola Keach
Independent Non-Executive Director
(Appointed 1 June 2022)

Nicola joined the Board as a Non-Executive Director on 1 June 2022. She has extensive experience across a range of sectors, having worked within a number of B2B service organisations of scale. Nicola is Chief Executive Officer of Tivoli Group, the UK's leading independent grounds maintenance provider, having joined the company in November 2021 with a remit to grow the business both organically and through aggressive acquisition. Prior to joining Tivoli, Nicola spent nearly a decade at utilities company ENGIE, latterly as Chief Executive Officer for the UK and Ireland. Nicola's early career was with Serco, the FTSE 250 provider of public services, where she quickly progressed to hold a number of leadership roles, including National Operations Director for Healthcare and Business Development Director for Healthcare.

Christopher Clarkson
Company Secretary
(Appointed 5 September 2022)

Chris was appointed General Counsel & Company Secretary on 5 September 2022. Chris started his career at the international law firm DLA Piper UK LLP where he qualified as a Solicitor in 2008. He joined Brammer plc (now Rubix), the pan-European industrial distributor, in 2011 and was appointed Head of Legal in 2017.

Directors' Report

The Directors present their Annual Report and the audited Consolidated and Company Financial Statements for the year ended 31 December 2022.

The Corporate Governance Report on pages 61 to 75, and the report on Sustainability on pages 28 to 46 (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's retained profit after taxation for the year from all operations amounted to £29.0 million (2021: £6.6 million retained profit after taxation).

The dividend comprises an interim dividend of 0.8 pence (2021: nil) per Ordinary share and a proposed final dividend of 1.6 pence (2021: nil) per Ordinary share. This total dividend of 2.4 pence per Ordinary share, subject to the approval of Shareholders, will amount to a dividend distribution for the year, based on the number of shares in issue as at the date of this report, of £10.4 million (2021: £nil). Given the ongoing share buyback programme however, the Directors anticipate that the actual distribution for the full year will ultimately be less than the amount stated above.

Share Buyback Programme

On 15 September 2022, the Company announced the commencement of a share buyback programme with an aggregate market value equivalent of up to £27.5 million (excluding expenses). The sole purpose of the share buyback programme is to reduce the Company's share capital. Pursuant to the share buyback programme, the Company entered into a non-discretionary instruction with Investec Bank plc to purchase up to £27.5 million (excluding expenses) of the Company's Ordinary shares of 10 pence each and to make trading decisions under the share buyback programme independently of the Company in accordance with certain pre-set parameters. The share buyback programme commenced on 15 September 2022 and is intended to end no later than the date of the Company's Annual General Meeting.

During the year the Company bought back through market purchases on the London Stock Exchange 6,222,227 Ordinary shares with a nominal value of 10 pence each, representing 1.4% of the shares in issue prior to the commencement of the share buyback programme. The total consideration payable, including expenses, was £5.7 million of which £5.6 million was expended during the year. All of the Ordinary shares bought back pursuant to the share buyback programme will be cancelled. Due to the share buy back programme commencing in the latter part of the year, the number of shares bought back had a limited impact on the weighed average number of shares in issue during the year, as used for the purposes of calculating earnings per share.

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 2022 Annual General Meeting, Shareholders authorised the Company to make market purchases of up to a maximum aggregate of 44,525,663 Ordinary shares, which represented approximately 10% of the Company's issued Ordinary share capital on the latest practicable date prior to publication of the 2022 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 2023 Annual General Meeting. Further details are given in the 2023 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

On 13 February 2023, the Group acquired the entire issued share capital of Regency Laundry Limited for a cash consideration of £5.75 million on a debt free, cash free basis and subject to an adjustment for normalised working capital. Further details are provided in note 39.

There were no other 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 Nicola Keach, who was appointed to the Board as an additional Independent Non-Executive Director on 1 June 2022, 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 2022, 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 certain liabilities incurred as a result of their office. In respect of those matters for which the Directors

Directors' Report
Continued >

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

Subject to certain limited exceptions, the Company's Articles of Association may only be amended by Special Resolution at a general meeting of the Shareholders.

Charitable Donations

Details of charitable donations during the current and preceding financial year are set out within the Sustainability Report.

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 (2021: £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.

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 16 and the section 172(1) statement on page 17 provide a high-level overview of how we engage with our 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 2022 and for the six months ended 31 December 2022. The average time taken to pay invoices in each of those periods was 51 days and 51 days, respectively. The comparative figures for 2021 were 48 days and 53 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 ended 31 December 2022. 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 ended 30 September 2022.

Relevant disclosures are provided on pages 34 to 41.

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 81 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.

2023 Annual General Meeting

The Directors intend that the 2023 Annual General Meeting (the 'Meeting' or the 'AGM') of Johnson Service Group PLC (the 'Company') will be held at the DoubleTree by Hilton Hotel & Spa Chester, Warrington Road, Hoole, Chester, CH2 3PD on Thursday 4 May 2023 at 11:00am.

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

After careful assessment, the Directors have adopted the going concern basis in preparing these financial statements. 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, Chair'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 27 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

Cash Flows, Covenants and Stress Testing

For the purposes of the going concern assessment, the Directors have prepared monthly cash flow projections for the period to 30 June 2024 (the assessment period). The Directors consider this to be a reasonable period for the going concern assessment as it enables us to consider the potential impact of macroeconomic and geopolitical factors over an extended period. The cash flow projections show that the Group has significant headroom against its committed facilities and can meet its financial covenant obligations.

The Group has also performed a reverse stress test against the base monthly cash flow projections referred to above in order to determine the performance level that would result in a reduction in headroom against its committed facilities to nil or a breach of its covenants. The interest cover covenant would be breached in the event that adjusted operating profit reduced to approximately 60% of 2022 levels. The Directors do not consider this scenario to be plausible.

The Group has also considered the impact of a more modest increase in interest rates alongside the reduction required in adjusted operating profit to cause a breach in the interest cover covenant. Again, the Directors do not consider such a scenario to be plausible.

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

Each of the stress tests assume no mitigating actions are taken. Mitigating actions available to the Group, should they be required, include reductions in discretionary capital expenditure and ceasing dividend payments.

Liquidity

The Group has access to a committed Revolving Credit Facility of £85.0 million (the 'Facility') which matures in August 2025. The terms of the Facility provide an option to extend the term for up to a further two years and an option to increase the Facility by up to a further £50.0 million, both with bank consent. The Facility is considerably in excess of our anticipated borrowings and provides ample liquidity for current commitments.

Going Concern Statement

After considering the monthly cash flow projections, the stress tests and the facilities available to the Group 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 2024. Accordingly, 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

Christopher Clarkson
Company Secretary

6 March 2023

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 judgements 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.

On behalf of the Board

Peter Egan
Chief Executive Officer

6 March 2023

Yvonne Monaghan
Chief Financial Officer

6 March 2023

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

Chair – 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 Chair, two Executive Directors and three independent Non-Executive Directors (including the Senior Independent Director)

Chair: 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

Chair: 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 Chair and Non-Executive Directors

Chair: 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 Chair and Non-Executive Directors

Chair: 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

Chair: 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

Chair: Peter Egan

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

Corporate Governance Report

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Compliance with the Code

The Company has applied the Principles and complied with the Provisions of the Code throughout the year ended 31 December 2022, other than in relation to the following:

Provision	Explanation
34	**Articles of Association – Maximum Aggregate Fees Payable to Non-Executive Directors** Non-Executive Directors' fees are subject to annual review with any increases generally applying with effect from 1 January. Under the Company's Articles of Association, the total annual fees that may be paid to the Company's Non-Executive Directors is limited to £250,000 in aggregate or such larger sum as the Company may, by Ordinary Resolution, determine. The current cap of £250,000 has been in place since 2003. Non-Executive Directors' fees have, historically, been subject to periodic benchmarking to provide a degree of independent confirmation of the fee levels. Whilst the Board determined and approved the fees payable to the Non-Executive Directors, and believes that the Non-Executive Directors' fees are in line with market rates and appropriately reflect the time commitment and responsibilities of the role, the aggregate fees paid to the Non-Executive Directors in the financial years ended 31 December 2021 (£279,000) and 31 December 2022 (£289,000) exceeded the current aggregate cap of £250,000 stated in the Company's Articles of Association. Accordingly, as permitted by the Company's Articles of Association, the Company will seek, at the AGM, Shareholder approval to increase the maximum aggregate fees that the Company can pay to its Non-Executive Directors, as stated in the Articles of Association, from the current maximum cap of £250,000 to £500,000. The Board considers that this increased amount appropriately takes account of the effects of inflation, since 2003, on the current £250,000 cap; takes account of the increased number of Non-Executive Directors (following the appointment of Nicola Keach to the Board in June 2022); and provides a degree of headroom to enable the Company to continue to pay its Non-Executive Directors in accordance with letters of appointment, facilitate future additional Non-Executive Director appointments (for example, in support of Board succession planning activity) and increases in Non-Executive Director remuneration, ensuring that the Company has the ability to attract and retain suitably qualified Non-Executive Directors in future. The Board will continue to periodically benchmark Non-Executive Directors' fees and continue to disclose, in the Annual Report, any changes in the level of Non-Executive Directors' fees from year to year. In the meantime, the Board has agreed to maintain the Non-Executive Directors' fees at their current, FY2022, rates and will only apply the proposed 3.5% increase to Non-Executive Directors' base fees with retrospective effect, from 1 January 2023, on obtaining Shareholder approval, at the forthcoming annual general meeting, of the proposed increase to the aggregate cap on Non-Executive Directors' fees in the Company's Articles of Association.
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 Remuneration Committee has in addition, for LTIPs granted in 2019 and thereafter, introduced a two-year post-vesting holding period. Furthermore, as previously disclosed, 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** Pension rates for the CEO and CFO reflect historic entitlements. We have not yet fully aligned Executive Director pensions with the wider workforce; however, we are aware of the general investor expectation in this area and action has been taken. Whilst provision for both the CEO and the CFO remains above the workforce average, we have (as previously disclosed) moved the effective pension contribution rate for the CEO closer towards the rate payable to the wider workforce. Furthermore, we have recently agreed that, with effect from 1 January 2023 the pension contribution rate for the CFO will be reduced to 15 per cent of base salary and then further reduce to 12 per cent of base salary and then 9 per cent of base salary with effect from 1 January 2024 and 1 January 2025, respectively. 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 (currently 6 per cent).

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 Chair, two Executive Directors and, with effect from 1 June 2022 (following the appointment of Nicola Keach to the Board as an additional Independent Non-Executive Director) three 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 5 to 53.

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.

Corporate Governance Report

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Roles in the Boardroom

Non-Executive Chair

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 Chair and serves as an intermediary for other directors and shareholders

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

Independent Non-Executive Directors

Chris Girling
Nick Gregg
Nicola Keach (Appointed 1 June 2022)

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 chair), 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

Christopher Clarkson (Appointed 5 September 2022)
Tim Morris (Until 5 September 2022)

Supports the Chair 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 2022 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;
- succession planning, including consideration and approval of the appointment of Nicola Keach to the Board in June;
- consideration and approval of a new £85 million revolving credit facility in August;
- consideration and approval of the launch of a £27.5 million (excluding expenses) share buyback programme in September;
- consideration and approval of an interim dividend of 0.8 pence per Ordinary share paid in November; and
- consideration and approval of 2023 – 2025 Budget.

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 and Environmental matters
- Cyber Security review and update
- Sustainability update
- CEO's trading and operational review
- M&A and strategy update
- Financial performance
- Employee engagement
- Board Evaluation Review
- Investor analysis
- Approval of Modern Slavery Statement
- SAYE Grant Analysis

March

- Minutes/matters arising
- Health & Safety and Environmental matters
- CEO's trading and operational review
- M&A and strategy update
- Sustainability matters
- Employee engagement
- Financial performance
- Going concern and viability assessment
- Bank Facility update
- Investor analysis
- Biannual major risk assessment
- Draft final results announcement
- Draft Annual Report and Accounts
- Draft Investor Presentation
- Draft AGM Notice
- NED Recruitment update

May

- Minutes/matters arising
- Health & Safety and Environmental matters
- CEO's trading and operational review
- M&A and strategy update
- Sustainability matters
- Employee engagement
- Financial performance
- Investor analysis
- Provisional AGM Voting
- Institutional Feedback
- SAYE Scheme – Consideration of 2022 Grant

June

- Minutes/matters arising
- Health & Safety and Environmental matters
- CEO's trading and operational review
- Strategy meeting
- M&A strategy
- Capital investment strategy and update
- Sustainability strategy
- Succession Planning, Recruitment & Retention strategy
- Financial performance
- New Bank Facility
- Investor analysis and Investor feedback re: AGM voting

August

- Minutes/matters arising
- Health & Safety and Environmental matters
- CEO's trading and operational review
- M&A and strategy update
- Sustainability update and inaugural Sustainability Report
- Succession Planning and Employee Engagement
- Financial performance
- Updated FY22 forecast Investor analysis
- Capital allocation/Share buyback
- Biannual major risk assessment
- Draft interim results announcement
- Going concern assessment

October

- Minutes/matters arising
- Financial performance
- Health & Safety and Environmental matters
- CEO's trading and operational review
- Business updates
- M&A and strategy update
- Share buyback
- Corporate Governance
- Investor analysis
- Board effectiveness review process

November

- Minutes/matters arising
- Health & Safety and Environmental matters
- CEO's trading and operational review
- Business updates
- M&A and strategy update
- Employee engagement
- Sustainability Committee Update including approval of Equality, Diversity and Inclusion Policy
- Financial performance
- Consideration and approval of 2023-2025 Budget
- Investor analysis
- Approval of Tax Strategy
- SAYE Scheme
- Review and approval of Committee Terms of Reference
- Review of NED fees

Corporate Governance Report

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Consideration of Stakeholder Interests

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: **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 for publication 'The Johnsons Way' – our refreshed strategy which sets out the framework that underpins our approach to sustainability. In addition, in August 2022, the Group published its inaugural Sustainability report. 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.

Principal Decision: **New Bank Facility**
Stakeholders: Employees, Customers, Suppliers, Communities, Shareholders

On 8 August 2022, a new £85 million bank facility was entered into for an initial three-year term. The initial margin is 1.45% over SONIA. The terms of the facility provide an option to extend the term for up to a further two years and an option to increase the facility by up to a further £50 million, both with bank consent. In making its decision to approve entering into the bank facility, the Board considered the requirement for stable sources of finance in order for the Company to effectively operate all facets of its operations, including the pursuit of the Company's sustainability agenda, it being the Company's intention to add sustainability performance targets to the facility in the near future. 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 enter into the new £85 million bank facility.

Principal Decision: **Interim Dividend**
Stakeholders: Shareholders

Reflecting the post COVID-19 pandemic recovery and the resumption of more normal levels of cash generation, in the first half of 2022, the Board approved an interim dividend of 0.8 pence per Ordinary share which was paid on 4 November 2022. The interim dividend represents a return to the Company's progressive dividend policy and the Board's current intention to reduce dividend cover from the Company's historical level of cover of 3 times cover to 2.5 times cover by financial year 2024.

In reaching this decision, the Board carefully considered a number of factors including the importance of a dividend to the Company's shareholders, having regard to the Board's announcement, in March 2020, of its decision to suspend dividend payments in order to prioritise the protection of the business from the negative impacts of the COVID-19 pandemic, the resumption of more normalised trading levels and the Group ceasing to receive payments under the Government's Coronavirus Job Retention Scheme.

Principal Decision: **Share Buyback**
Stakeholders: Shareholders

The Group's objective is to employ a disciplined approach to investment, returns and capital efficiency to deliver sustainable compounding growth whilst also maintaining a strong balance sheet. Against this backdrop, in September 2022, the Company announced the launch of a share buyback programme of the Company's Ordinary shares for up to a maximum aggregate consideration of £27.5 million (excluding expenses). In reaching its decision, the Board considered ongoing capital expenditure at current levels to fund organic growth, payment of dividends and acquisitions within the M&A pipeline. After taking account of these factors, the Group had significant headroom under its committed facilities and target leverage. Accordingly, the Board concluded that the share buyback programme is prudent, reflects the cash generative ability of the Group, maintains a strong balance sheet consistent with its capital allocation policy and would therefore promote the success of the Company for the benefit of its members as a whole.

Board Committees

The Committees of the Board which met during 2022 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.

Linked to the launch of our refreshed sustainability strategy an additional Committee of the Board, the Sustainability Committee, was established. The Sustainability Committee's membership is comprised of the Group's Management Board (which includes the Company's Executive Directors) plus the Group's Head of Sustainability and is chaired by the Chief Executive Officer. Whilst not members of the Sustainability Committee, the Non-Executive Chair of the Company and the Independent Non-Executive Directors of the Company are also entitled to attend meetings of the Sustainability Committee. 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.

Further details relating to the work of the Sustainability Committee during 2022 can be found on page 29.

Group Management Board

The Group Management Board is chaired by 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.

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;
- regular meetings between institutional investors and analysts and the Chief Executive Officer and the Chief Financial Officer 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.

Corporate Governance Report
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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.

During 2022, 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. The feedback received was consistent with that given to the CEO and CFO. Jock will once again extend this invitation to our major Shareholders during 2023. 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'), an updated version of which was approved by the Board for adoption in November 2022, which 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 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 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.

A second round of employee engagement surveys has recently been completed across the entire Group. Across the surveys we scored highly in areas such as employees knowing what is expected of them in their job (96-97%), employees understanding how their job impacts the customer (96-99%) and employees feeling that they play a part in the success of the company (91-94%). A number of opportunities for further improvements and initiatives were also identified.

Further details including 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.

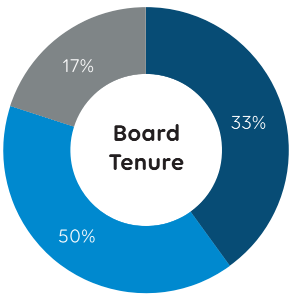
Composition of the Board

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

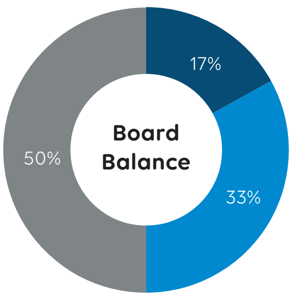
Biographies of the Directors of the Company are shown on page 56. With the exception of Nicola Keach, who was appointed to the Board as an additional Independent Non-Executive Director on 1 June 2022, they all held office throughout the year, and up to the date of approving this Report.

		Date first appointed to the Board	Date first elected to the Board	Tenure since appointment (as at 31 December 2022)
Non-Executive Directors				
Jock Lennox	Non-Executive Chair	5 January 2021	5 May 2021	**2 years**
Chris Girling	Senior Independent Non-Executive Director	29 August 2018	8 May 2019	**4 years 4 months**
Nick Gregg	Independent Non-Executive Director	1 January 2016	5 May 2016	**7 years**
Nicola Keach	Independent Non-Executive Director	1 June 2022	–	**7 months**
Executive Directors				
Peter Egan	Chief Executive Officer	1 April 2018	3 May 2018	**4 years 9 months**
Yvonne Monaghan	Chief Financial Officer	31 August 2007	17 June 2008	**15 years 4 months**

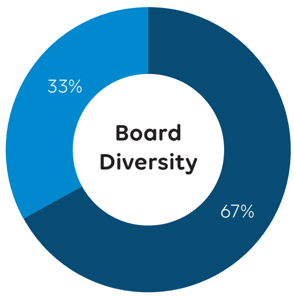
Tenure, Balance & Diversity



● > 5 years ● 1-5 years ● < 1 year



● Chair ● Executive Directors ● Independent Non-Executive Directors



● Male ● Female

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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Although the Company's shares are admitted to trading on the AIM division of the London Stock Exchange, the Board is mindful of governance developments regarding Board composition and diversity, including the FCA's changes to the Listing Rules (applicable to issuers with equity shares admitted to the premium or standard segment of the FCA's Official List) requiring at least 40 per cent of the Board to be women; at last one of the senior Board positions (Chair, Chief Executive, Chief Financial Officer or Senior Independent Director) to be a woman; and at least one member of the Board to be from an ethnic minority background, as well as the conclusions and recommendations of the Hampton-Alexander and Parker Reviews regarding board composition in FTSE 350 companies.

Against this backdrop, the Board welcomed the appointment of Nicola Keach to the Board as a Non-Executive Director, in June 2022, which increased female representation on the Board to 33 per cent. Accordingly, the Board will continue to have regard to diversity as an important consideration in Board composition as and when natural succession changes arise.

Division of Responsibility of Chair and Chief Executive Officer

The Code requires that there is a clear division of responsibility between the Chair and the Chief Executive Officer, each of which has clearly defined roles. The Chair 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 Chair is set out in writing and agreed by the Board. The Chair 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 Chair;
- chairing the Group Management Board meetings; and
- chairing the Sustainability Committee.

Board Meetings and Attendance

There were seven scheduled Board meetings during 2022 and, additionally, a further seven unscheduled meetings in relation to, inter alia, the appointment of Nicola Keach to the Board, M&A activity, capital investment projects and other corporate activity (including the share buyback programme).

On the rare occasion that a Director is unavoidably unable to attend a meeting, they would generally hold a briefing with the Chair prior to the meeting so that their comments and input can be taken into account at the meeting. The Chair 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. By way of example, Jock Lennox was invited to attend, and did so, each meeting of the Audit Committee.

	Board (Scheduled)	Board (Unscheduled)	Audit Committee	Nomination Committee (Scheduled)	Nomination Committee (Unscheduled)	Remuneration Committee (Scheduled)	Remuneration Committee (Unscheduled)
Maximum Number of Meetings	**7**	**7**	**3**	**1**	**3**	**3**	**1**
Jock Lennox	7	7	n/a	1	3	3	1
Chris Girling	7	6	3	1	3	3	1
Nick Gregg	7	7	3	1	3	3	1
Nicola Keach[1]	4	3	2	0	1	2	0
Peter Egan	7	7	n/a	n/a	n/a	n/a	n/a
Yvonne Monaghan	7	7	n/a	n/a	n/a	n/a	n/a

Note 1: Appointed to the Board as an Independent Non-Executive Director with effect from 1 June 2022.

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

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 Chair 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 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 to the Company 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 to the Company 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.

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Performance Evaluation

Each year, the Independent Non-Executive Directors conduct a performance evaluation of the Chair, after taking into account the views of the Executive Directors. The Chair 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.

Following the formal, independent, external evaluation of the Board and its Committees conducted in the final quarter of 2021, the results of which were subsequently reported in the Company's annual report for the financial year ended 31 December 2021, the Board conducted an internal Board evaluation during the year which covered, inter alia:

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

For 2022, the evaluation also sought Director views on:

- the progress that the Board had made with reference to the implementation of follow up actions to help improve the performance and effectiveness of the Board identified as part of the formal, independent, external evaluation of the Board, conducted in the final quarter of 2021; and
- key focus topics for the Board during 2023.

In addition to regular discussions that the Chair held with each Director throughout the year, as part of the internal Board evaluation, the Chair held individual discussions with each Director to discuss the aggregated, anonymised, feedback in relation to the internal Board evaluation exercise. The results of those discussions (including progress against the recommended actions identified as part of the formal, independent, external evaluation of the Board) were summarised by the Chair and considered by the Board.

Overall, the feedback from Board members was positive, indicating a desire to continue the Board's focus, primarily, on strategy development and succession planning; whilst exploiting the growth opportunities that are available to the Group; delivering on the Group's sustainability aims; and continuing to develop and encourage our people.

As reported in the 2021 Annual Report, whilst the external evaluation, conducted in the final quarter of 2021, 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. The Board committed to monitoring the implementation of these follow up actions during the course of 2022 and report on progress in the 2022 Annual Report. Accordingly, the Board is pleased to report good progress with the implementation of the improvement actions identified as follows:

Topic	Action	Status
Succession:	Continued focus on Board composition and succession planning.	Additional Independent Non-Executive Director appointed in June 2022. Succession planning has featured as a dedicated Board agenda topic and the Board receives regular updates on the same.
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 "Johnsons Way".	New sustainability strategy, 'The Johnsons Way', launched in February 2022 and the publication of the group's inaugural Sustainability Report. The Board receives regular updates on the status and progress of the Group's sustainability agenda, including goals, targets, actions and the linkage to overall business strategy.
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.	Deep dive risk-related topics have become regular and periodic features on the Board agenda (e.g. Cyber security and Health & Safety).
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.	Various deep dive topics have regularly featured on the Board agenda. Prior to the closure of Board meetings, members are invited to consider conversations that have concluded and adapt the forward Board agendas accordingly.

Topic	Action	Status
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.	A matters arising document, in the form of an action log, now issued promptly following each meeting. This document includes all outstanding actions allowing Board members to understand all open items from previous meetings, what work is in progress and when matters have been completed.

As a result of the above reviews and evaluations, it is considered that the performance of each Director (and, collectively, the Board and its Committees) 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 (or, for Nicola Keach, 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).

AGM 2022 Voting: Engagement with Shareholders – Final Summary

At the annual general meeting of the Company held on 4 May 2022, resolution 3 (Resolution to re-elect Jock Lennox) received 22.74% proxy votes against it.

In the summary of annual general meeting voting results, made available on the Company's website, following the annual general meeting, it was noted that where a material vote against a resolution is received, the board aims to engage in constructive dialogue with shareholders in order to fully understand their concerns.

Accordingly, following the 2022 annual general meeting, the Company issued formal letters to each of those investors registering a material vote against the resolution inviting further dialogue in order to understand the rationale behind their voting decision.

Feedback received from those investors who responded indicated that the rationale for votes against the resolution related, primarily, to Board diversity – specifically, that the Board's membership, at the time, was comprised of less than two female Directors. In June 2022, Nicola Keach was appointed to the Board as an additional Non-Executive Director. Nicola's appointment to the Board, in addition to Yvonne Monaghan, the CFO, brought the Company's total number of female Board members to two. The appointment process which, ultimately, resulted in Nicola's appointment to the Board was already underway at the time of the 2022 Annual General Meeting, having been initiated in January 2022, however the Company was unable to disclose the details of this process at the time.

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;

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- 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 76 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 47 to 53.

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 undertakes an on-going programme to provide assurance on the adequacy and effectiveness of internal control and risk management processes across the Group's operations. Further details are set out within the Audit Committee Report.

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 page 59.

Future Prospects

The Board has assessed the future prospects of the Group in accordance with Provision 31 of the 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 page 15.

Section 5: Remuneration

Principles:

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

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

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

Remuneration Committee

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 Chair 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 2022 and how it is expected to be applied in 2023, are outlined in the Directors' Remuneration Report, on pages 85 to 109.

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 6 March 2023.

By order of the Board.

Christopher Clarkson
Company Secretary

6 March 2023

Audit Committee Report

Letter from Chris Girling, Chair 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 2022.

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 the macro-economic environment. The Group's operations and financial arrangements have been challenged by rising costs and price negotiations with customers. 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 2022, the Committee concentrated on the accounting judgments and disclosures relating to the ongoing, although significantly reduced, impact of COVID-19 and the more recent challenging inflationary environment on the Group's businesses, including 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 2022. The Committee is satisfied that the statements made by executive management on pages 47 to 53 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 2022 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.

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 ensuring our internal control processes continue to operate effectively and remain appropriate for the changing environment in which the Group operates. 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
Chair, Audit Committee

6 March 2023

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, inter alia, 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;
- recommending the appointment of, and ongoing 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 Chair)	✓	✓	✓
Nick Gregg	✓	✓	✓
Nicola Keach[1]	–	✓	✓

Note 1: Appointed to the Board as an additional Independent Non-Executive Director and Committee member with effect from 1 June 2022.

What the Committee did in 2022

In 2022, 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;

Audit Committee Report

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- monitoring the reporting, and follow up of items reported, on the employee whistleblowing 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 documentation, recording and overall internal control environment in relation to customer rebate arrangements across the Group.

Fair, Balanced and Understandable

At the request of the Board, the Committee has considered whether, in its opinion, the 2022 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 2022 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; 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.

As previously stated in the 2021 Annual Report and Accounts, the Lilliput cash generating unit (CGU) had a higher sensitivity to changes in the discount rate than the other CGUs. As set out in the Consolidated Interim Financial Statements at 30 June 2022, and as a result of the increase in the pre-tax discount rate to 12.40% at June 2022 from 10.51% at December 2021, the Group recognised a goodwill impairment loss of £1.4 million in respect of Lilliput.

Following the recently completed investment undertaken at Lilliput, the most recent financial forecasts for the Group reflect revised expected future cash flows for Lilliput. Accordingly, no further impairment was required as at 31 December 2022 and, in fact, significant headroom exists. However, under International Financial Reporting Standards, an impairment cannot be reversed.

The Committee reviewed and challenged management's overall 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. The Committee concluded that the methodology and assumptions used by management were reasonable.

Post-employment Benefit Obligations

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

Accounting for Complex Customer Arrangements

As in previous years, the Group offers rebates to certain customers based on agreed fixed rates relating to the volume of services provided and goods purchased. The Committee does not consider the Group's rebates to be highly complex as: they are volume related; there are generally written agreements in place; and historical estimates of rebates have been seen to be accurate. However, following FRC guidance this has been highlighted as an area of focus. The Committee has discussed any judgments made in accruing customer rebates with management and the auditors. The Committee is satisfied that the amounts of expense accrued are appropriate.

Going Concern Assessment

The Committee reviewed in detail the going concern assessment prepared by management, which comprised monthly cash flow projections for the period to 30 June 2024 (the assessment period), reflecting an initial set of assumptions around financial projections and trading performance. Detailed explanations had been provided by management with regard to the assumptions used in the cash flow projections. The Committee carefully studied the assumptions and considered that they were sensible and appropriate to the circumstances.

The Committee also considered the stress tests that had been performed by management, which reflected subdued trading conditions and which were designed to stress test liquidity and covenant compliance. Again, the Committee carefully studied the assumptions used in the stress tests and considered that they were sensible and appropriate to the circumstances.

After considering the monthly cash flow projections, the stress tests 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 2024. Accordingly, 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 and should not be regarded as a complete picture of the Group's performance.

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), goodwill impairment 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
- adjusted net debt, which refers to net debt excluding IFRS16 liabilities.

The Committee considers that the APMs, all of which exclude the effects of non-recurring items or non-operating events, provide useful information for Stakeholders on the underlying trends and performance of the Group. Furthermore, the Committee is content that where APMs are stated, they are presented with equal prominence to the statutory figures. The Committee also considers the accounting policy in respect of APMs and noted that it referred to a number of limitations of APMs as well as providing clear signposts to where APMs are reconciled to statutory performance measures within the Annual Report and Financial Statements.

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 2022;
- 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.

The performance of Grant Thornton UK LLP ('Grant Thornton') as external auditor to the Company in respect of the year ending 31 December 2022 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.

Audit Committee Report

Continued >

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 and Company.

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

Fees payable to Grant Thornton in 2022 in respect of audit related services amounted to £495,000 (2021: £410,000).

Fees payable to Grant Thornton in 2022 in respect of non-audit related services amounted to £15,000 (2021: £nil). The non-audit related procedures were in relation to the performance of agreed upon procedures in respect of informally reviewing, but not auditing, the Group's 2022 Consolidated Interim Financial Statements.

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 employees 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 Chair, 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 2024. Full details are set out in the Notice of Annual General Meeting on pages 190 to 199. 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 includes a number of qualified accountants, 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 Group Financial Controller 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 Group Financial Controller 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.

Audit Committee Report
Continued >

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

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

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

Bribery Act 2010 (the '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. The Company's modern slavery Compliance Statement, pursuant to Section 54(1) of the Modern Slavery Act 2015, for the financial year ended 31 December 2022 was approved by the Board on 19 January 2023. Further details can be found on pages 42 to 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 current and preceding financial years, 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. In the preceding financial year, 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
Chair, Audit Committee

6 March 2023

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 2022.

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

The Committee is chaired by myself with remaining membership comprising the three other Independent Non-Executive Directors including, with effect from 1 June 2022, Nicola Keach. Membership of the Committee is therefore in compliance with Provision 17 of the Financial Reporting Council's UK Corporate Governance Code 2018 (the '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 2022

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

- following initiation of a review process in November 2022, reviewing the performance of the Executive Directors and concluding that their performance continues to be effective and that each demonstrates sufficient commitment to their role;
- following an extensive selection process, which involved an external search consultancy, recommending to the Board the appointment of Nicola Keach as an additional Independent Non-Executive Director;
- 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.

Appointment of Independent Non-Executive Director

Nicola Keach was appointed to the Board as an Independent Non-Executive Director on 1 June 2022. Nicola's appointment was the result of a rigorous selection process which was initiated in January 2022. The Board employs the services of external search consultancies as part of the process to identify potential Board candidates. The Committee considered the credentials of a number of providers before recommending the appointment of the recruitment firm considered best placed to meet the brief. The consultancy firm chosen, MWM Consulting, was considered to be independent of, and had no other links with, the Company or its Directors in connection with the brief.

Nomination Committee Report
Continued >

The Committee, led by myself, managed the candidate assessment process. The process included the development of a success profile which was discussed and agreed, in conjunction with input from the Executive Directors, by the Committee. Candidates were rigorously assessed against this profile in order to determine their suitability, in particular, exploring and understanding what their past experiences and career may offer to the Group. Following this, a short list of potential candidates was selected. Each shortlisted candidate met with each member of the Board to explore specific predetermined areas with them. Each member of the Board provided their feedback to the Committee and, after detailed discussions and careful debate, the Committee concluded, having taken all of the feedback into consideration, that Nicola had the necessary skills and experience. Accordingly, in April 2022, the Committee was able to make a recommendation to the Board that she should be appointed to the Board as an Independent Non-Executive Director.

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. In furtherance of the Group's sustainability agenda, in November 2022, the Board approved for adoption a new Group wide Equality, Diversity & Inclusion (ED&I) policy for publication internally and externally. This policy is intended as the overarching statement for the whole Group across this topic and will apply to all employees, contractors and agency workers across the Group. Further details can be found on pages 31 and 32.

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. Although the Company's shares are admitted to trading on the AIM division of the London Stock Exchange, the Board is mindful of governance developments regarding Board composition and diversity, including the FCA's changes to the Listing Rules (applicable to issuers with equity shares admitted to the premium or standard segment of the FCA's Official List) requiring at least 40 per cent of the Board to be women; at least one of the senior Board positions (Chair, Chief Executive, Chief Financial Officer or Senior Independent Director) to be a woman; and at least one member of the Board to be from an ethnic minority background, as well as the conclusions and recommendations of the Hampton-Alexander and Parker Reviews regarding board composition in FTSE 350 companies.

Against this backdrop, the Board welcomed the appointment of Nicola Keach to the Board as a Non-Executive Director, in June 2022, which increased female representation on the Board to 33 per cent. Accordingly, the Board will continue to have regard to diversity as an important consideration in Board composition as and when natural succession changes arise.

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
Chair, Nomination Committee

6 March 2023

Directors' Remuneration Report

Letter from Nick Gregg, Chair of the Remuneration Committee

Dear Shareholder.

On behalf of the Board, I am pleased to present our 2022 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 the vast majority of Shareholders, as reflected by the voting results at the 2022 AGM where we received 82.45% of votes in favour of the Directors' Remuneration Report. While this level of support was lower than received in previous years, the Remuneration Committee appreciated the backing of many Shareholders for the decisions taken in respect of 2021. With the exception of an amendment to the CFO's pension entitlement (explained below), no changes are proposed to the remuneration policy for 2023. However (as also explained below), in 2023 we are implementing the policy differently in respect of the weighting on ESG measures within the annual bonus scheme and the choice of performance measures for the LTIP.

Remuneration in 2022

For 2022, in line with market practice, the operation of our remuneration schemes reverted broadly to general principles that applied prior to the COVID-19 pandemic:

- base salary for each executive Director was increased by 2.5 per cent with effect from 1 January 2022, such increase being lower than that of the wider employee population;
- whilst the majority of the bonus opportunity was based on the Group's adjusted profit before taxation result, for 2022, the Committee introduced a number of specific and measurable sustainability targets, in respect of 10 per cent of the overall bonus opportunity, to reflect our enhanced focus on ESG following the launch of The Johnsons Way, our refreshed sustainability strategy. Achievement against the performance targets was assessed after the end of the financial year and this resulted in a payment of 22.5 per cent of the maximum available to the Executive Directors. The full targets are disclosed on pages 98 and 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 2024. Following careful consideration, the Committee agreed to retain two separate performance targets:
    - **Total Shareholder Return:** 50 per cent of the 2022 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 2022 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 2022 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 2022 LTIP Award will vest by reference to the Company's adjusted diluted earnings per share from continuing operations ('EPS') as at 31 December 2024. The figure will be further adjusted to exclude any impact on EPS of the capital allowances super-deduction, which offers 130 per cent first-year relief on qualifying main rate plant and machinery investments until 31 March 2023. None of this element of the 2022 LTIP Award will vest if EPS is less than 9.5 pence, one quarter will vest if EPS is equal to 9.5 pence and the whole of this element of the 2022 LTIP Award will vest if EPS is 10.6 pence or greater. Vesting will be on a straight-line basis if EPS is between 9.5 pence and 10.6 pence. The structure of this performance target is similar to that for the 2021 LTIP Award.

The Committee is satisfied that the targets chosen for the 2022 LTIP 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 2020, with performance measured over the three-year period to 31 December 2022. Taking into account both the Group's Total Shareholder Return (TSR) performance relative to the FTSE AIM All-Share Industrial Goods and Services net return index and Adjusted Earnings Per Share (EPS) performance relative to RPI, the Committee determined that the performance targets had not been met, that no discretion would be applied to the outcome and that, therefore, the LTIP award would lapse in full.

Remuneration Policy

During the year, the Committee undertook its usual review of the remuneration policy and its implementation, taking account of the 2018 UK Corporate Governance Code (the 'Code'), the Remuneration Regulations which apply to Main Market companies 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 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 2022.

Directors' Remuneration Report

Letter from Nick Gregg, Chair of the Remuneration Committee

Continued >

The remuneration policy is structured in line with the factors set out in Provision 40 of the 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. 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 continue to 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 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 (where the further two-year holding period over and above the three-year performance period continues to apply in the event of cessation of employment) and the existing personal shareholding requirement of 200 per cent 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. Pension rates for the CEO and CFO reflect historic entitlements. We have not yet fully aligned Executive Director pensions with the wider workforce; however, we are aware of the general investor expectation in this area and action has been taken to establish a pathway to alignment towards the rate applicable to the majority of the wider workforce. Whilst provision for both the CEO and the CFO remains above the workforce average, we have (as previously disclosed) moved the effective pension contribution rate for the CEO closer towards the rate payable to the wider workforce, with the CEO's maximum entitlement capped at the cash value of the CEO's 2019 entitlement such that, over a period of time, the rate payable to the CEO will reduce and move closer to that payable to the wider workforce. For 2022, this equated to a contribution rate of 9.4 per cent on the CEO's salary (2021: 9.7 per cent). Furthermore, we have recently agreed that, with effect from 1 January 2023, the pension contribution rate for the CFO will be reduced to 15 per cent of base salary and then further reduce to 12 per cent of base salary and then 9 per cent of base salary with effect from 1 January 2024 and 1 January 2025, respectively. 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 (currently 6 per cent).

Looking Ahead

The Committee has agreed to increase the base salary for each of the Chief Executive Officer and Chief Financial Officer by 3.5% with effect from 1 January 2023, such increase being significantly lower than that for the wider employee population.

The performance measures for the 2023 annual bonus scheme are set out on page 106. We have decided to adopt a similar approach to the bonus scheme as applied in 2022, with an adjusted PBT measure applying to the majority of the bonus, supplemented with ESG targets linked to the sustainability strategy of the business. One change we are making is to increase the weighting on ESG from 10 per cent to 15 per cent, signalling the increasing importance placed by the Board on driving further performance in this area. As in previous years, we will disclose the specific 2023 annual bonus targets and our performance against them in our 2023 Directors' Remuneration Report.

The Committee intends to grant the 2023 LTIP award to all eligible participants, including the Executive Directors, in March 2023. Historically we have granted LTIP awards to the Executive Directors and members of the Group Management Board. For 2023, we intend to broaden participation to a wider group to link the incentives of a number of additional senior employees with long-term Group performance, and to ensure we are providing suitably competitive packages to key people within the organisation. Awards for the Executive Directors will again be at a level of 125 per cent of salary for the Chief Executive Officer and 110 per cent of salary for the Chief Financial Officer, with lower salary multiples applying to other employees.

The awards for all participants will have the same performance metrics. For the 2023 grant, we will retain the relative TSR measure and targets as set out above for 50 per cent of the award. For the other 50 per cent, the Committee has decided to adopt stretching targets linked to adjusted PBT per share growth over the three-year performance period in place of the EPS measure used to date. The key reason for this change is that EPS is expected to be materially impacted over the coming years by changes to tax rates as the benefit of the capital allowances super-deduction unwinds and the headline rate of corporation tax increases to 25 per cent from 2023. By focusing on adjusted PBT per share, we can ensure that management is incentivised on a similar per share measure but one which is not impacted by these changes (over which the Group has limited control).

We have agreed performance targets for this measure which are considered suitably challenging in the context of current internal and external forecasts of performance. None of the adjusted PBT per share element of the 2023 LTIP Award will vest if adjusted PBT per share growth is less than 5 per cent per annum above the level of adjusted PBT per share for the financial year ended 31 December 2022. One quarter of this element will vest for adjusted PBT per share growth of 5 per cent per annum above the level of adjusted PBT per share for the financial year ended 31 December 2022, and the whole of this element will vest for adjusted PBT per share growth of 10 per cent per annum or greater above the level of adjusted PBT per share for the financial year ended 31 December 2022. Vesting will be on a straight-line basis if adjusted PBT per share growth is between 5 per cent and 10 per cent per annum.

The Committee believes that replacing EPS with adjusted PBT per share for the 2023 LTIP Award is appropriate, for the reasons set out above. Next year, we will review whether we should retain adjusted PBT per share for the 2024 LTIP award, or whether reverting to EPS (or using a different measure) would be preferable, taking into account the circumstances at the time. We will confirm our decision in next year's Directors' Remuneration Report.

Conclusion

2023 will inevitably be another busy year for the Committee given ongoing economic uncertainty and a challenging external environment. 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 2023 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 2022 and 2023 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
Chair, Remuneration Committee

6 March 2023

Directors' Remuneration Report

Committee Summary

REMUNERATION COMMITTEE

Membership and Attendance

Throughout 2022, membership of the Remuneration Committee (the 'Committee') comprised of the Independent Non-Executive Directors and the Committee has been chaired by Nick Gregg. Nicola Keach joined the Committee as an additional member following her appointment as an Independent Non-Executive Director on 1 June 2022. 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 Chair)	Jan 2016	4	4
Chris Girling	Aug 2018	4	4
Jock Lennox	Jan 2021	4	4
Nicola Keach	Jun 2022	2	2

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 Chair 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 Chair of the Committee and were appointed by the Committee in June 2019.

The Chair 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 during the current and preceding year, in each case as at 31 December, are as follows:

	2022 £000	2021 £000
Fees payable (note 1)	**17**	2
	17	2

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 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 2022, this equated to a contribution rate of 9.4% on the CEO's salary (2021: 9.7%). The CFO was previously entitled to a maximum pension cash allowance of 17.8% of base salary. Having regard to developments in executive pensions and in order that the employer contribution rate in respect of the CFO progresses towards the rate applicable to that for the majority of the wider workforce, the Committee has determined that, with effect from 1 January 2023, the pension contribution rate for the CFO will be reduced to 15 per cent of base salary and will then further reduce to 12 per cent of base salary and then 9 per cent of base salary with effect from 1 January 2024 and 1 January 2025, respectively. 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. The Committee sets appropriately challenging targets each year. Performance targets have historically been based upon the Group's financial results however, to reflect our enhanced focus on ESG, the Committee introduced a sustainability target in respect of 10 per cent of the overall bonus opportunity for 2022. As noted on the right, this is increasing to 15 per cent for 2023. 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. The annual bonus is subject to malus and/or clawback. The Chair 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 previous years, annual bonus targets have been based on the Group's adjusted profit before taxation result, with performance measured over the financial year. For 2022, whilst the majority of the bonus opportunity was based on the Group's adjusted profit before taxation result, in line with market practice and following the launch of The Johnsons Way, the Group's refreshed sustainability strategy, in February 2022, the Committee introduced a number of specific and measurable sustainability targets, in respect of 10 per cent of the overall bonus opportunity. For 2023, the weighting has increased to 15 per cent of the overall bonus opportunity. 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. Participants are required 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. To date, awards have been granted with performance conditions linked to the Company's Total Shareholder Return (TSR) and Earnings per Share (EPS) performance. For the 2023 LTIP Award, as explained on page 86, the Committee has decided to replace EPS with an adjusted PBT per share measure. Further details are set out on pages 102 to 104.

NOTES TO THE REMUNERATION POLICY TABLE

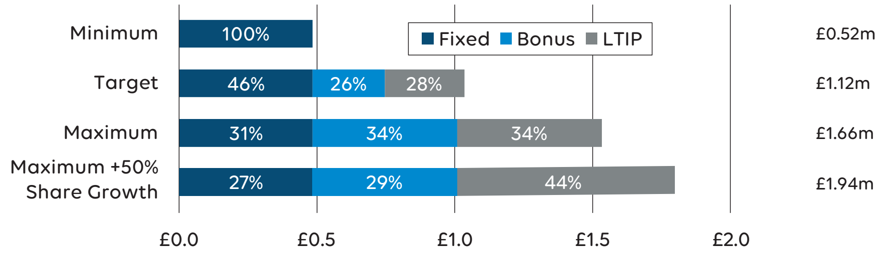
The Remuneration Policy for Executive Directors differs from that of other members of the Group Management Board solely in respect of quantum of the various components and remuneration. Executive Directors have a greater proportion of their total remuneration package at risk than other employees, however,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

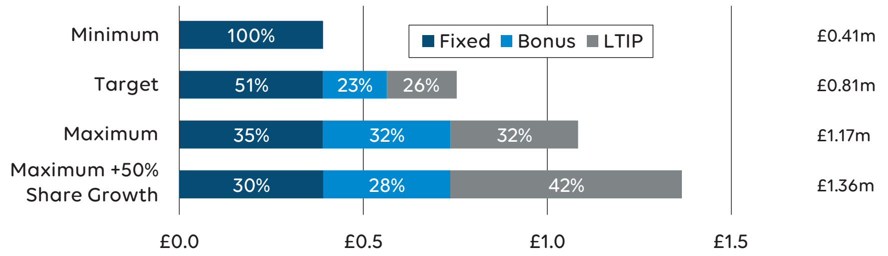
The Company's policy is to provide a total remuneration package that links corporate and individual performance with an appropriate balance between short and long term elements, and fixed and variable components. The charts below show an example of the remuneration that could be receivable by Executive Directors in office at 1 January 2023 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 2023;
  - value of taxable benefits received in 2022 as shown in the single figure table on page 97; and
  - pension cash alternative allowance as at 1 January 2023.
- 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.

Directors' Remuneration Report
Remuneration Policy
Continued >

MALUS AND CLAWBACK

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

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

The circumstances in which the Committee may apply the malus and clawback provisions included, but were not limited to:

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

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

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

The Committee also resolved that:

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

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

PERSONAL SHAREHOLDING REQUIREMENT AND HOLDING PERIODS

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

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

The Committee has also considered whether Executive Directors should be required to hold any shares for a further period after vesting or exercise of an LTIP award, subject to the need to finance any costs of acquisition and associated tax liabilities. The rules of the 2018 Long-Term Incentive Plan (the '2018 LTIP 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, currently unforeseen, circumstances such remuneration may be required.

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 2022 for Peter Egan and Yvonne Monaghan was four years, nine months and fifteen 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 'Good leaver' status may apply in circumstances of, inter alia, cessation of employment due to death, ill-health, disability, redundancy or retirement. The malus and clawback provisions would continue to apply in the event that any such discretion was exercised.

Directors' Remuneration Report

Remuneration Policy

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CHAIR'S SERVICE AGREEMENT

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

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

At 31 December 2022, the unexpired terms of the Chair's letter of appointment was:

	Date of Latest Letter of Appointment	Term Start Date	Term End Date	Unexpired Term at 31 December 2022
Jock Lennox	4 January 2021	5 January 2021	4 January 2024	**1 year**

NON-EXECUTIVE DIRECTORS' SERVICE AGREEMENTS

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

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

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

At 31 December 2022, 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 2022
Chris Girling	24 August 2021	29 August 2021	28 August 2024	**1 year 8 months**
Nick Gregg	24 August 2021	1 January 2022	31 December 2024	**2 years**
Nicola Keach	31 May 2022	1 June 2022	31 May 2025	**2 years 5 months**

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; and Nicola Keach was first appointed to the Board on 1 June 2022.

Directors' Remuneration Report
Annual Remuneration Report

SINGLE TOTAL FIGURE OF REMUNERATION (AUDITED)

	Note	Peter Egan		Yvonne Monaghan	
		2022 £000	2021 £000	**2022 £000**	2021 £000
Fixed Pay					
Base Salary		**441**	428	**331**	321
Taxable Benefits	1	**17**	17	**19**	20
Pension	2	**42**	42	**59**	57
		500	487	**409**	398
Performance Related Pay					
Bonus	3	**124**	196	**82**	129
LTIP – Corporate Performance	3	**–**	–	**–**	–
LTIP – Share Price Growth	3	**–**	–	**–**	–
		124	196	**82**	129
Single Total Figure of Remuneration		**624**	683	**491**	527

Note 1: 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 (2021: £14,500) and his private medical insurance benefit was £2,428 (2021: £2,529). Yvonne Monaghan's car benefit for the year was £17,500 (2021: £17,500) and her private medical insurance benefit was £1,942 (2021: £2,023).

Note 2: Details of the amounts shown for Pension are set out on page 98.

Note 3: 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 to 102 respectively. No bonus was deferred.

Directors' Remuneration Report
Annual Remuneration Report
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PENSIONS

Executive Directors are contractually entitled to receive retirement benefits, which are calculated on base salary, under one or more of the Group's contributory defined benefit or defined contribution schemes. Details of the schemes are given in note 26 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, which is the amount that would be paid annually on retirement (at normal retirement age), for Peter Egan at 31 December 2022 was £13,200 (2021: £12,800) and allows for revaluation in deferment from the date of leaving to the date of calculation. Pension entitlement is calculated based on the total period of pensionable service to the Company, both before and after becoming a Director.

Yvonne Monaghan took a partial transfer of benefits from the JGDBS on 31 March 2012 and her date of retirement from the JGDBS was 16 September 2021.

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 £117,781. 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 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 (2021: £41,613).

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 £58,944 (2021: £57,155). As noted in the letter from the Chair of the Remuneration Committee, the Committee determined that, with effect from 1 January 2023, the pension contribution rate for Yvonne will be reduced to 15% of her base salary and will then further reduce to 12% of her base salary and then 9% of her base salary with effect from 1 January 2024 and 1 January 2025, respectively.

2022 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.

For 2022, the Committee determined that, in line with market practice, the operation of our remuneration schemes would revert, broadly, to general principles that applied prior to the COVID-19 pandemic. 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. However, for 2022, to reflect our enhanced focus on ESG, the Committee introduced sustainability targets in respect of 10 per cent of the overall bonus opportunity.

The performance targets for 2022 are as set out below:

	Minimum £m	Target £m	Maximum £m	Achieved £m	Bonus Achieved as % of Maximum Opportunity
Adjusted PBT (excluding notional interest)	37.4	40.4	45.4	38.2	13.9

For the 10 per cent of the bonus based on sustainability, the Committee agreed a number of targets linked to different elements of the overall sustainability strategy of the business. The targets and the performance achieved are set out in the table below.

Target	Weighting	Minimum	Maximum	Achievement	Bonus Achieved
Our World Reduction in CO_2e intensity ratio compared with 2021 Measured as tonnes of CO_2e/tonnes of work processed	2%	Reduction greater than 0%	Reduction greater than 5%	Reduction of 24%	100%
Our World Reduction in water consumption intensity ratio compared with 2021 Measured as cubic metres of water consumed/tonnes of work processed	2%	Reduction greater than 0%	Reduction greater than 2%	Reduction of 9%	100%
Our Integrity Proportion of Tier 1 suppliers subject to ethical and environmental audit Tier 1 suppliers represent the largest suppliers to the Group (37 in total)	2%	At least 50% of Tier 1 suppliers audited	75% or more Tier 1 suppliers audited	76% of Tier 1 suppliers audited	100%
Our Family Development and approval of Equality, Diversity & Inclusion (ED&I) policy	2%	n/a	n/a	New ED&I policy approved by Board in Nov 2022	100%
Overall Assessment of 'The Johnson Way' 2022 Objectives Committee assessment of overall extent to which the 2022 Objectives have been achieved and embedded across the Group	2%	n/a	n/a	Strong level of traction with ESG agenda and initiatives across the Group, particularly following appointment of new Head of Sustainability	100%
Total	**10%**				**100%**

The Committee believes that these targets were appropriately stretching in the context of expected levels of performance for the business over 2022. 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 tables above. The overall bonus, inclusive of both the financial and sustainability measures, was assessed at 22.5 per cent of maximum. 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 both in terms of profit performance and against the first set of sustainability measures used for incentive purposes. The Committee believes the introduction of these sustainability measures were successful in encouraging the business to embed key ESG measures and baselines across the Group and also demonstrate real progress against key metrics when compared with 2021, as illustrated in the table above.

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

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INTERESTS IN SHARE CAPITAL

The interests of the Directors who were in office at 31 December 2022, 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 2022 Ordinary shares of 10p each	31 December 2021 Ordinary shares of 10p each	**31 December 2022 LTIP/SAYE options**	31 December 2021 LTIP/SAYE options	Share ownership guidelines
Peter Egan	**359,061**	304,061	**818,654**	631,350	Note 1
Yvonne Monaghan (note 3)	**694,955**	694,955	**542,988**	424,465	Note 1
Jock Lennox	**72,000**	57,000	**–**	–	Note 2
Chris Girling	**17,333**	17,333	**–**	–	Note 2
Nick Gregg	**33,695**	33,695	**–**	–	Note 2
Nicola Keach	**–**	–	**–**	–	Note 2

Note 1: Executive Directors are expected to build up and maintain a personal shareholding in the Company equal to at least 200 per cent 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 originally 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 2022 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 2022:

	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	359,061	–	359,061	96.9	348	441	79%
Yvonne Monaghan	694,955	–	694,955	96.9	673	331	203%

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 2022, the unvested shares as shown in the table below were all subject to performance conditions and hence do not count towards the shareholding requirement.

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 2021	Options Granted During Year	Options Lapsed During Year	Options Cancelled During Year	Options Exercised During Year	At 31 December 2022	Option Price
Peter Egan								
Scheme 1	3 March 2020	266,497	–	(266,497)	–	–	**-**	nil
Scheme 2	3 March 2020	15,228	–	(15,228)	–	–	**-**	197.00p
Scheme 1	22 March 2021	342,689	–	–	–	–	**342,689**	nil
Scheme 3	1 October 2021	6,936	–	–	–	–	**6,936**	129.75p
Scheme 1	16 March 2022	–	469,029	–	–	–	**469,029**	nil
		631,350	469,029	(281,725)	–	–	**818,654**	
Yvonne Monaghan								
Scheme 1	3 March 2020	175,992	–	(175,992)	–	–	**-**	nil
Scheme 2	3 March 2020	15,228	–	(15,228)	–	–	**-**	197.00p
Scheme 1	22 March 2021	226,309	–	–	–	–	**226,309**	nil
Scheme 3	1 October 2021	6,936	–	–	–	–	**6,936**	129.75p
Scheme 1	16 March 2022	–	309,743	–	–	–	**309,743**	nil
		424,465	309,743	(191,220)	–	–	**542,988**	

Scheme 1 - The Johnson Service Group 2018 Long-Term Incentive Plan (the '2018 LTIP Scheme')

Scheme 2 - The Johnson Service Group 2018 Long-Term Incentive Plan CSOP Section (the '2018 Approved LTIP Scheme')

Scheme 3 - 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 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 2022

No Director exercised any awards during 2022. Details of awards exercised during 2021 are set out on page 101 of the 2021 Annual Report and Accounts.

AWARDS LAPSED IN 2022

Under the 2018 LTIP Scheme, awards were granted to certain employees on 3 March 2020 with an exercise price of £nil (the '2020 LTIP Award'). In addition, linked awards were granted on the same date, under the 2018 Approved LTIP Scheme, with an exercise price of 197 pence. 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

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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 was 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'.

Whilst the award would not be capable of vesting until at least 3 March 2023, the performance period ended on 31 December 2022. 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%	(15.9%)	0%	nil	nil
TSR (over Index)	0%	7%	(20.2%)	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

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.

2022 LTIP Award

Awards were granted, under the 2018 LTIP Scheme, to certain employees on 16 March 2022 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 117.6 pence. Peter Egan was granted 469,029 options, equivalent to 125% of his base salary at the time; Yvonne Monaghan was granted 309,743 options, equivalent to 110% of her base salary at the time. The performance period is the three financial years starting 1 January 2022 and ending 31 December 2024. 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

2018 LTIP Scheme

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.

The 2018 LTIP Scheme includes 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 (which, as discussed on page 101 of the 2021 Annual Report and Accounts, lapsed in full with effect from 31 December 2021) and a further award was granted in March 2020 (which, as detailed above, lapsed in full with effect from 31 December 2022). The performance conditions for these awards are set out below.

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.

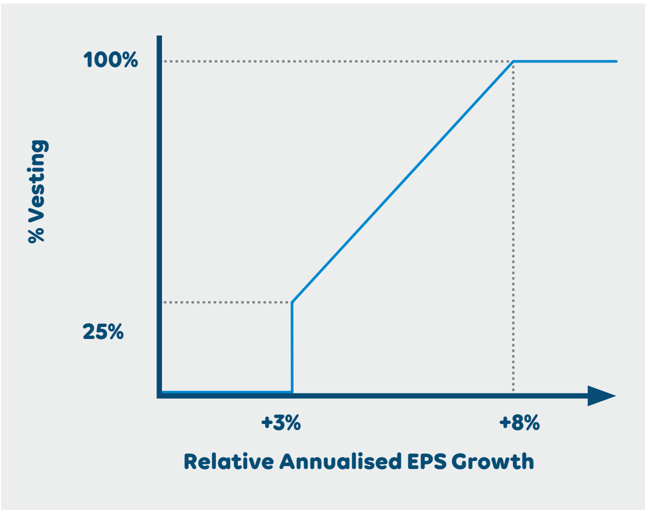
- The remaining 50 per cent of the award will vest by reference to the annualised growth in the Company's adjusted diluted earnings per share from continuing operations ('EPS') over the performance period relative to the annualised growth in the retail price index ('RPI') over the performance period.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

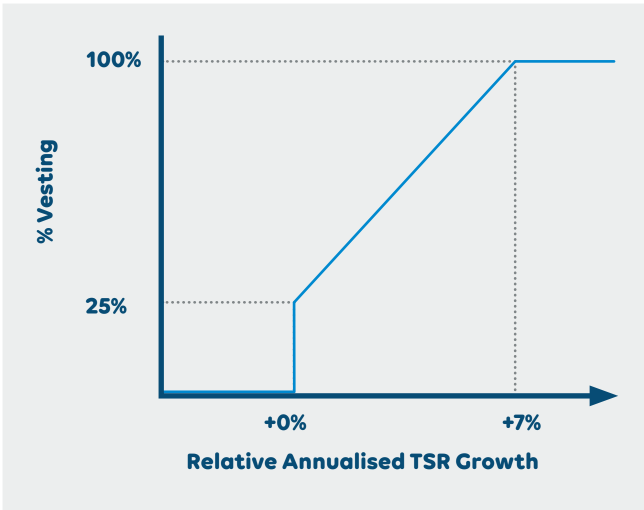
For the purpose of calculating TSR and Index growth, the average of the net return index over the dealing days falling in the period of one month ending on the last day of the performance period will be compared to the average of the net return index over the dealing days falling in the period of one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





A further award was granted under the 2018 LTIP Scheme in March 2021 (the '2021 LTIP Award'). At that time, and as previously disclosed, 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.

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- 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.

Another award was granted under the 2018 LTIP Scheme in March 2022 (the '2022 LTIP Award'). In determining the performance conditions applicable to the 2022 LTIP Award, 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 2024. Following careful consideration, the Committee agreed two separate performance targets which are similar to the targets agreed for the 2021 LTIP Award:

- 50 per cent of the 2022 LTIP Award will vest by reference to the annualised growth in the Company's TSR over the performance period relative to the annualised growth in the Index over the performance period. None of this element of the 2022 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 2022 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.

- The remaining 50 per cent of the 2022 LTIP Award will vest by reference to the Company's adjusted fully diluted EPS as at 31 December 2024. None of this element of the 2022 LTIP Award will vest if EPS is less than 9.5 pence, one quarter will vest if EPS is equal to 9.5 pence and the whole of this element of the 2022 LTIP Award will vest if EPS is 10.6 pence or greater. Vesting will be on a straight-line basis if EPS is between 9.5 pence and 10.6 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.

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. As set out above, the awards lapsed on 31 December 2022.

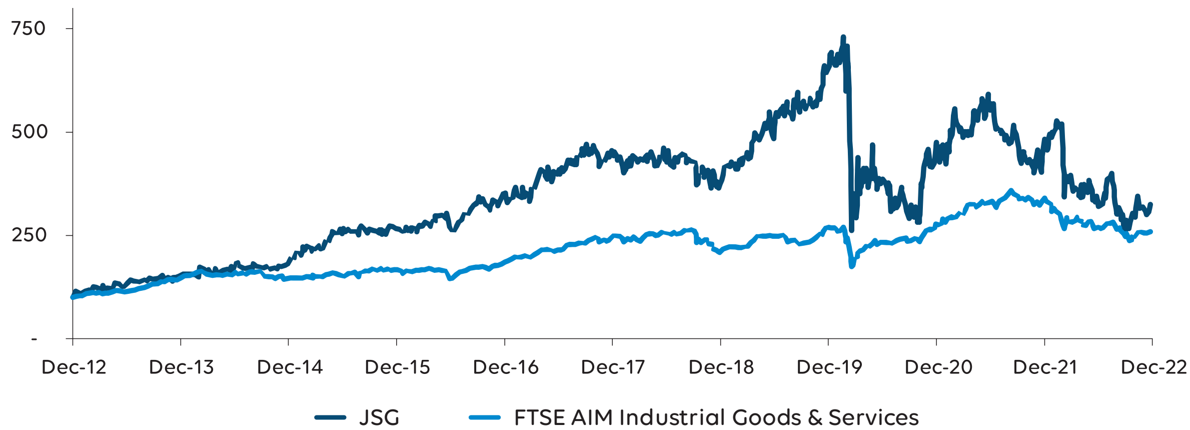
SAYE Scheme

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 2022. 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 Chair and the Non-Executive Directors during the year ended 31 December 2022 are as follows:

	2022 £000	2021 £000
Current Directors		
Jock Lennox	**145**	117
Chris Girling	**61**	60
Nick Gregg	**55**	54
Nicola Keach	**28**	–
Previous Directors		
Bill Shannon	**–**	48
	289	279

The base fees referred to above were increased by 2.5% with effect from 1 January 2022. The annualised fee payable to Nicola Keach was £47,383 in 2022 however, the figures in the above table reflect the total amount of fees received by Nicola Keach since her appointment as an Independent Non-Executive Director with effect from 1 June 2022.

Non-Executive Directors' fees are subject to annual review with any increases generally applying with effect from 1 January. Under the Company's Articles of Association, the total annual fees that may be paid to the Company's Directors is limited to £250,000 in aggregate or such larger sum as the Company may, by Ordinary Resolution, determine. The current cap of £250,000 has been in place since 2003.

Non-Executive Directors' fees have, historically, been subject to periodic benchmarking to provide a degree of independent confirmation of the fee levels. Whilst the Board determined and approved the fees payable to the Non-Executive Directors, and believes that the Non-Executive Directors' fees are in line with market rates and appropriately reflect the time commitment and responsibilities of the role, the aggregate fees paid to the Non-Executive Directors in the financial years ended 31 December 2021 (£279,000) and 31 December 2022 (£289,000) exceeded the current aggregate cap of £250,000 stated in the Company's Articles of Association.

Accordingly, as permitted by the Company's Articles of Association and as detailed in the 2023 Notice of Annual General Meeting, the Company will seek Shareholder approval, at the Annual General Meeting, to increase the maximum aggregate fees that the Company can pay to its Directors, as stated in the Articles of Association, from the current maximum cap of £250,000 to £500,000. The Board considers that this amount appropriately takes account of the effects of inflation, since 2003, on the current £250,000 cap; takes account of the increased number of Non-Executive Directors (following the appointment of Nicola Keach to the Board in June 2022); and provides a degree of headroom to enable the Company to continue to pay its Non-Executive Directors in accordance with contractual arrangements, facilitate future increases in Non-Executive Director remuneration and ensure that the Company has the ability to attract and retain suitably qualified Non-Executive Directors in future.

In the meantime, the Board has agreed to maintain the Non-Executive Directors' fees at their current, FY2022, rates and will only apply the proposed 3.5% increase to Non-Executive Directors' base fees with retrospective effect, from 1 January 2023, subject to obtaining Shareholder approval, at the forthcoming annual general meeting, of the proposed increase to the aggregate cap on Non-Executive Directors' fees in the Company's Articles of Association. The Board will continue to periodically benchmark Non-Executive Directors' fees and continue to disclose, in the Annual Report, any changes in the level of Non-Executive Directors' fees from year to year.

TOTAL DIRECTOR REMUNERATION (AUDITED)

The aggregate total amount of remuneration received by all Directors in office during the year ended 31 December 2022, together with the aggregate total amount of remuneration received by all Directors in office during the year ended 31 December 2021, is shown below:

	2022 £000	2021 £000
Executive Directors	**1,115**	1,210
Non-Executive Directors	**289**	279
	1,404	1,489

PAYMENTS TO PAST DIRECTORS

There were no payments of money or other assets made to any former directors during the financial year ended 31 December 2022.

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PAYMENTS FOR LOSS OF OFFICE

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

IMPLEMENTATION OF REMUNERATION POLICY IN 2023

The Committee anticipates the remuneration policy to apply as follows in the year ending 31 December 2023:

	Peter Egan	Yvonne Monaghan
Base Salary[1]	£456,707	£342,734
Taxable Benefits	Car allowance, medical insurance	Car allowance, medical insurance
Pension	Capped at the cash value of 2019 entitlement	15% of base salary
Bonus[2]	Up to 125 per cent of Base salary. Targets: 1. 85 per cent 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 continued commitment to sustainability, 15 per cent of maximum entitlement to be subject to the satisfaction of targets linked to waste reduction, water consumption and carbon emission reductions.	Up to 110 per cent of Base salary. Targets: 1. 85 per cent 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 continued commitment to sustainability, 15 per cent of maximum entitlement to be subject to the satisfaction of targets linked to waste reduction, water consumption and carbon emission reductions.
LTIP[3]	Up to 125 per cent of Base salary. Targets: 1. 50 per cent of the award to be based on 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 will vest if 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 will vest if the TSR growth is at least 7 per cent above the Index growth. Vesting will be on a straight-line basis between these points. 2. The remaining 50 per cent of the award to be based on growth in adjusted PBT per share over the performance period above the level of adjusted PBT per share achieved in the financial year ended 31 December 2022. None of this element will vest if growth is less than 5 per cent per annum over the performance period; one quarter will vest for growth of 5 per cent per annum; and the whole of this element will vest if growth is 10 per cent per annum or greater over the performance period. Vesting will be on a straight-line basis between these points.	Up to 110 per cent of Base salary. Targets: 1. 50 per cent of the award to be based on 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 will vest if 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 will vest if the TSR growth is at least 7 per cent above the Index growth. Vesting will be on a straight-line basis between these points. 2. The remaining 50 per cent of the award to be based on growth in adjusted PBT per share over the performance period above the level of adjusted PBT per share achieved in the financial year ended 31 December 2022. None of this element will vest if growth is less than 5 per cent per annum over the performance period; one quarter will vest for growth of 5 per cent per annum; and the whole of this element will vest if growth is 10 per cent per annum or greater over the performance period. Vesting will be on a straight-line basis between these points.

Note 1: Base salary payable in 2023 reflects a 3.5% increase on the base salary payable in 2022.

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 decision to use adjusted PBT per share in place of EPS for this LTIP award is explained on pages 86 to 87.

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
2022	32:1	25:1	19:1
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 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
2022 Salary	£18,395	£24,421	£28,217
2022 Total Pay and Benefits	£19,429	£24,967	£32,546

The 2021 pay ratios were significantly higher than the 2020 pay ratios 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 in 2021 and the 20 per cent voluntary reduction in Directors' salaries for part of 2020. Similarly, due to nuances with the gender pay gap reporting methodology, a significant proportion of employees would be excluded from prior year analyses if they were furloughed at the snapshot date. Accordingly, and largely due to the impact of the COVID-19 pandemic on remuneration, our pay ratios have fluctuated between each reported year to date and no overall trend in the median pay ratio is observed at this time. However, at each of the 25th, 50th and 75th percentile, pay ratios for 2022 are lower than those for 2021 and are significantly lower than those for 2019.

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 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.

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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 2022, falls for each full-pay relevant employee only. The 'Gender Bonus Gap' calculations relate to the period 6 April 2021 to 5 April 2022 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)	**13.2%**
Difference in the hourly rate of pay (median)	**11.9%**

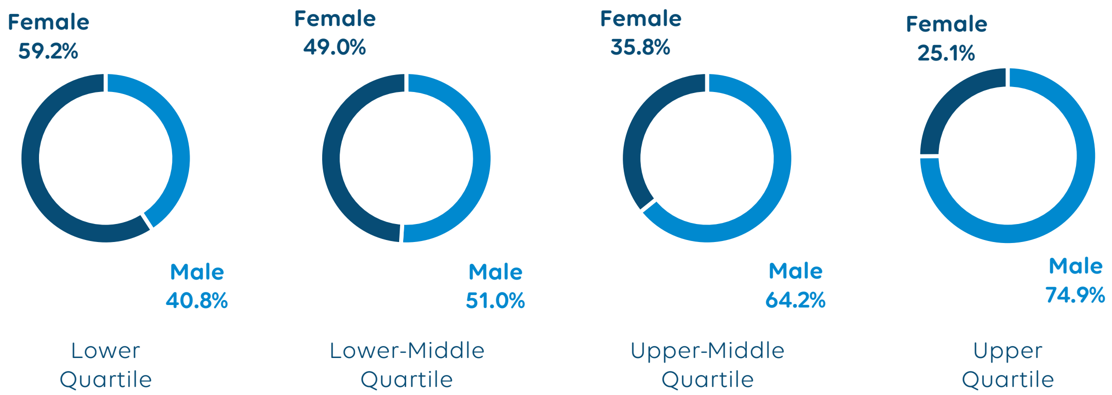
Gender Bonus Gap

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

Difference in bonus pay (mean)	**38.2%**
Difference in bonus pay (median)	**11.4%**
Percentage of male employees who receive bonus pay	**30.2%**
Percentage of female employees who receive bonus pay	**31.8%**

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:



Explanatory Commentary

The results 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.

The Group strives to ensure that it provides a workplace where all our people feel valued and equal and 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.

RELATIVE IMPORTANCE OF SPEND ON PAY

The following table sets out the amounts payable in dividends; amounts paid in connection with the Company's share buyback programme, launched in September 2022; and total employee costs in respect of the years ended 31 December 2022 and 31 December 2021. The Committee does not consider that there are any other significant distributions or payments outside the ordinary course of business that warrant disclosure.

	2022 £m	2021 £m	% Change
Dividends payable (note 1)	**10.4**	–	n/a
Share buyback programme (note 2)	**5.6**	–	n/a
Total employee costs (note 3)	**181.4**	130.1	39.4%

Note 1: The dividend comprises an interim dividend of 0.8 pence (2021: nil) per Ordinary share and a proposed final dividend of 1.6 pence (2021: £nil) per Ordinary share. This total dividend of 2.4 pence per Ordinary share, subject to the approval of Shareholders and based upon the number of shares in issue as at the date of this report, will amount to a dividend distribution for the year of £10.4 million (2021: £nil). Given the on-going share buyback programme, however, the Directors anticipate that the actual distribution for the year will ultimately be less than the amount stated above.

Note 2: On 15 September 2022, the Company announced the commencement of a share buyback programme with an aggregate market value equivalent of up to £27.5 million (excluding expenses). The sole purpose of the share buyback programme is to reduce the Company's share capital. Pursuant to the share buyback programme, the Company entered into a non-discretionary instruction with Investec Bank plc to purchase up to £27.5 million (excluding expenses) of the Company's Ordinary shares of 10 pence each and to make trading decisions under the share buyback programme independently of the Company in accordance with certain pre-set parameters. The share buyback programme commenced on 15 September 2022 and is intended to end no later than the date of the Company's Annual General Meeting. During the year the Company bought back through market purchases on the London Stock Exchange 6,222,227 Ordinary shares with a nominal value of 10 pence each, representing 1.4% of the shares in issue prior to the commencement of the share buyback programme. The total consideration payable, including expenses, was £5.7 million of which £5.6 million was expended during the year. All of the Ordinary shares bought back pursuant to the share buyback programme will be cancelled.

Note 3: Total employee costs in 2021 are stated net of £9.9 million of grant receivable from the Coronavirus Job Retention Scheme. There were no grants paid or receivable from the Coronavirus Job Retention Scheme in 2022.

OTHER DETAILS

The mid-market price of the Ordinary shares of 10p each on 31 December 2022 and 31 December 2021 was 96.9 pence and 147.6 pence respectively. During the year, the mid-market price of the Ordinary shares of 10p each ranged between 77.0 pence and 162.0 pence (2021: 122.4 pence and 180.4 pence).

ANNUAL GENERAL MEETING

The table below shows the voting outcome at the 2022 AGM, held on 4 May 2022, for the 2021 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]
286,517,619	82.45%	60,977,920	17.55%	347,495,539	9,942

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.

At the 2023 AGM, due to be held on 4 May 2023, Shareholders will be invited to vote on the Directors' Remuneration Report for 2022.

Nick Gregg
Chair, Remuneration Committee

6 March 2023

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 2022, which comprise the Consolidated Income Statement, the Consolidated Statement of Comprehensive Income, the Consolidated Statement of Changes in Shareholders' Equity, the Consolidated Balance Sheet, the Consolidated Statement of Cash Flows, the Statement of Significant Accounting Policies, the Notes to the Consolidated Financial Statements, the Company Statement of Changes in Shareholders' Equity, the Company Balance Sheet, the Company Statement of Cash Flows, the 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 2022 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 as applied in accordance with the provisions of the Companies Act 2006; 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.

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.

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.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Our approach to the audit

Grant Thornton

Overview of our audit approach

Overall materiality:

Group: £1,950,000, which represents 0.5% of the Group's revenue.

Parent Company: £1,300,000, which represents 0.2% of the Parent Company's total assets.

Key audit matters were identified as:

- The revenue cycle includes fraudulent transactions (same as previous year);
- Customer (rebate) arrangements (same as previous year);
- Carrying value of goodwill (same as previous year); and
- Going concern (same as previous year).

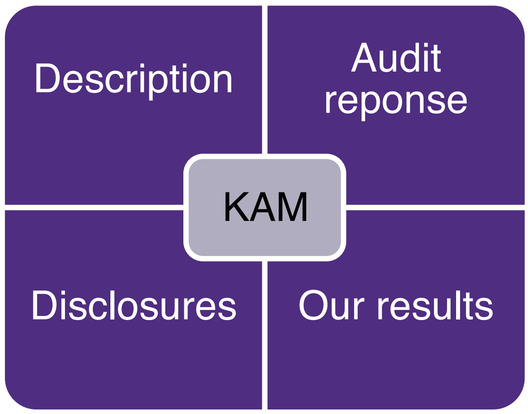
Our auditor's report for the year ended 31 December 2021 included no key audit matters that have not been reported as key audit matters in our current year's report.

We performed audits of the financial statements of the Parent Company, and of the financial information of one other component using component materiality (full scope audit). We performed specific audit procedures relating to one further component. We performed analytical procedures at Group level for the remaining seven components in the Group during the year.

In total, our procedures covered 98% of the Group's revenue, 99% of the Group's total assets and 96% of the Group's profit before tax.

Key audit matters

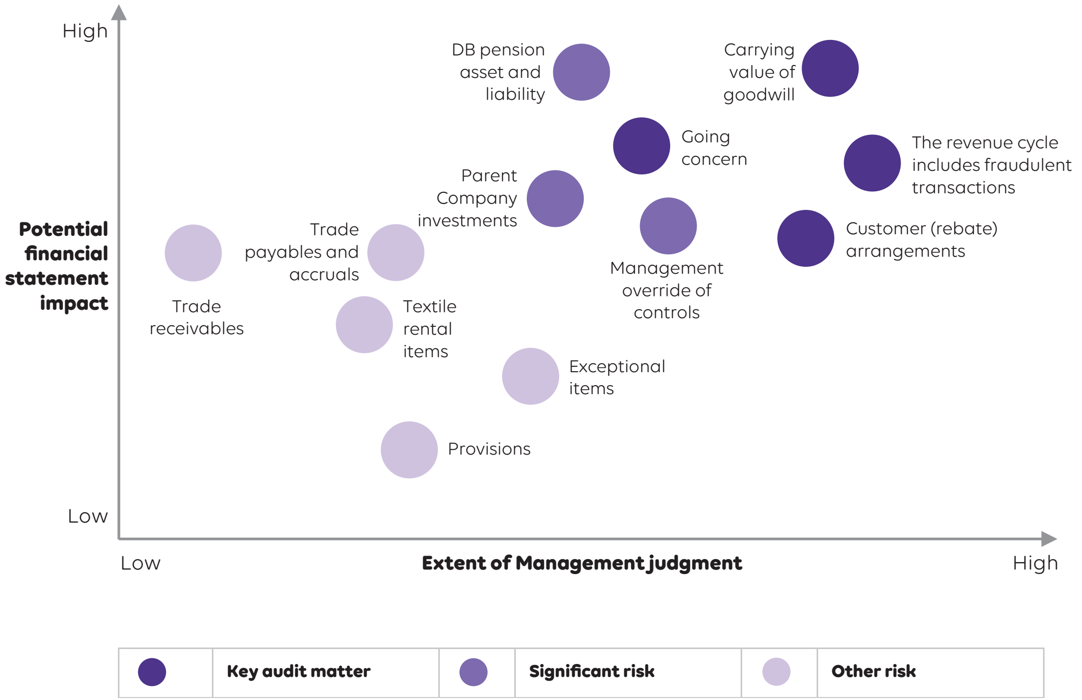
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included 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

Continued >

In the chart 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 risk that the revenue cycle includes fraudulent transactions as one of the most significant assessed risks of material misstatement due to fraud. Under ISA (UK) 240, there is a presumption that there are risks of fraud in revenue recognition. 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 Key Performance Indicators for the Group. The majority of revenue within the Group is considered non-complex. We therefore have pinpointed a significant risk to transactions outside of the normal business process as identified through audit data analytics techniques, as these pose a risk of fraud due to their unusual nature.	In responding to the key audit matter, we performed the following audit procedures: • Assessed whether the accounting policies adopted by the Directors are in accordance with the requirements of International Financial Reporting Standard (IFRS) 15 'Revenue from Contracts with Customers', and whether the accounting for revenue is in accordance with the accounting policies; • Utilised audit data analytics techniques to identify transactions outside of the normal business process. An explanation of the postings has been obtained and has been corroborated to available supporting evidence; and • Selected a sample of revenue transactions and agreed these to supporting evidence such as customer contract, sales invoices and proof of cash receipt.
Relevant disclosures in the Annual Report and Accounts 2022 • Financial statements: Statement of Significant Accounting Policies, Revenue recognition • Financial statements: Note 1, Segment analysis	**Our results** The audit evidence obtained supported Management's treatment of the items selected for review.

Key Audit Matter – Group	How our scope addressed the matter – Group
Customer (rebate) arrangements We identified the completeness and accuracy of 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 largely relate to volume of sales made throughout the year. The complexity of such arrangements also vary, with some based on retrospective information and others requiring Management judgment. We have pinpointed the significant risk to the accuracy and completeness of rebate arrangements which feature judgment. 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 the year end.	In responding to the key audit matter, we performed the following audit procedures: • For a sample of customers, recalculated the rebate recognised within both the income statement and the balance sheet based on contractual terms incorporating unpredictability into our sampling approach; • Performed year-on-year analysis of the accrual balance per customer to gain assurance of the reasonableness of the year- end balance recognised. We tested completeness of the liability by assessing contractual arrangements within the Group's key customers to check these were not indicative of unrecorded rebate liabilities; • Held discussions with employees outside of the finance function to understand 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; • 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; • Assessed ageing of the accruals and considered Management's assessment of the likelihood of claims for historic amounts; and • Assessed Management's paper setting out the legal position in relation to aged rebate contracts.
Relevant disclosures in the Annual Report and Accounts 2022 • Financial statements: Statement of Significant Accounting Policies, Rebates.	**Our results** The audit evidence obtained supported Management's treatment and judgment in respect of the items selected for testing. 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 Lilliput and Hotel Linen Cash Generating Units ('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 International Accounting Standard (IAS) 36 'Impairment of Assets' 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 CGUs, appropriate discount rate and other assumptions to be applied can be highly judgmental 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: • Assessed Management's impairment of the Lilliput CGU at the half-year based on the position and facts at that date and then the impact when Management reassessed for impairment at the reporting date; • Assessed the mathematical accuracy of the impairment model and the methodology applied by Management for consistency with the requirements of IAS 36; • Obtained Management's assessment over carrying value and value in use; • Tested the accuracy of Management's forecasting through a comparison of prior forecasts to actual data; • Considered the appropriateness of Management's determination of CGUs relevant for impairment testing; • Considered the appropriateness of Management's key assumptions relating to the calculation 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; • Used our internal valuations experts to inform our challenge of Management, that the methodology used in Management's model and assumptions used within the calculation of WACC are reasonable; • Assessed Management's 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; • Performing our own sensitivity analysis on Management's model; 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
Continued >

Key Audit Matter – Group	How our scope addressed the matter – Group
Relevant disclosures in the Annual Report and Accounts 2022 • Financial statements: Statement of Significant Accounting Policies, Impairment of non- financial assets; Goodwill • Financial statements: Note 12, Goodwill	**Our results** 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. This was as a result of the judgment required to conclude whether there is a material uncertainty related to going concern. There are inherent risks associated with the Group's business model, including the effects arising from macro-economic uncertainties, such as inflationary pressures and energy prices. The impacts of such uncertainties are ongoing, and still subject to unprecedented levels of uncertainty, which could adversely impact the future trading performance of the Group, leading to increased judgment in respect of the forward- looking assessment. In undertaking their assessment of going concern for the Group, Management considered the impact of such uncertainty 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 and assessed Management's paper and assessment of going concern, including forecasts covering the period to 30 June 2024 and tested the mathematical accuracy of the forecasts, as approved by the board; • Tested the accuracy of Management's forecasting through a comparison of prior forecasts to actual data; • 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. This included consideration on energy and other inflationary increases; • Tested compliance with financial covenants within the Group's facilities for the period to 30 June 2024 and the available headroom to the Group; • Assessed reverse stress tests performed by Management, and determining if they are plausible; and • Assessed the adequacy of related disclosures within the annual report.
Relevant disclosures in the Annual Report and Accounts 2022 • 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 did not identify any key audit matters relating to the audit of the financial statements of the Parent Company.

Our application of materiality

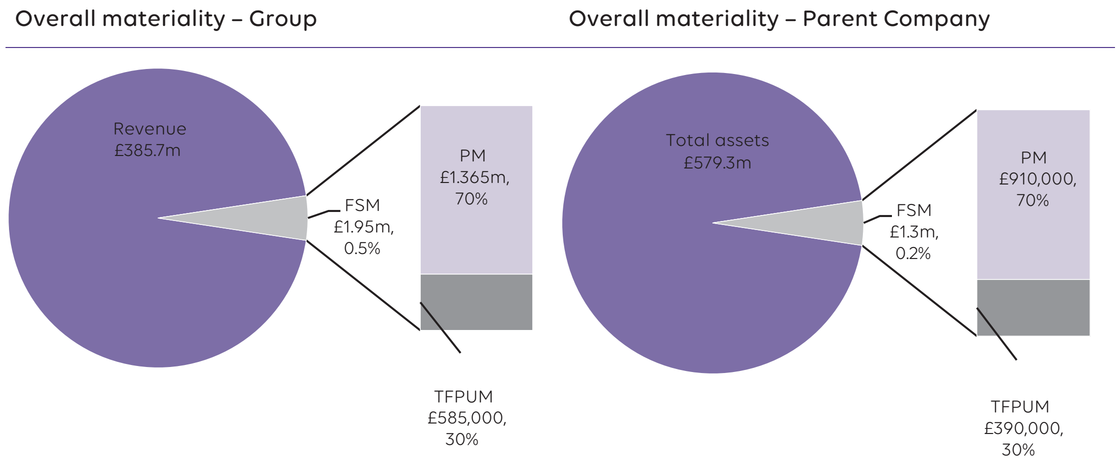
We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

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 Significant judgments made by auditor in determining the materiality	£1,950,000, which is 0.5% of the Group's revenue In determining materiality, we made the following significant judgments: • We determine revenue to be the most appropriate benchmark for the Group 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. • A market-based measurement percentage was chosen which reflected our knowledge of the business from the prior year audit, as well as our risk assessment of the business. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2021 to reflect the increase in the Group's revenue.	£1,300,000, which is 0.2% of the Parent Company's total assets. In determining materiality, we made the following significant judgments: • We determined the Parent Company's total assets to be the most appropriate benchmark because the Parent Company does not trade and largely holds investments in subsidiary undertakings. • A market-based measurement percentage was chosen which reflected our knowledge of the business from the prior year audit, as well as our risk assessment of the business. Materiality for the current year is higher than the level that we determined for the year ended 31 December 2021 to reflect the change in benchmark from net assets in the prior year to total assets in the current year.
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 Significant judgments made by the auditor in determining the performance materiality	£1,365,000, which is 70% of financial statement materiality. In determining performance materiality, we made the following significant judgments: • 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 evaluating the impact of prior period adjusted and unadjusted misstatements; and • We considered whether there were any significant control deficiencies identified in the prior year.	£910,000, which is 70% of financial statement materiality. In determining performance materiality, we made the following significant judgments: • Our risk assessment procedures did not identify any significant changes in business objectives and strategy of the Parent Company; • We considered qualitative and quantitative factors when evaluating the impact of prior period adjusted and unadjusted misstatements; and • We considered whether there were any significant control deficiencies identified in the prior year.
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 the following areas: • related party transactions; and • Directors' remuneration.	We determined a lower level of specific materiality for the following areas: • 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	£97,500 and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£65,000 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
Continued >

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 effect of the Group organisational structure on the scope of the audit, and used this to inform our assessment of risk.

Identifying significant components

- In order to assess 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 10 components, we identified 2 which, in our view, required an audit of their financial information using component materiality (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.
- 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 Group level over the remaining seven components. These procedures, together with the additional procedures outlined above, were designed to give us the audit evidence needed for our opinion on the Group financial statements as a whole.

Performance of our audit

- Together, the components subject to full-scope audits covered 98% of the Group's revenue, 95% of the Group's total assets and 96% of the Group's profit before tax.
- All work including component work was performed by the Group audit team.

Audit approach	No. of components	% coverage total assets	% coverage revenue	% coverage PBT
Full-scope audit	2	95	98	96
Specified audit procedures	1	4	0	0
Analytical procedures	7	1	2	4

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. The Directors are responsible for the other information contained within the annual report and accounts. 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.

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 themselves. 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 their 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 and the part of the Directors' remuneration report to be audited 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

The Group and Parent Company have a choice in the corporate governance code that they apply, and have chosen to apply the UK Corporate Governance Code. 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:

- the Directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified as set out on page 79;
- the Directors' explanation as to their assessment of the Group's prospects, the period this assessment covers and why the period is appropriate as set out on page 15;
- the Director's statement on whether they have a reasonable expectation that the Group will be able to continue in operation and meets its liabilities as set out on page 74;
- the Directors' statement on fair, balanced and understandable as set out on page 60;
- the Board's confirmation that it has carried out a robust assessment of the emerging and principal risks as set out on page 49;
- the section of the annual report that describes the review of effectiveness of risk management and internal control systems as set out on page 74; and
- the section describing the work of the audit committee as set out on page 73.

Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, set out on page 60, 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.

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

Continued >

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.

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. 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: the Companies Act 2006, UK-adopted international accounting standards, the 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 the 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;
  - Forming a conclusion around rebate agreements and releases of aged accrual balances including obtaining an understanding of the legal requirements of such agreements;
  - 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; and
  - Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.
- 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;
- The engagement partner's 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;
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

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.

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
6 March 2023

Consolidated Income Statement

	Note	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Revenue	1	**385.7**	**271.4**
Impairment loss on trade receivables	18	(0.9)	(0.4)
All other costs		(351.5)	(262.6)
Operating profit	2	**33.3**	**8.4**
Operating profit before amortisation of intangible assets (excluding software amortisation), goodwill impairment and exceptional items	1	41.2	12.7
Amortisation of intangible assets (excluding software amortisation)	13	(7.2)	(11.0)
Goodwill impairment	12	(1.4)	–
Exceptional items	6	0.7	6.7
Operating profit	2	**33.3**	**8.4**
Finance cost	7	(3.0)	(3.3)
Profit before taxation		**30.3**	**5.1**
Taxation (charge)/credit	9	(1.5)	1.8
Profit for the year from continuing operations		**28.8**	**6.9**
Profit/(loss) for the year from discontinued operations	35	**0.2**	**(0.3)**
Profit for the year attributable to equity holders		**29.0**	**6.6**
Earnings per share	11		
Basic earnings per share			
– From continuing operations		6.5p	1.6p
– From discontinued operations		–	(0.1)p
From total operations		**6.5p**	**1.5p**
Diluted earnings per share			
– From continuing operations		6.5p	1.6p
– From discontinued operations		–	(0.1)p
From total operations		**6.5p**	**1.5p**

See note 11 for Adjusted basic earnings per share and Adjusted diluted earnings per share.

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Profit for the year		**29.0**	**6.6**
Items that will not be subsequently reclassified to profit or loss			
Re-measurement and experience (losses)/gains on post-employment benefit obligations	26	(10.0)	11.0
Taxation in respect of re-measurement and experience losses/(gains)		2.5	(2.1)
Deferred taxation rate change in respect of re-measurement and experience losses/(gains)		0.1	–
Items that may be subsequently reclassified to profit or loss			
Cash flow hedges (net of taxation) – fair value gains	27	1.4	1.3
– transfers to administrative costs	27	(2.2)	–
Total other comprehensive (loss)/income for the year		**(8.2)**	**10.2**
Total comprehensive income for the year		**20.8**	**16.8**

The notes on pages 139 to 172 are an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Shareholders' Equity

	Share Capital £m	Share Premium £m	Merger Reserve £m	Capital Redemption Reserve £m	Hedge Reserve £m	Retained Earnings £m	Total Equity £m
Balance at 31 December 2020	**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**
Profit for the year	–	–	–	–	–	29.0	29.0
Other comprehensive loss	–	–	–	–	(0.8)	(7.4)	(8.2)
Total comprehensive (loss)/income for the year	**–**	**–**	**–**	**–**	**(0.8)**	**21.6**	**20.8**
Share options (value of employee services)	–	–	–	–	–	0.8	0.8
Share buybacks	(0.6)	–	–	0.6	–	(5.7)	(5.7)
Deferred tax on share options	–	–	–	–	–	(0.2)	(0.2)
Dividend paid	–	–	–	–	–	(3.5)	(3.5)
Transactions with Shareholders recognised directly in Shareholders' equity	**(0.6)**	**–**	**–**	**0.6**	**–**	**(8.6)**	**(8.6)**
Balance at 31 December 2022	**43.9**	**16.8**	**1.6**	**1.2**	**(0.5)**	**221.6**	**284.6**

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 2022 the EBT held 9,024 shares (2021: 9,024). At the same time, and pursuant to the ongoing share buyback programme, the Group also held 116,934 treasury shares (2021: nil). These were subsequently cancelled on 3 January 2023. See note 29 for further details.

Consolidated Balance Sheet

	Note	As at 31 December 2022 £m	As at 31 December 2021 £m Restated*
Assets			
Non-current assets			
Goodwill	12	133.8	135.2
Intangible assets	13	10.9	16.7
Property, plant and equipment	14	119.6	113.3
Right of use assets	15	31.7	35.5
Textile rental items	16	63.8	48.4
Trade and other receivables	18	0.3	0.3
Derivative financial assets	27	–	0.3
		360.1	**349.7**
Current assets			
Inventories	17	1.8	2.2
Trade and other receivables	18	61.0	47.9
Reimbursement assets	19	4.5	4.3
Current income tax assets		–	3.6
Cash and cash equivalents		6.1	5.2
		73.4	**63.2**
Liabilities			
Current liabilities			
Trade and other payables	20	75.7	63.7
Borrowings	22	5.1	9.5
Current income tax liabilities		0.2	–
Lease liabilities	23	5.1	5.2
Derivative financial liabilities	27	0.4	0.1
Provisions	25	5.1	4.8
		91.6	**83.3**
Non-current liabilities			
Post-employment benefit obligations	26	10.2	2.1
Deferred income tax liabilities	24	1.8	3.3
Trade and other payables	21	0.3	0.3
Borrowings	22	14.7	18.0
Lease liabilities	23	29.2	32.6
Derivative financial liabilities	27	0.3	–
Provisions	25	0.8	0.9
		57.3	57.2
Net assets		**284.6**	**272.4**
Equity			
Capital and reserves attributable to the company's shareholders			
Share capital	29	43.9	44.5
Share premium	31	16.8	16.8
Merger reserve		1.6	1.6
Capital redemption reserve		1.2	0.6
Hedge reserve		(0.5)	0.3
Retained earnings		221.6	208.6
Total equity		**284.6**	**272.4**

* A £4.5 million provision has been recognised as at 31 December 2022 in respect of third-party claims made against the Group, but which are indemnified under the terms of its insurance policies. A corresponding reimbursement asset of £4.5 million has been recognised as at 31 December 2022. As the Group expects, on average, insurance claims to be settled within one year, which is driven by a review of the historic claims data, recognition of these balances is made within current assets and current liabilities. The impact on the brought forward balance sheet at 1 January 2021 would be the inclusion of a £2.5 million provision and a corresponding reimbursement asset of £2.5 million. The balance sheet at 31 December 2021 has been restated to recognise a provision of £4.3m and a corresponding reimbursement asset of £4.3m.

The notes on pages 139 to 172 are an integral part of these Consolidated Financial Statements. The financial statements on pages 121 to 172 were approved by the Board of Directors on 7 March 2023 and signed on its behalf by:

Yvonne Monaghan
Chief Financial Officer

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Cash flows from operating activities			
Profit for the year		29.0	6.6
Adjustments for:			
Taxation charge/(credit) – continuing	9	1.5	(1.8)
– discontinued		–	0.3
Total finance cost	7	3.0	3.3
Depreciation		63.5	55.1
Amortisation	13	7.4	11.1
Goodwill impairment	12	1.4	–
(Profit)/loss on disposal of property, plant and equipment		(0.2)	0.1
Profit on termination of lease liabilities		–	(0.2)
Decrease/(increase) in inventories		0.4	(0.8)
Increase in trade and other receivables		(12.9)	(15.4)
Increase/(decrease) in trade and other payables		4.3	(2.1)
Deficit recovery payments in respect of post-employment benefit obligations		(1.9)	(1.9)
Share-based payments	30	0.8	0.5
Decrease in provisions		(0.1)	(2.0)
Commodity swaps not qualifying as hedges		(0.1)	(0.3)
Income re insurance claims		(1.5)	(5.3)
Business acquisition costs charged to the income statement		–	0.1
Cash generated from operations		94.6	47.3
Interest paid		(3.6)	(3.2)
Taxation received		3.5	0.5
Net cash generated from operating activities		**94.5**	**44.6**
Cash flows from investing activities			
Acquisition of business (including acquired overdrafts)	34	–	(4.8)
Disposal of business costs	35	–	(3.6)
Purchase of other intangible assets		(1.3)	–
Purchase of property, plant and equipment		(22.1)	(24.2)
Income re insurance claims		1.5	5.3
Purchase of software		(0.3)	(0.2)
Proceeds from sale of property, plant and equipment		0.4	–
Purchase of textile rental items		(52.5)	(41.8)
Proceeds received in respect of special charges	16	2.7	2.4
Net cash used in investing activities		**(71.6)**	**(66.9)**
Cash flows from financing activities			
Proceeds from borrowings		48.0	29.0
Repayment of borrowings		(51.0)	(12.5)
Capital element of leases		(5.6)	(5.7)
Purchase of own shares by EBT		–	(0.1)
Share buyback	29	(5.6)	–
Proceeds from issue of ordinary shares	29	–	0.6
Dividends paid to company shareholders		(3.5)	–
Net cash (used in)/generated from financing activities		**(17.7)**	**11.3**
Net increase/(decrease) in cash and cash equivalents		**5.2**	**(11.0)**
Cash and cash equivalents at beginning of year		(4.4)	6.6
Cash and cash equivalents at end of year	36	**0.8**	**(4.4)**
Cash and cash equivalents comprise:			
Cash		6.1	5.2
Overdraft		(5.3)	(9.6)
Cash and cash equivalents at end of year		**0.8**	**(4.4)**

The notes on pages 139 to 172 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 6 March 2023.

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 a restatement to recognise a reimbursement asset and corresponding liability relating to indemnified insurance claims. See note 19 and 25 for further details.

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

After considering the monthly cash flow projections, the stress tests 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 2024. Accordingly, 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. See the Directors report for the full going concern assessment.

Changes in accounting policy and disclosures

(a) Standards and amendments that are effective for the first time in 2022 and could be applicable to the Group;

- IFRS 17 'Insurance Contracts'

(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 IFRS 17 'Insurance Contracts' (Amendments to IFRS 17 and IFRS 4)
- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction (Amendment to IAS 12)
- Disclosure of Accounting Policies (Amendments to IAS 1)
- Definition of Accounting Estimates (Amendments to IAS 8)

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 exists 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. 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 59.

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 26). 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) Goodwill

The Group tests at least annually whether goodwill has suffered any impairment in accordance with IAS 36 Impairment of Assets. The recoverable amounts of the Group's cash-generating units (CGU) are determined based on value-in-use calculations which require the use of estimates and assumptions consistent with the most up-to-date budgets and plans that have been formally approved by management. The key assumptions used for the value-in-use calculations and sensitivity analysis are set out in note 12.

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.

Statement of Significant Accounting Policies Continued >

Alternative Performance Measures (APMs)

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

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

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

Limitations of APMs

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

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

Reconciliation of APMs to Statutory Performance Measures

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

- Adjusted operating profit – note 1
- Adjusted profit before taxation – note 8
- Adjusted EBITDA – note 8
- Adjusted EPS – note 11
- Adjusted EPS excluding super-deduction – note 11
- Adjusted net debt – note 36

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.

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 costs relating to business acquisitions and any subsequent reorganisation cost.

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.

Statement of Significant Accounting Policies Continued >

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.

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.

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, or more frequently if there are indicators that an impairment may have arisen. 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 at least 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 thirteen years).

Costs incurred in respect of the configuration and customisation of cloud-based software arrangements are 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 and amortised over their estimated useful lives (not exceeding thirteen 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.

Statement of Significant Accounting Policies Continued >

Right of use assets and Lease liabilities

Under IFRS 16, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases where costs are charged to the Consolidated Income Statement on a straight-line basis over the lease term.

At the date of lease inception, the Group determines whether the arrangement is a lease or contains a lease, while examining if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In its assessment of whether an arrangement conveys the right to control the use of an identified asset, the Group assesses whether it has the following two rights throughout the lease term:

(a) The right to obtain substantially all the economic benefits from use of the identified asset; and

(b) The right to direct the identified asset's use.

Where a contract is deemed to contain a lease, the lease liability is initially recognised at the commencement day and measured at an amount equal to the present value of the lease payments during the lease term (the non-cancellable period) that are not yet paid.

Lease payments, excluding non-lease components (which are charged to the Consolidated Income Statement on a straight-line basis over the lease term) such as service costs, are discounted using the incremental borrowing rate of the lessee, since the interest rate implicit in the Group's leases is not readily determinable. The incremental borrowing rate is the rate that the Group would have to pay for a loan of a similar term, and with similar security, to obtain an asset of similar value. The Group consults with its main bankers to determine what interest rate they would expect to charge the Group to borrow money to purchase a similar asset to that which is being leased.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a break clause. Periods after extension options/break clauses are only included in the lease term if the lease is reasonably certain to be extended or not be terminated.

Break clause options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of being able to make decisions regarding the Group's processing facilities in order to manage the needs of the Group. The majority of break clauses held are exercisable by either the Group or the lessor.

At the commencement date, it is unlikely that management would consider a break clause to be reasonably certain of being exercised given management would be unlikely to enter into a new lease agreement for a term which it was not their current intention to utilise in full. The lease term is reassessed if a break clause is exercised or the likelihood of exercise becomes reasonably certain. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group. An example of a significant change for the Group may include changing economic conditions and customer requirements impacting the Group's activities or long-term strategy.

All property break clause options held by the Group have not been included in the lease liability unless otherwise stated i.e. the periods after the break clauses have been included in the lease term. This is due to the fact the Group could not move the plants to other locations without significant cost and disruption, for reasons such as the Group will have made significant leasehold improvements to the property to meet the requirements of a laundry processing facility, the costs involved in moving plant and machinery, the availability of a workforce and the lack of suitable alternative premises.

Variable lease payments that depend on an index or a rate, are initially measured using the index or rate existing at the commencement of the lease and are included in the measurement of the lease liability. The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Each subsequent lease payment is allocated between the liability and finance cost. The finance cost is charged to the Consolidated Income Statement 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 with the majority being between two and three 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 'impairment loss on trade receivables'. 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

Statement of Significant Accounting Policies Continued >

credited against 'impairment loss on trade receivables' in the Consolidated Income Statement. Only when amounts are confirmed irrecoverable, are they written off to the Consolidated Income Statement.

Reimbursement assets

During the year, the Group reviewed the disclosures being made relating to IAS 37 'reimbursements'. The Group has restated the balance sheet to recognise a reimbursement asset in respect of third-party claims made against the Group, but which are indemnified under the terms of its insurance policies. A corresponding provision for such claims has also been recognised. All of the expenditure required to settle such claims will be reimbursed by the insurer under the terms of the policies, therefore it is virtually certain that reimbursement will be received. There has been no impact on the Consolidated Income Statement in any year. See note 19 for further details.

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.

Insurance claims

During the year, the Group reviewed the disclosures being made in respect of IAS 37 'reimbursements'. The Group has restated the Consolidated Balance Sheet to recognise a provision for third party claims for which the Group are indemnified under the terms of its insurance policies. See note 25 for further details.

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), and those held as Treasury shares awaiting cancellation, are recorded in the Balance Sheet as a reduction in Shareholders' equity.

As part of the previously announced share buyback, own shares are treated as a deduction to equity until the shares are cancelled, at which point they are transferred to retained earnings. The nominal value of shares in the Company purchased and subsequently cancelled is shown as a reduction in share capital and an equal and opposite transfer to the capital redemption reserve.

Statement of Significant Accounting Policies Continued >

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 once shares have been cancelled. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Merger reserve

The merger reserve represents the difference arising on completion of the relevant mergers in accordance with applicable accounting standards.

Hedging reserve

The hedging reserve represents the accumulated movements in the Group's derivative financial instruments that have been designated as hedging instruments. Amounts are transferred in and out of the reserve on the revaluation, or realisation, of identified hedging instruments.

FINANCIAL RISK MANAGEMENT

1 Financial risk factors

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

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

(a) Market risk

Currency risk

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

As further detailed in note 27 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 27 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 into contracts with suppliers to fix prices for determined periods, 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 27.

(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

Statement of Significant Accounting Policies Continued >

adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customers' ability to meet its obligations. This would include the impact of possible customer closures, unemployment increases etc which are factors impacting the ability of customers to settle outstanding debts.

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 27 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 22) and cash and cash equivalents (note 27) 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 27.

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 2022.

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 (now including London Linen), Hotel Linen and Lilliput businesses, each of which are a separate operating segment.

The CODM's rationale for aggregating the Stalbridge, 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 140 to 141.

Workwear

Supply and laundering of workwear garments and protective wear.	• Workwear

HORECA

Linen services for the hotel, restaurant and catering sector.	• Stalbridge • Hotel Linen • Lilliput

All Other Segments

Comprising of central and Group costs.

Notes to the Consolidated Financial Statements Continued >

1 SEGMENT ANALYSIS (Continued)

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

		Workwear £m	HORECA £m	All Other Segments £m	Total £m
Balance sheet information					
Segment assets		144.7	281.8	0.9	427.4
Unallocated assets:	Cash and cash equivalents				6.1
Total assets					**433.5**
Segment liabilities		(37.4)	(76.3)	(2.5)	(116.2)
Unallocated liabilities:	Bank borrowings				(19.8)
	Derivative financial liabilities				(0.7)
	Post-employment benefit obligations				(10.2)
	Current income tax liabilities				(0.2)
	Deferred income tax liabilities				(1.8)
Total liabilities					**(148.9)**
Other information					
Non-current asset additions					
– Property, plant and equipment		6.3	18.5	–	24.8
– Right of use assets		0.8	1.2	–	2.0
– Textile rental items		21.5	35.9	–	57.4
– Capitalised software		0.2	0.1	–	0.3
– Customer contracts		1.3	–	–	1.3
Depreciation, impairment and amortisation expense					
– Property, plant and equipment		5.8	12.5	–	18.3
– Right of use assets depreciation		2.0	3.8	0.1	5.9
– Textile rental items depreciation		16.7	22.6	–	39.3
– Capitalised software		0.2	–	–	0.2
– Customer contracts		0.4	6.8	–	7.2
– Goodwill impairment		–	1.4	–	1.4

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

1 SEGMENT ANALYSIS (Continued)

Year ended 31 December 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 attributable to equity holders				**6.9**
Loss for the year from discontinued operations				**(0.3)**
Profit for the year attributable to equity holders				**6.6**

	Workwear (*restated) £m	HORECA (*restated) £m	All Other Segments £m	Total (*restated) £m
Balance sheet information				
Segment assets	139.1	263.6	1.1	403.8
Unallocated assets: Current income tax assets				3.6
Derivative financial assets				0.3
Cash and cash equivalents				5.2
Total assets				**412.9**
Segment liabilities	(38.8)	(65.7)	(3.0)	(107.5)
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				**(140.5)**
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.

* £4.3m of reimbursement assets and a corresponding provision for liabilities has been recognised as at 31 December 2021. Refer to notes 19 and 25 for further information.

Notes to the Consolidated Financial Statements Continued >

2 EXPENSES BY FUNCTION

	2022 £m	2021 £m
Revenue		
Rendering of services	382.0	268.1
Sale of goods	3.7	3.3
Total revenue	**385.7**	**271.4**
Cost of sales	(237.4)	(173.1)
Administrative expenses	(41.5)	(38.5)
Distribution costs	(65.6)	(47.1)
Operating profit before amortisation of intangible assets (excluding software amortisation), goodwill impairment and exceptional items	**41.2**	**12.7**
Amortisation of intangible assets (excluding software amortisation)	(7.2)	(11.0)
Goodwill impairment	(1.4)	–
Exceptional items	0.7	6.7
Operating profit	**33.3**	**8.4**

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

	2022 £m	2021 £m *Restated
Employee benefit expense (note 4)	181.4	130.1
Auditors' remuneration (note 3)	0.5	0.6
Exceptional items (note 6)	(0.7)	(6.7)
Trade receivables impairment (note 18)	0.9	0.4
Insurance proceeds re business interruption costs	(1.0)	–
Business interruption costs	–	0.3
Energy costs**	36.4	20.9
Water and effluent costs	6.1	5.0
All other operating costs***	55.4	45.0
Amortisation of intangible assets: (note 13)		
Capitalised software	0.2	0.1
Customer contracts	7.2	11.0
Depreciation and impairment of:		
Property, plant and equipment (note 14)	18.3	16.8
Right of use assets (note 15)	5.9	6.1
Textile rental items (note 16)	39.3	32.2
Operating leases:		
Land and buildings	0.3	0.1
Sublet rental income	(0.3)	(0.3)
Plant and equipment	2.5	1.4

* Prior year has been restated to show additional analysis of energy and water and effluent costs. Employee benefit expense has also been restated. See note 4 for further details.

** Energy costs comprise of electricity, gas and fuel costs.

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

3 AUDITORS' REMUNERATION

	2022 £m	2021 £m
Fees payable for the audit of the Company	0.1	0.1
Fees payable for the audit of the Company's subsidiaries	0.4	0.3
Fees payable to previous Auditors in the prior year	–	0.2
Auditors' remuneration	**0.5**	**0.6**

Included in the above for the year to 31 December 2022 are £15,000 for non-audit related fees (2021: £nil) in respect of the current Auditor.

Fees payable to the previous Auditors 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 £0.1 million in respect of audit related services for the year ending 31 December 2020 were subsequently invoiced by the previous Auditors along with £0.1 million relating to non-audit services.

4 EMPLOYEE BENEFIT EXPENSE

	2022 £m	2021 £m *Restated
Wages and salaries	145.8	117.8
Social security costs	13.7	10.3
Redundancy costs	–	0.1
Pension costs – defined contribution plans (Note 26)	4.1	3.4
Total costs (excluding furlough claims)	**163.6**	**131.6**
Furlough claims	–	(9.9)
Total costs (including furlough)	**163.6**	**121.7**
Agency costs	17.0	7.9
Cost of employee share schemes (Note 30)	0.8	0.5
Total employee benefit expense	**181.4**	**130.1**

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

	2022 £m	2021 £m *Restated
Workwear	2,021	2,074
HORECA	3,655	2,887
All other segments	15	15
Total	**5,691**	**4,976**

* Management has reviewed the Group's compliance with the Companies Act 2006 with respect to disclosures regarding employee benefit expenses and the average number of persons employed and as a result certain costs and employee numbers have been restated, £0.3 million of costs relating to Non-Executive Directors have been removed from the wages and salaries disclosure as they do not meet the Companies Act definition of an employee of the Group. In addition, £4.8 million of agency costs (previously disclosed within wages and salaries) have now been shown separately within agency costs, along with £3.1 million of agency costs not previously shown in this disclosure. Private healthcare costs of £0.4 million have also been removed from this disclosure. There has been no impact on the prior year Consolidated Income Statement as result of these changes.

5 DIRECTORS' EMOLUMENTS AND RENUMERATION OF THE KEY MANAGEMENT PERSONNEL

Detailed disclosures that form part of these financial statements are given in the Directors' Remuneration Report on pages 85 to 109. Key management personnel is defined as the Board.

	2022 £m	2021 £m
Wages and salaries	1.3	1.4
Social security costs	0.2	0.2
Cost of employee share schemes	0.3	0.2
Pension costs – defined contribution plans	0.1	0.1
Total	**1.9**	**1.9**

Wages and Salaries shown in the table above includes bonuses and other benefits.

6 EXCEPTIONAL ITEMS

	2022 £m	2021 £m
Costs in relation to business acquisition activity	–	(0.1)
Insurance claims	1.5	5.9
Other costs re insurance claims	(0.8)	(0.6)
Income from Parent Company Guarantees	–	1.5
Total exceptional items	**0.7**	**6.7**

Exceptional items shown above are all included within administrative expenses.

Notes to the Consolidated Financial Statements Continued >

6 EXCEPTIONAL ITEMS (Continued)

CURRENT YEAR EXCEPTIONAL ITEMS

Insurance claims and other costs

In 2020 a Workwear processing plant was destroyed as a result of a fire. Final settlement proceeds of £1.5 million were received in the current year in respect of this insurance claim, relating to capital items.

Costs of £0.8 million have been incurred in the current year in respect of the demolition of the destroyed site and preparing the site for sale.

PRIOR YEAR EXCEPTIONAL ITEMS

Costs in relation to business acquisition activity

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

Insurance claims and other costs

In 2020 a Workwear processing plant was destroyed as a result of a fire. Interim insurance proceeds of £5.2 million were received during the prior year. Costs of £0.4 million were incurred for initial works to demolish the damaged building along with associated professional fees of £0.2 million.

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 prior 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.

7 FINANCE COST

	2022 £m	2021 £m
Finance cost:		
– Interest payable on bank loans and overdrafts	1.3	1.4
– Gain on interest rate swaps not qualifying as hedges (note 27)	(0.1)	(0.2)
– Amortisation of bank facility fees	0.3	0.3
– Finance costs on lease liabilities relating to IFRS 16 (note 23)	1.5	1.6
– Notional interest on post-employment benefit obligations (note 26)	–	0.2
Total finance cost	**3.0**	**3.3**

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 credit of £0.1 million (2021: £0.2 million).

8 ALTERNATIVE PERFORMANCE MEASURES (APMs)

As discussed on page 128 of these Consolidated Financial Statements, throughout the Annual Report and Financial Statements, we refer to a number of APMs. A reconciliation of the APMs for continuing operations used are shown below:

	2022 £m	2021 £m
Adjusted profit before taxation		
Profit before taxation	30.3	5.1
Amortisation of intangible assets (excluding software amortisation)	7.2	11.0
Goodwill impairment	1.4	–
Exceptional items	(0.7)	(6.7)
Adjusted profit before taxation	**38.2**	**9.4**
Taxation thereon	(2.6)	0.5
Adjusted profit after taxation	**35.6**	**9.9**

8 ALTERNATIVE PERFORMANCE MEASURES (APMs) (Continued)

	2022 £m	2021 £m
Adjusted EBITDA		
Operating profit before amortisation of intangible assets (excluding software amortisation), goodwill impairment and exceptional items	41.2	12.7
Software amortisation	0.2	0.1
Property, plant and equipment depreciation	18.3	16.8
Right of use asset depreciation	5.9	6.1
Textile rental items depreciation	39.3	32.2
Adjusted EBITDA	**104.9**	**67.9**

9 TAXATION

	2022 £m	2021 £m
Current tax		
UK corporation tax credit for the year	–	–
Adjustment in relation to previous years	0.3	(0.8)
Current tax charge/(credit) for the year	**0.3**	**(0.8)**
Deferred tax		
Origination and reversal of temporary differences	3.3	(3.0)
Changes in tax rate	–	1.6
Adjustment in relation to previous years	(2.1)	0.4
Deferred tax charge/(credit) for the year	**1.2**	**(1.0)**
Total charge/(credit) for taxation included in the Consolidated Income Statement for continuing operations	**1.5**	**(1.8)**

The tax charge/(credit) for the year is lower than (2021: lower than) the effective rate of Corporation Tax in the UK of 19% (2021: 19%). A reconciliation is provided below:

	2022 £m	2021 £m
Profit before taxation	30.3	5.1
Profit before taxation multiplied by the effective rate of Corporation Tax in the UK	5.8	1.0
Factors affecting taxation charge for the year:		
Non-taxable income	(0.3)	(0.4)
Tax effect of expenses not deductible for tax purposes	1.1	0.5
Current year impact of the super deduction	(2.9)	(2.5)
Difference in current and deferred taxation rates	(0.4)	(1.6)
Changes in tax rate	–	1.6
Adjustments in relation to previous years	(0.9)	(0.4)
Adjustments in relation to previous years – super deduction	(0.9)	–
Total charge/(credit) for taxation included in the Consolidated Income Statement for continuing operations	**1.5**	**(1.8)**

Taxation in relation to the amortisation of intangible assets (excluding software amortisation) has decreased the charge for taxation on continuing operations by £1.1 million (2021: taxation credit increased by £1.6 million). Taxation in relation to exceptional items has increased the charge for taxation on continuing operations by £nil (2021: taxation credit decreased by £0.3 million).

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 24.6% (2021: 23.3%).

The impact of the change in deferred tax rate is £nil (2021: £1.6 million charge) in the Consolidated Income Statement.

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 2022. This allowance provides a permanent tax benefit on our Textile Rental items given their short life nature. The impact of the super deduction to 31 December 2022 is a credit of £3.8 million (2021: credit of £2.5 million) of which £0.9 million is in relation to adjustments in the prior year recognised within the Consolidated Income Statement.

Notes to the Consolidated Financial Statements Continued >

9 TAXATION (Continued)

The further prior year adjustment of £0.9 million relates to, in the main, the finalisation of the tax position in respect of insurance claims following the fire and flood at two sites in 2020 along with a final tax position relating to indemnity settlement in 2021. Information regarding the final settlement of these claims only became available during 2022 to enable the prior year tax computations to be finalised.

During the year, a deferred taxation credit of £2.6 million (2021: £2.1 million charge) has been recognised in Other Comprehensive Income in relation to post-employment benefit obligations.

10 DIVIDENDS

	2022	2021
Dividend per share		
Final dividend proposed	1.60p	–
Interim dividend proposed and paid	0.80p	–

	2022 £m	2021 £m
Shareholders' funds committed		
Final dividend proposed	6.9	–
Interim dividend proposed and paid	3.5	–

The Directors propose the payment of a final dividend in respect of the year ended 31 December 2022 of 1.6 pence per share. Based upon the number of Shares in issue as at the date of this report, the final dividend will utilise Shareholders' funds of £6.9 million and will be paid, subject to Shareholder approval, on 12 May 2023 to Shareholders on the register of members on 14 April 2023. Given the ongoing Share buyback programme, however, the Directors anticipate that the actual distribution for the year will ultimately be less than the amount stated above. The trustee of the EBT has waived the entitlement to receive dividends on the Ordinary shares held by the trust. In accordance with IAS 10 there is no payable recognised at 31 December 2022 in respect of this proposed dividend.

11 EARNINGS PER SHARE

	2022 £m	2021 £m
Profit for the financial year from continuing operations attributable to Shareholders	28.8	6.9
Amortisation of intangible assets from continuing operations (net of taxation)	6.1	9.4
Goodwill impairment (net of taxation)	1.4	–
Exceptional costs from continuing operations (net of taxation)	(0.7)	(6.4)
Adjusted profit from continuing operations attributable to Shareholders	35.6	9.9
Profit/(loss) from discontinued operations attributable to Shareholders	0.2	(0.3)
Total profit from all operations attributable to Shareholders	**35.8**	**9.6**

	No. of shares	No. of shares
Weighted average number of Ordinary shares	444,288,818	444,939,982
Potentially dilutive Ordinary shares	95,000	206,112
Diluted number of Ordinary shares	444,383,818	445,146,094

	Pence per share (p)	Pence per share (p)
Basic earnings per share		
From continuing operations	6.5p	1.6p
From discontinued operations	–	(0.1)p
From total operations	6.5p	1.5p
Adjustments for amortisation of intangible assets (continuing)	1.4p	2.1p
Adjustment for goodwill impairment (continuing)	0.3p	(1.5)p
Adjustment for exceptional items (continuing) (2021: discontinued)	(0.2)p	0.1p
Adjusted basic earnings per share (continuing)	8.0p	2.2p
Adjusted basic earnings per share (discontinued)	–	–
Adjusted basic earnings per share from total operations	8.0p	2.2p

11 EARNINGS PER SHARE (Continued)

	Pence per share (p)	Pence per share (p)
Diluted earnings per share		
From continuing operations	6.5p	1.6p
From discontinued operations	–	(0.1)p
From total operations	6.5p	1.5p
Adjustments for amortisation of intangible assets (continuing)	1.4p	2.1p
Adjustment for goodwill impairment (continuing)	0.3p	(1.5)p
Adjustment for exceptional items (continuing) (2021: discontinued)	(0.2)p	0.1p
Adjusted diluted earnings per share (continuing)	8.0p	2.2p
Adjusted diluted earnings per share (discontinued)	–	–
Adjusted diluted earnings per share from total operations	8.0p	2.2p
Adjusted diluted earnings per share excluding super-deduction (continuing)	7.2p	1.7p

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 and those held as Treasury shares awaiting cancellation, 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), goodwill impairment 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 £3.8 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 2022 and 2021, an adjusted diluted earnings per share value excluding this benefit has been disclosed.

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. Potentially dilutive Ordinary shares have been treated as dilutive in both years, as their inclusion in the diluted earnings per share calculation decreases the earnings per share from continuing operations.

There were no events occurring after the balance sheet date that would have changed significantly the number of Ordinary shares or potentially dilutive Ordinary shares outstanding at the balance sheet date if those transactions had occurred before the end of the reporting period.

12 GOODWILL

	2022 £m	2021 £m
Cost		
Brought forward	135.2	130.9
Business combinations (see note 34)	–	4.3
Carried forward	**135.2**	**135.2**
Accumulated impairment losses		
Brought forward	–	–
Losses in the year	1.4	–
Carried forward	**1.4**	**–**
Carrying amount		
Opening	135.2	130.9
Closing	**133.8**	**135.2**

In accordance with UK adopted international accounting standards, goodwill is not amortised, but instead is tested annually for impairment, or more frequently if there are indicators that an impairment has arisen, and carried at cost less accumulated impairment losses.

Notes to the Consolidated Financial Statements Continued >

12 GOODWILL (Continued)

Impairment tests for goodwill

The allocation of goodwill to Cash Generating Units (CGUs) is as follows:

	2022 £m	2021 £m
Workwear	41.7	41.7
Stalbridge*	48.3	48.3
Hotel Linen	40.9	40.9
Lilliput	2.9	4.3
HORECA	92.1	93.5
Total	**133.8**	**135.2**

* The CGUs have been assessed in the year to 31 December 2022, resulting in London Linen no longer being determined as separately identifiable and instead now forming part of the Stalbridge CGU. During 2021, London Linen accounting systems and accounting ledgers were amalgamated with Stalbridge and, with effect from 1 January 2022, the two trading names are now reported and reviewed by management as one business. Work is transferred between various sites across both businesses and therefore revenue streams from individual assets are no longer easily obtained or separable. Accordingly, the figures in the table above for Stalbridge have been adjusted to include London Linen.

Goodwill is tested for impairment by comparing the carrying value of each CGU against its recoverable amount. The carrying value for each CGU includes the net book value of goodwill, intangible assets and related deferred tax balances, property, plant and equipment, right of use assets, textile rental items and lease liabilities.

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

	2022 £m	2021 £m
Workwear	195.3	215.4
Stalbridge	160.6	187.6
Hotel Linen	131.7	194.1
Lilliput	16.8	8.0
HORECA	309.1	389.7
Total	**504.4**	**605.1**

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.. 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 CGUs operate, into perpetuity.

When assessing the recoverable amount for CGUs as at 31 December 2022, the forecasts covered the period to the end of 2025. 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 13.10% (2021: 10.51%) 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 40 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 cost of debt used in 2022 has increased significantly during the year. This reflects the current prevailing market conditions due, in part, to the current high levels of inflation.

12 GOODWILL (Continued)

The same discount rate has been used for each CGU as the principal risks and uncertainties associated with the Group, as highlighted on pages 47 to 53, 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. 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. Within the cashflow projections key drivers to future growth rates are dependent on the Group's ability to maintain and grow income streams including price increases and volume growth, whilst effectively managing operating costs in light of the current inflationary pressures in the wider macroeconomic environment. The level of headroom may change if different growth rate assumptions or a different pre-tax discount rate were used or cashflow projections were not met in the calculation of value-in-use for each CGU. 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.

Sensitivity analysis has been performed in assessing the recoverable amounts of goodwill such that (i) the growth rate for the forecast period was reduced to nil and (ii) the pre-tax discount rate was increased by 2.28%. Such changes 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 from the sensitivity analysis, it was identified that Hotel Linen CGU was the most sensitive of the CGUs.

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

	2022	2021
Annual growth rate (after forecast period)	2.00%	2.00%
Risk free rate of return	3.52%	1.22%
Market risk premium	5.25%	6.00%
Beta Factor	1.14	1.10
Size Premium	3.00%	3.00%
Cost of debt	7.55%	3.09%

Having completed the 2022 impairment review, no impairment has been recognised in relation to the CGUs, with the exception of Lilliput which is discussed further below (2021: no impairment).

As previously highlighted in the 2021 Annual Report and Accounts, the Lilliput CGU had a higher sensitivity to changes in the discount rate than the other CGUs. As set out in the Consolidated Interim Financial Statements at 30 June 2022, following the increase in the pre-tax discount rate to 12.40% at June 2022 from 10.51% at December 2021, the Group recognised a goodwill impairment loss of £1.4 million within the Interim Consolidated Income Statement in respect of Lilliput. Fair value less cost to dispose of the CGU was also considered however the value in use was deemed to be the higher recoverable value. Following the recently completed investment undertaken at Lilliput, the most recent financial forecasts for the Group reflect revised expected future cash flows for Lilliput. Accordingly, no further impairment was required as at 31 December 2022 and, in fact, significant headroom exists. However, under UK adopted international accounting standards, a goodwill impairment cannot be reversed.

13 INTANGIBLE ASSETS

	Capitalised Software £m	Other Intangible Assets £m	Total £m
Cost			
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**
Additions	0.3	1.3	1.6
At 31 December 2022	**2.6**	**85.6**	**88.2**
Accumulated amortisation			
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**
Charged during the year	0.2	7.2	7.4
At 31 December 2022	**1.0**	**76.3**	**77.3**
Carrying amount			
At 31 December 2020	**1.5**	**25.0**	**26.5**
At 31 December 2021	**1.5**	**15.2**	**16.7**
At 31 December 2022	**1.6**	**9.3**	**10.9**

Notes to the Consolidated Financial Statements Continued >

13 INTANGIBLE ASSETS (Continued)

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

Other intangible assets comprise of customer contracts and relationships arising from business combinations together with the customer contracts acquired not as part of a business combination. For assets resulting from a business combination, fair value is calculated based upon historical and prospective information and financial data specific to each business combination, with an appropriate discount factor applied based upon the weighted average cost of capital for the Group. For assets not acquired as part of a business combination, fair value is deemed to be the amounts to purchase the contracts plus associated costs less value of stock acquired.

Other intangible assets have a finite useful life and are carried at cost less accumulated amortisation. Amortisation of other intangible assets is calculated using the straight-line method to allocate the cost of the assets over their estimated useful lives (usually three to thirteen years).

The longest estimated useful life remaining at 31 December 2022 is twelve years.

14 PROPERTY, PLANT AND EQUIPMENT

	Properties £m	Plant and Equipment £m	Total £m
Cost			
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**
Additions	0.5	24.3	24.8
Disposals	(0.1)	(2.3)	(2.4)
At 31 December 2022	**41.9**	**212.4**	**254.3**
Accumulated depreciation and impairment			
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**
Charged during the year	1.2	17.1	18.3
Eliminated on disposals	–	(2.2)	(2.2)
At 31 December 2022	**16.2**	**118.5**	**134.7**
Carrying amount			
At 31 December 2020	**28.2**	**79.0**	**107.2**
At 31 December 2021	**26.5**	**86.8**	**113.3**
At 31 December 2022	**25.7**	**93.9**	**119.6**

The value of assets under construction at 31 December 2022 was £2.0 million shown above within plant and equipment (2021: £4.4 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 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**
Additions	0.7	1.3	2.0
Reassessment/modification of assets previously recognised	–	0.1	0.1
Disposals	(0.3)	(1.5)	(1.8)
At 31 December 2022	**43.6**	**7.3**	**50.9**
Accumulated depreciation and impairment			
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**
Charged during the year	4.2	1.7	5.9
Disposals	(0.3)	(1.5)	(1.8)
At 31 December 2022	**14.9**	**4.3**	**19.2**
Carrying amount			
At 31 December 2020	**33.7**	**4.8**	**38.5**
At 31 December 2021	**32.2**	**3.3**	**35.5**
At 31 December 2022	**28.7**	**3.0**	**31.7**

Depreciation charges are recognised in distribution expenses and administrative expenses within the Consolidated Income Statement depending on the assets to which the depreciation relates.

16 TEXTILE RENTAL ITEMS

	2022 £m	2021 £m
Cost		
Brought forward	90.9	97.9
Additions	57.4	46.7
Business combinations	–	0.7
Disposals	(21.3)	(49.6)
Special charges	(5.4)	(4.8)
Carried forward	**121.6**	**90.9**
Accumulated depreciation and impairment		
Brought forward	42.5	62.3
Charged during the year	39.3	32.2
Disposals	(21.3)	(49.6)
Special charges	(2.7)	(2.4)
Carried forward	**57.8**	**42.5**
Carrying amount		
Opening	48.4	35.6
Closing	**63.8**	**48.4**

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

Notes to the Consolidated Financial Statements Continued >

17 INVENTORIES

	2022 £m	2021 £m
New textile rental items	1.1	1.6
Goods for resale	0.1	0.1
Raw materials and stores	0.6	0.5
	1.8	**2.2**

The amounts above are net of an inventory provision of £0.3 million (2021: £0.7 million). There has been £0.3 million (2021: £nil) 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 £5.5 million (2021: £7.3 million).

18 TRADE AND OTHER RECEIVABLES

	2022 £m	2021 £m
Amounts falling due within one year:		
Trade receivables	55.9	46.5
Less: provision for impairment of trade receivables	(3.4)	(3.3)
Trade receivables – net	52.5	43.2
Unbilled receivables	4.0	1.6
Other receivables	0.2	1.3
Prepayments	3.7	1.2
Costs incurred to obtain a contract	0.6	0.6
	61.0	**47.9**
Amounts falling due after more than one year:		
Other receivables	–	–
Costs incurred to obtain a contract	0.3	0.3
	0.3	**0.3**
	61.3	**48.2**

Costs capitalised as costs incurred to obtain a contract during the year total £0.9 million (2021: £0.9 million). The charge recognised during the year relating to costs incurred to obtain a contract is £0.9 million (2021: £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	2022 Net £m	Gross £m	Provision £m	2021 Net £m
Trade receivables, unbilled receivables and other receivables						
– Not yet due and up to 3 months overdue	57.7	(2.5)	55.2	48.1	(2.3)	45.8
– 3 to 6 months past due	1.9	(0.7)	1.2	1.0	(0.7)	0.3
– 6 to 12 months past due	0.4	(0.1)	0.3	0.3	(0.3)	–
– Over 12 months past due	0.1	(0.1)	–	–	–	–
	60.1	**(3.4)**	**56.7**	**49.4**	**(3.3)**	**46.1**

Under IFRS 9, the Group is required to utilise objective evidence as well as consider forward looking information and the probability of default when calculating expected credit losses. The maturity of financial assets is therefore used as an indicator as to the probability of default.

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

Under IFRS 9, the Group applies the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables. Forward looking loss rates for each debt aging category takes into account how overdue the debt is, the type of receivable, operating segment and region in which the customer operates, as well as other current market and trading conditions. 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.

18 TRADE AND OTHER RECEIVABLES (Continued)

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:

	2022 £m	2021 £m
At 1 January	(3.3)	(3.6)
Provisions for receivables impairment	(1.3)	(0.4)
Amounts unused reversed	0.4	–
Receivables written off during the year as uncollectable	0.8	0.7
At 31 December	**(3.4)**	**(3.3)**

The creation and release of the provision for impaired receivables has been included in impairment loss on trade receivables 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 (2021: Sterling), apart from £0.1 million (2021: £0.1 million) which are denominated in Euro, 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 REIMBURSEMENT ASSETS

	2022 £m	2021 £m *Restated
Reimbursement assets	4.5	4.3
	4.5	**4.3**

* £4.3 million of reimbursement assets have been recognised as at 31 December 2021 in respect of the reimbursement of third party claims made against the Group, which are indemnified under the terms of its insurance policies. A corresponding provision for liabilities of £4.3 million has been recognised as at 31 December 2021.

The Group recognises a reimbursement asset in respect of third-party claims made against the Group, but which under the terms of it's insurance policies, the Group is indemnified. All of the expenditure required to settle such claims will be reimbursed by the insurer under the terms of the policies, and therefore it is virtually certain that reimbursement will be received.

As the Group expects, on average, insurance claims to be settled within one year which is driven by a review of the historic claims data, recognition of these balances is made within current assets and current liabilities.

20 TRADE AND OTHER PAYABLES (CURRENT)

	2022 £m	2021 £m
Trade payables	38.5	25.8
Other payables	1.5	2.2
Other taxation and social security liabilities	8.0	6.9
Deferred income	0.3	0.3
Accruals	27.4	28.5
	75.7	**63.7**

All trade and other payables balances at the balance sheet date are denominated in Sterling (2021: 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.

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21 TRADE AND OTHER PAYABLES (NON-CURRENT)

	2022 £m	2021 £m
Deferred income	0.3	0.3
	0.3	**0.3**

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

22 BORROWINGS

	2022 £m	2021 £m
Current		
Overdraft	5.3	9.6
Bank loans	(0.2)	(0.1)
	5.1	**9.5**
Non-current		
Bank loans	14.7	18.0
	14.7	**18.0**
	19.8	**27.5**
The maturity of non-current bank loans is as follows:		
– Between one and two years	15.0	18.0
– Unamortised issue costs of bank loans	(0.3)	–
	14.7	**18.0**

At 31 December 2022, borrowings were secured and drawn down under a committed facility dated 8 August 2022. The facility comprises an £85.0 million rolling credit facility (including an overdraft) which runs to August 2025 with two, one-year, extension options with a further option, both with bank consent, to increase the facility by up to an additional £50.0 million.

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 on the facility ranges between 1.45% and 2.45% and was 1.45% at 31 December 2022. Margin is determined on the achievement of leverage ratios.

The secured bank loans are stated net of unamortised issue costs of £0.5 million (2021: £0.1 million) of which £0.2 million is included within current borrowings (2021: £0.1 million) and £0.3 million is included within non-current borrowings (2021: £nil). 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 (2021: £5.0 million and £3.0 million).

As at 31 December 2022, the Group has in place the following hedging arrangements which have the effect of replacing SONIA with fixed rates as follows:

- 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.

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.

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.

23 LEASE LIABILITIES

	Properties £m	Plant and Equipment £m	Total £m
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**
Additions	0.7	1.3	2.0
Reassessment/modification of liabilities previously recognised	–	0.1	0.1
Lease liability payments (including finance costs)	(5.4)	(1.7)	(7.1)
Finance costs	1.5	–	1.5
At 31 December 2022	**31.3**	**3.0**	**34.3**

Lease liabilities are comprised of the following balance sheet amounts:

	2022 £m	2021 £m
Amounts due within one year (Lease liabilities, Current liabilities)	5.1	5.2
Amounts due after more than one year (Lease liabilities, Non-Current liabilities)	29.2	32.6
	34.3	**37.8**

Lease liabilities are as follows:

	2022 £m	2021 £m
Not more than one year		
Minimum lease payments	6.4	6.7
Interest element	(1.3)	(1.5)
Present value of minimum lease payments	**5.1**	**5.2**
Between one and five years		
Minimum lease payments	19.6	20.4
Interest element	(3.7)	(4.2)
Present value of minimum lease payments	**15.9**	**16.2**
More than five years		
Minimum lease payments	19.2	23.0
Interest element	(5.9)	(6.6)
Present value of minimum lease payments	**13.3**	**16.4**

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 2022 £0.4 million (2021: £0.6 million) is subject to inflation-linked rentals, relating to the commercial vehicle fleet within the HORECA division. A further £28.6 million (2021: £31.7 million) is subject to rent reviews relating to the Group's property portfolio.

Following the adoption of IFRS 16, short term leases (those with an expected term of 12 months or less) and leases for low value assets, continue to be expensed on a straight line basis over the lease term, as under IAS 17. The expense relating to these payments was £2.5 million (2021: £1.4 million).

Total cash outflow for leases, comprising capital and interest payments, for the year ended 31 December 2022 was £7.1 million (2021: £7.3 million).

Furthermore, the Group sublets properties under operating leases. Income recognised in the Consolidated Income Statement during the year amounts to £0.3 million (2021: £0.3 million).

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24 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 2022 £m	Deferred Income Tax Assets 2021 £m	Deferred Income Tax Liabilities 2022 £m	Deferred Income Tax Liabilities 2021 £m
Recognised deferred income tax assets and liabilities				
Depreciation less than capital allowances	–	–	(27.6)	(11.2)
Employee share schemes	0.1	0.3	–	–
Post-employment benefit obligations	2.6	0.4	–	–
Derivative financial liabilities	0.2	–	–	(0.1)
Trading losses	24.9	10.3	–	–
Other short term timing differences	0.1	0.2	–	–
Separately identifiable intangible assets	–	–	(2.1)	(3.2)
	27.9	**11.2**	**(29.7)**	**(14.5)**

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 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 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)**
(Charge)/credit to income	(16.4)	–	(0.4)	–	14.6	(0.1)	1.1	(1.2)
Charge to Shareholders' equity	–	(0.2)	–	–	–	–	–	(0.2)
Credit to other comprehensive income	–	–	2.6	0.3	–	–	–	2.9
At 31 December 2022	**(27.6)**	**0.1**	**2.6**	**0.2**	**24.9**	**0.1**	**(2.1)**	**(1.8)**

The (charge)/credit to income above includes £1.2 million charge (2021: £1.0 million credit) in relation to continuing operations and a charge of £nil (2021: 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 24.6% as at 31 December 2022 (2021: 23.3%). The impact of the change in tax rates has been a £nil charge (2021: £1.6 million charge) in the Consolidated Income Statement.

The Group has estimated that £5.9 million (2021: £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.

25 PROVISIONS

	Insurance Claims £m *Restated	Property £m	Self Insurance £m	Total £m
At 31 December 2020 as previously reported	**–**	**2.9**	**0.4**	**3.3**
Restated amounts	2.5	–	–	2.5
At 31 December 2020 restated*	**2.5**	**2.9**	**0.4**	**5.8**
Additions	2.0	–	–	2.0
Utilised during the year	(0.2)	(0.2)	(0.1)	(0.5)
Released during the year	–	(1.6)	–	(1.6)
At 31 December 2021	**4.3**	**1.1**	**0.3**	**5.7**
Additions	0.9	0.2	0.1	1.2
Utilised during the year	(0.7)	(0.3)	–	(1.0)
At 31 December 2022	**4.5**	**1.0**	**0.4**	**5.9**

	2022 £m	2021 £m
Analysis of total provisions		
Current	5.1	4.8
Non-current	0.8	0.9
	5.9	**5.7**

* A £2.5 million provision for liabilities has been recognised as at 31 December 2020 in respect of third party claims made against the Group, but which are indemnified under the terms of its insurance policy. A corresponding reimbursement asset of £2.5 million has been recognised as at 31 December 2020. As the Group expects, on average, insurance claims to be settled within one year which is driven by a review of the historic claims data, recognition of these balances is made with current assets and current liabilities.

Insurance claims

The Group recognises a provision for liabilities in respect of third party claims made against it. A corresponding reimbursement asset of £4.5 million (2021: £4.3 million) has been recognised as all of the expenditure required to settle such claims will be reimbursed by the insurer under the terms of the policy. As the Group expects insurance claims to be settled within one year, recognition of these balances is made within current assets and current liabilities. All movement shown above in respect of Insurance claims is non-cash movement as the amounts are settled by the third party insurance provider and therefore there will be no amounts shown within the Consolidated Cashflow Statement.

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 10 years. This scheme is now closed.

26 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 £4.1 million (2021: £3.4 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.

Notes to the Consolidated Financial Statements Continued >

26 POST-EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

A full actuarial valuation of the JGDBS was carried out at 30 September 2019 and has been updated to 31 December 2022 by an independent qualified actuary. The updated actuarial valuation at 31 December 2022 showed a deficit of £9.4 million (2021: £1.1 million). During the year, no employer or employee contributions were made (2021: £nil). A full actuarial valuation with an effective date of 30 September 2022 is being carried out but results are not yet available.

The current schedule of contributions, which supersedes all earlier versions, requires deficit recovery payments of £1.9 million per annum to be paid up to and including December 2026. Deficit recovery payments of £1.9 million (2021: £1.9 million) were made to the Scheme during the year. Further deficit recovery payments of £1.9 million are currently expected to be made in 2023, although this will be reviewed during the finalisation of the actuarial valuation currently underway.

Actuarial assumptions

Considerations when calculating the IAS 19 liability

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

These assumptions are based on market yields at the balance sheet date, and may not be borne out in practice due to the long-term expected duration of the Scheme. The weighted average duration of the defined benefit obligation is approximately 11 years (2021: 14 years). The duration is calculated based on the membership data and results of the 2019 triennial valuation but updated to reflect market conditions as at 31 December 2022. 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

	2022	2021
Rate used to discount scheme liabilities	4.90%	1.95%
Retail price inflation (RPI)	3.20%	3.45%
Consumer price inflation (CPI)	2.55%	2.75%
Rate of increase of pensions in payment (5.0% RPI linked)	2.89%	3.35%
Rate of increase of pensions in payment (2.5% RPI linked)	1.83%	2.28%
Rate of increase of pensions in payment (2.5% CPI linked)	1.71%	2.13%

Life expectancy at age 60 for current male pensioners is assumed to be 26.4 years (2021: 26.4 years) and 29.1 years for current female pensioners (2021: 29.1 years). Life expectancy at age 60 for male future pensioners is assumed to be 26.6 years (2021: 26.6 years) and 29.2 years for current female pensioners (2021: 29.2 years). "S2PXA 102%/99% males/females (YoB) CMI 2021 with a 1.25% long term trend rate with core parameters" has been used to derive these mortality rates (2021: "S2PXA 102%/99% males/females (YoB) CMI 2020 with a 1.25% long term trend rate with core parameters" used).

It is assumed that 100% of non-retired members of the JGDBS will commute 25% of their pension at retirement (2021: 100% of members will commute 25% of pension).

It has been assumed that 50% (2021: 50%) of future pensioners at retirement will exchange their non-statutory pension increases at retirement for a higher, but non-increasing pension.

26 POST-EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

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 Company have historically included a reserve in 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 ruling obliged Trustees to make top-up payments in respect of historic transfers that were not paid on an equalised basis. The additional cost is required to be recognised through the income statement as a past service cost.

The full effect of the 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 the DBO in respect of the supplementary ruling on the grounds of immateriality.

Sensitivity of key assumptions

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

Item	Approximate increase/(decrease) on Post-employment benefit obligation
Increase/decrease discount rate by 0.5%	(£7.6 million)/£7.6 million
Increase/decrease price inflation assumption by 0.50%	£1.9 million/(£1.9 million)
1 year increase/decrease in life expectancy at age 60	£5.0 million/(£5.0 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 2022, the deficit of the scheme was £0.8 million (2021: £1.0 million). The Group accounted for a current service cost of £nil and a notional interest cost of £15,000 in the Consolidated Income Statement (2021: £nil and £15,000 respectively). The current service cost in 2023 is expected to be £nil with a notional interest cost of £37,000.

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 and this has been updated to 31 December 2022 by an independent qualified actuary. As a result, an actuarial gain of £0.2 million was recognised in the year within the Consolidated Statement of Comprehensive Income.

The latest review was performed using the projected unit credit method, and a discount rate of 4.90%. 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 1.00% in the medical cost trend would increase the scheme liabilities by an estimated £0.1 million and the aggregate of the service cost and interest cost by an estimated £25,000 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 £25,000 per annum.

Post-employment benefit obligations disclosures

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

	2022 £m	2021 £m
Notional interest on post-employment benefit obligations	–	0.2
Total amounts charged to the Consolidated Income Statement	**–**	**0.2**

Current service costs are charged or credited to the Consolidated Income Statement in arriving at operating profit before amortisation of intangible assets (excluding software amortisation), goodwill impairment and exceptional items.

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

Notes to the Consolidated Financial Statements Continued >

26 POST-EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

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

	2022 £m	2021 £m
Return on scheme assets excluding interest income	(68.2)	0.1
Re-measurement (losses)/gains arising from changes in demographic assumptions	(0.2)	0.1
Re-measurement gains arising from changes in financial assumptions	61.5	10.5
Experience (losses)/gains on liabilities	(3.1)	0.3
Total amounts recognised in the Consolidated Statement of Comprehensive Income	**(10.0)**	**11.0**

Amounts recognised in the Balance Sheet are as follows:

	2022 £m	2021 £m
Present value of funded obligations	(157.6)	(222.3)
Fair value of scheme assets	148.2	221.2
Net defined benefit pension obligations	(9.4)	(1.1)
Post-retirement healthcare obligations	(0.8)	(1.0)
Net post-employment benefit obligations	**(10.2)**	**(2.1)**

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

	2022 £m	2021 £m
Fair value of scheme assets at beginning of the year	221.2	226.7
Interest income	4.2	3.0
Return on scheme assets (excluding interest income)	(68.2)	0.1
Deficit recovery payments	1.9	1.9
Benefits paid – defined benefit pension obligations	(10.9)	(10.5)
Fair value of scheme assets at end of the year	**148.2**	**221.2**

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

	2022 £m	2021 £m
Fair value of scheme liabilities at beginning of the year	(223.3)	(241.6)
Interest expense	(4.2)	(3.2)
Re-measurement (losses)/gains from changes in demographic assumptions	(0.2)	0.1
Re-measurement gains from changes in financial assumptions	61.5	10.5
Experience (losses)/gains on liabilities	(3.1)	0.3
Utilisation of healthcare provision	–	0.1
Benefits paid – defined benefit pension obligations	10.9	10.5
Fair value of scheme liabilities at the end of the year	**(158.4)**	**(223.3)**

Movements in post-employment benefit obligations were as follows:

	2022 £m	2021 £m
Opening post-employment benefit obligation	(2.1)	(14.9)
Notional interest	–	(0.2)
Deficit recovery payments	1.9	1.9
Re-measurement and experience (losses)/gains	(10.0)	11.0
Utilisation of healthcare provision	–	0.1
Closing post-employment benefit obligation	**(10.2)**	**(2.1)**

26 POST-EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

The major categories of scheme assets were as follows:

	Quoted Market Price Active Market £m	No Quoted Market Price Active Market £m	2022 Total Scheme £m	Quoted Market Price Active Market £m	No Quoted Market Price Active Market £m	2021 Total Scheme £m
Bonds	–	24.6	24.6	–	67.8	67.8
Liability driven investments	21.9	–	21.9	37.1	–	37.1
Alternative return seeking assets	–	75.8	75.8	–	68.2	68.2
Diversified growth fund	–	–	–	–	23.6	23.6
Cash and cash equivalents	25.9	–	25.9	24.5	–	24.5
Total market value of assets	**47.8**	**100.4**	**148.2**	**61.6**	**159.6**	**221.2**

The assets of the pension scheme include no (2021: none) shares in the Group.

Scheme assets held with no quoted market price on active market are valued by the fund managers. The managers determine fair value of their holdings based on several factors. They may use secondary market prices, internal valuation models or independent valuations. This process adopted will vary by manager and asset class, although independent third parties are typically used to verify and support the net asset value valuations.

The Liability Driven Investments (LDI) shown above comprise of nominal and real LDI funds, investing in partly funded leveraged gilts and funds for liability matching and liquidity funds investing in pooled cash funds. Under these arrangements, if interest rates fall, the value of the LDI 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.

27 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.

The Group has recognised reimburseable assets of £4.5 million in the year to 31 December 2022 (2021: £4.3 million). See note 19 for further details.

Financial assets

	2022 £m	2021 £m
Cash at bank and in hand		
Sterling	6.0	4.9
Euro	0.1	–
US Dollars	–	0.3
At 31 December	**6.1**	**5.2**

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.

Notes to the Consolidated Financial Statements Continued >

27 FINANCIAL INSTRUMENTS (Continued)

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

	Rating	2022 £m	2021 £m *restated
Cash at bank and in hand			
Royal Bank of Scotland	A-1	3.1	3.5
Lloyds Bank	A-1	2.3	1.0
Bank of Ireland	A-2	0.7	0.6
Allied Irish Bank	A-2	–	0.1
Total cash and cash equivalents		**6.1**	**5.2**

* Bank of Ireland and Allied Irish Bank balances as at 31 December 2021 not previously disclosed.

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

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

Financial liabilities

	As per Balance Sheet £m	Future Interest Cost £m	2022 Total Cash Flows £m	As per Balance Sheet £m	Future Interest Cost £m	2021 (***restated) Total Cash Flows £m
Trade and other payables**	67.4	–	67.4	56.5	–	56.5
Overdraft	5.3	–	5.3	9.6	–	9.6
Bank loans*	15.0	–	15.0	18.0	–	18.0
Lease liabilities	34.3	10.9	45.2	37.8	12.3	50.1
Provisions (restated)***	5.9	–	5.9	5.7	–	5.7
Derivative financial instruments	0.7	–	0.7	0.1	–	0.1
	128.6	**10.9**	**139.5**	**127.7**	**12.3**	**140.0**

* IFRS 7 requires the contractual future interest cost of a financial liability to be included within the above table. As disclosed in note 22 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 £1.3 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 1.45% and 2.45%.

** 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:

*** Provisions have been restated in respect third party claims made against the Group, but which are indemnified under the terms of its insurance policy (refer to note 25 for further detail).

Bank loans and overdraft in the table above do not include unamortised bank fees:

	Current £m	Non-Current £m	2022 Total £m	Current £m	Non-Current £m	2021 Total £m
Bank loans	–	15.0	15.0	–	18.0	18.0
Overdraft	5.3	–	5.3	–	–	–
Less: Unamortised bank fees	(0.2)	(0.3)	(0.5)	(0.1)	–	(0.1)
	5.1	**14.7**	**19.8**	**(0.1)**	**18.0**	**17.9**

27 FINANCIAL INSTRUMENTS (Continued)

	Current £m	Non-Current £m	2022 Total £m	Current £m	Non-Current £m	2021 Total £m
Trade and other payables	75.7	0.3	76.0	63.7	0.3	64.0
Less: Other taxation and social security liabilities	(8.0)	–	(8.0)	(6.9)	–	(6.9)
Less: Deferred income	(0.3)	(0.3)	(0.6)	(0.3)	(0.3)	(0.6)
	67.4	**–**	**67.4**	**56.5**	**–**	**56.5**

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 2022							
Due within one year	67.4	5.3	–	6.4	5.1	0.4	84.6
Due within one to two years	–	–	15.0	5.8	0.2	0.3	21.3
Due within two to five years	–	–	–	13.7	0.4	–	14.1
Due after more than five years	–	–	–	19.3	0.2	–	19.5
	67.4	**5.3**	**15.0**	**45.2**	**5.9**	**0.7**	**139.5**
As at 31 December 2021 (*restated)**							
Due within one year	56.5	9.6	–	6.7	4.8	0.1	77.7
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**	**5.7**	**0.1**	**140.0**

Of the £5.9 million (2021: £5.7 million) provisions shown above, £4.5 million (2021: £4.3 million) of the liability is offset by a corresponding reimbursement asset and therefore does not impact liquidity.

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 2022				
Sterling	45.2	20.3	74.0	139.5
As at 31 December 2021 (restated)				
Sterling	50.1	27.6	62.3	140.0

Fixed rate financial liabilities

At 31 December 2022 the Group's fixed rate financial liabilities related to lease liabilities (2021: lease liabilities).

For lease liabilities, the weighted average interest rate incurred is 4.5% (2021: 4.3%) and the weighted average period remaining is 128 months (2021: 134 months).

Notes to the Consolidated Financial Statements Continued >

27 FINANCIAL INSTRUMENTS (Continued)

Floating rate financial liabilities

Interest rate swaps

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 2022, the gain in fair value on interest rate swaps of £0.1 million (2021: £0.2 million gain) was recognised directly within finance costs in the Consolidated Income Statement. The Group's borrowings are £15.0 million as at 31 December 2022 however hedge accounting has not been reinstated and no amounts remain in the hedging reserve within equity.

At 31 December 2022, the Group had in place the following interest rate swap which had the effect of replacing SONIA with fixed rates as follows:

- 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.

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 1 month (2021: 13 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 61 basis points (2021: 44 basis points).

Fair values of financial liabilities

Bank loans are drawn down and interest set for no more than a six month period (2021: 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 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.

The Group hedges a portion of its annual diesel usage using commodity swaps. The diesel hedged for future periods 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 2022 or 2021 in relation to the commodity swaps. The quantity of the hedging instrument and the hedged item are the same when applying hedge accounting and are the same as that used for risk management purposes at a ratio of 1:1.

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

- 11.4 million litres of diesel at a weighted average price of 63.97 pence per litre for the period 1 January 2023 to 31 December 2025

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 2022, these gains and losses will be continuously released to the Consolidated Income Statement within distribution costs until the end of the hedged period.

27 FINANCIAL INSTRUMENTS (Continued)

The movement in the Group's hedging reserve as disclosed in the Consolidated Statement of Changes in Shareholders' Equity relate to the commodity swaps above:

	Commodity swaps £m
At 31 December 2020	**1.0**
Gain in fair value of swaps recognised in OCI	(1.6)
Deferred tax	0.3
At 31 December 2021	**(0.3)**
Gain in fair value of swaps recognised in OCI	(1.1)
Reclassified from OCI to Consolidated Income Statement	2.2
Deferred tax	(0.3)
At 31 December 2022	**0.5**

For both the years ended 31 December 2022 and 31 December 2021 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 2022 £m	Fair Value 2021 £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)
– Commodity products – cash flow hedges	(0.4)	–
Non-Current liabilities		
– Commodity products – cash flow hedges	(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 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**
Gain in fair value of swaps recognised in OCI	–	1.1	1.1
Gain in fair value of swaps not qualifying as hedges recognised in profit or loss	0.1	0.2	0.3
Cash receipts	–	(2.3)	(2.3)
At 31 December 2022	**–**	**(0.7)**	**(0.7)**

Fair value gains 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 include a £0.2 million deduction (2021: £0.1 million deduction) relating to non-cash movements on commodity swaps. A £0.1 million credit (2021: £0.2 million credit) 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.

Notes to the Consolidated Financial Statements Continued >

27 FINANCIAL INSTRUMENTS (Continued)

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 objective is to employ a disciplined approach to investment, returns and capital efficiency to deliver sustainable compounding growth whilst also maintaining a strong balance sheet.

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.

Gearing, for bank purposes, is 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 1 – 1.5 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.

Against this backdrop, in September 2022, the Company announced the launch of a share buyback programme of the Company's Ordinary shares for up to a maximum aggregate consideration of £27.5 million (excluding expenses). In reaching its decision, the Board considered ongoing capital expenditure at current levels to fund organic growth, payment of dividends and acquisitions within the M&A pipeline. Even after taking account of these factors, the Group had significant headroom under its committed facilities and target leverage. Accordingly, the Board concluded that the share buyback programme is prudent, reflects the cash generative ability of the Group, maintains a strong balance sheet consistent with its capital allocation policy and would therefore promote the success of the Company for the benefit of its members as a whole.

Reflecting the post COVID-19 pandemic recovery and the resumption of more normal levels of cash generation, in the first half of 2022, the Board approved an interim dividend of 0.8 pence per Ordinary share which was paid on 4 November 2022. The interim dividend represents a return to the Company's progressive dividend policy and the Board's intention to reduce dividend cover from the Company's historical level of cover of 3 times cover to 2.5 times cover by financial year 2024. 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.

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	2022 £m	Shares	2021 £m
Ordinary shares of 10p each:					
– At start of year		445,256,639	44.5	444,211,100	44.4
– Share buybacks	Note a	(6,105,293)	(0.6)	–	–
– New shares issued		–	–	1,045,539	0.1
At end of year		**439,151,346**	**43.9**	**445,256,639**	**44.5**

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	2022 £	Shares	2021 £
Ordinary shares of 10p each:					
– EBT	Note b	–	–	560,000	56,000
– SAYE	Note c	–	–	485,539	48,554
New shares issued		**–**	**–**	**1,045,539**	**104,554**

Note a: In September 2022, the Group announced that it was commencing a share buyback programme to repurchase up to £27.5 million (excluding expenses) of its own shares. During the year, 6,222,227 (2021: nil) ordinary shares with a total nominal value of £622,222 (2021: £nil) were bought back by the Company for a total consideration including transaction costs of £5.7 million of which £5.6 million was expended during the year with £0.1 million remaining within Trade and other payables at 31 December 2022 (2021: nil) which represents an average price of 91.4p per share. The total shares purchased to 31 December 2022 represent 1.4% of the Company's share capital. At 31 December 2022, 6,105,293 (2021: nil) ordinary shares with a total nominal value of £610,529 (2021: £nil) had been cancelled. The remaining 116,934 ordinary shares were held as Treasury shares until they were subsequently cancelled on 3 January 2023.

Note b: In 2021, 560,000 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. At the time of allotment, the EBT already held 8,388 Ordinary shares of 10 pence each which, together with the 560,000 newly allotted Ordinary shares of 10 pence each, were used to satisfy the exercise of 559,364 LTIP options. In addition, the EBT did not sell any shares.

Note c: In 2021, 485,539 SAYE Scheme options were exercised with a total nominal value of £48,554.

The total payments made/proceeds received on allotment in respect of the above transactions were (debited)/credited as follows:

	2022 £m	2021 £m
Share capital	(0.6)	0.1
Share premium	–	0.5
Capital redemption reserve	0.6	–
Retained earnings	(5.6)	–
	(5.6)	**0.6**

Potential issues of Ordinary shares of 10p each

As at the balance sheet date, certain senior executives hold options in respect of potential issues of Ordinary shares of 10 pence each granted pursuant to the 2009 Long-Term Incentive Plan (the '2009 LTIP'), the 2018 Long-Term Incentive Plan (the '2018 LTIP') and the 2018 Long-Term Incentive Plan sub-plan ('2018 Approved LTIP') (together referred to as 'Executive Schemes') at prices of nil.

Notes to the Consolidated Financial Statements Continued >

29 SHARE CAPITAL (Continued)

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 125.75 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 2022, 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	22 March 2021	905,951	Note d	Nil
2018 LTIP	16 March 2022	1,373,262	Note d	Nil
		2,374,213		
SAYE Scheme	4 October 2017	190,971	1 December 2022	125.75p
SAYE Scheme	3 October 2019	537,796	1 December 2022	155.75p
SAYE Scheme	3 October 2019	152,033	1 December 2024	155.75p
SAYE Scheme	1 October 2021	982,238	1 December 2024	129.75p
SAYE Scheme	1 October 2021	290,196	1 December 2026	129.75p
		2,153,234		
		4,527,447		

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 1.42 years (2021: 1.81 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 £0.8 million (2021: £0.5 million) including associated social security costs of £nil (2021: £nil) in relation to equity-settled share based payment transactions.

The average share price of Johnson Service Group PLC during the year was 111.0 pence (2021: 149.0 pence).

The aggregate gain made by Directors on the exercise of share options during the year was £nil (2021: £0.6 million). Further details are disclosed within the Directors' Remuneration Report on pages 85 to 109.

30 SHARE BASED PAYMENTS (Continued)

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

	2022 Number of Options	2022 Weighted Average Exercise Price (p)	2021 Number of Options	2021 Weighted Average Exercise Price (p)
Executive schemes				
Outstanding at beginning of the year	1,790,453	10p	2,437,442	9p
Granted during the year	1,373,262	–	1,016,917	–
Exercised during the year	–	–	(559,364)	–
Lapsed during the year	(789,502)	23p	(1,104,542)	3p
Outstanding at the end of the year	2,374,213	–	1,790,453	10p
Exercisable at the end of the year	95,000	–	95,000	–
SAYE schemes				
Outstanding at beginning of the year	2,516,444	138p	2,215,402	134p
Granted during the year	–	–	1,462,144	130p
Exercised during the year	–	–	(485,539)	105p
Lapsed during the year	(363,210)	141p	(675,563)	129p
Outstanding at the end of the year	2,153,234	138p	2,516,444	138p
Exercisable at the end of the year	728,767	148p	–	–

For options outstanding at 31 December 2022, the exercise date and the exercise price are disclosed within note 29.

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 2022	Options Granted During 2021
Weighted average share price at date of grant (pence)	118	149
Weighted average exercise price (pence)	–	77
Weighted average fair value (pence)	115	118
Expected volatility (%)	53.4	50.7
Expected life (years)	3.0	3.4
Risk free interest rate (%)	1.4	0.4
Expected dividend yield (%)	0.8	1.4

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

	2022 £m	2021 £m
Balance brought forward	16.8	16.3
Received on allotment of shares	–	0.5
Balance carried forward	**16.8**	**16.8**

Notes to the Consolidated Financial Statements Continued >

32 OWN SHARES

	2022 £m	2021 £m
Balance brought forward	–	–
Purchase of own shares	0.1	–
Balance carried forward	**0.1**	**–**

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, along with own shares acquired via the share buyback but not cancelled at 31 December 2022.

The number of shares and the market value at the balance sheet date are as follows:

	2022	2021
Number of shares held in EBT	9,024	9,024
Number of own shares purchased through share buyback	116,934	–
Market value £m	0.1	–

33 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' EQUITY

	2022 £m	2021 £m
Profit for the year	29.0	6.6
	29.0	**6.6**
Other recognised gains and losses relating to the year:		
Issue of share capital	–	0.6
Share options (value of employee services)	0.8	0.5
Deferred tax on share options	(0.2)	
Purchase of own shares by EBT	–	(0.1)
Share buyback	(5.7)	–
Dividends paid to shareholders	(3.5)	–
Re-measurement and experience (losses)/gains (net of taxation)	(7.4)	8.9
Cash flow hedges movement	(0.8)	1.3
Net addition to Shareholders' equity	**12.2**	**17.8**
Opening Shareholders' equity	272.4	254.6
Closing Shareholders' equity	**284.6**	**272.4**

34 BUSINESS COMBINATIONS

There were no business combinations during the year.

During 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.

Cash flows from business acquisition activity

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

	2022 £m	2021 £m
Net consideration payable	–	(3.1)
Deferred consideration	–	(0.8)
Overdraft acquired	–	(0.8)
Costs in relation to business acquisition activity	–	(0.1)
	–	**(4.8)**

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.

35 DISCONTINUED OPERATIONS

During the year, a provision against deferred consideration of £0.2 million was released relating to the sale of the Facilities Management division in August 2013.

As previously disclosed, a contingent liability arose as a condition of the sale of the Facilities Management division, 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 2021 for £3.3 million including associated costs. £1.6 million was recognised in the Consolidated Income Statement during 2021 in relation to this settlement.

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 were 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:

	2022 £m	2021 £m
Adjusted operating profit/result from discontinued operations	0.2	–
Exceptional items		
– Property provision	–	1.6
– Indemnity settlement	–	(1.6)
Operating profit/result	0.2	–
Taxation	–	(0.3)
Retained profit/(loss) from discontinued operations	**0.2**	**(0.3)**

Cash Flows

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

	2022 £m	2021 £m
Net cash generated from operating activities	0.2	–
Net cash used in investing activities	–	(3.6)
Net cash flow from/ (used in) discontinued operations	**0.2**	**(3.6)**

Along with the settlement discussed above, a further cash settlement of £0.3 million was made in 2021 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 2022	At 31 December 2021 £m	Cash Flow £m	Non-cash Changes £m	At 31 December 2022 £m
Debt due within one year (See note 22)	0.1	0.3	(0.2)	0.2
Debt due after more than one year (See note 22)	(18.0)	3.4	(0.1)	(14.7)
Lease liabilities (See note 23)	(37.8)	5.6	(2.1)	(34.3)
Total debt and lease financing	(55.7)	9.3	(2.4)	(48.8)
Cash and cash equivalents	(4.4)	5.2	–	0.8
Net debt	**(60.1)**	**14.5**	**(2.4)**	**(48.0)**

Notes to the Consolidated Financial Statements Continued >

36 ANALYSIS OF NET DEBT (Continued)

December 2021	At 31 December 2020 £m	Cash Flow £m	Non-cash Changes £m	At 31 December 2021 £m
Debt due within one year (See note 22)	0.2	1.5	(1.6)	0.1
Debt due after more than one year (See note 22)	0.2	(18.0)	(0.2)	(18.0)
Lease liabilities (See note 23)	(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)**

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

	2022 £m	2021 £m
Cash (Current assets)	6.1	5.2
Overdraft (Borrowings, Current liabilities)	(5.3)	(9.6)
	0.8	**(4.4)**

Lease liabilities are comprised of the following balance sheet amounts:

	2022 £m	2021 £m
Amounts due within one year (Lease liabilities, Current liabilities)	(5.1)	(5.2)
Amounts due after more than one year (Lease liabilities, Non-current liabilities)	(29.2)	(32.6)
	(34.3)	**(37.8)**

37 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2022 £m	2021 £m
Increase/(decrease) in cash in the year	5.2	(11.0)
Decrease/(increase) in debt and lease financing	9.3	(10.8)
Change in net debt resulting from cash flows	14.5	(21.8)
Debt acquired through business acquisition	–	(2.3)
Lease liabilities recognised during the year	(2.1)	(2.1)
Non-cash movement in unamortised bank facility fees	(0.3)	(0.3)
Movement in net debt	12.1	(26.5)
Opening net debt	(60.1)	(33.6)
Closing net debt	**(48.0)**	**(60.1)**

38 FINANCIAL COMMITMENTS

Capital expenditure

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

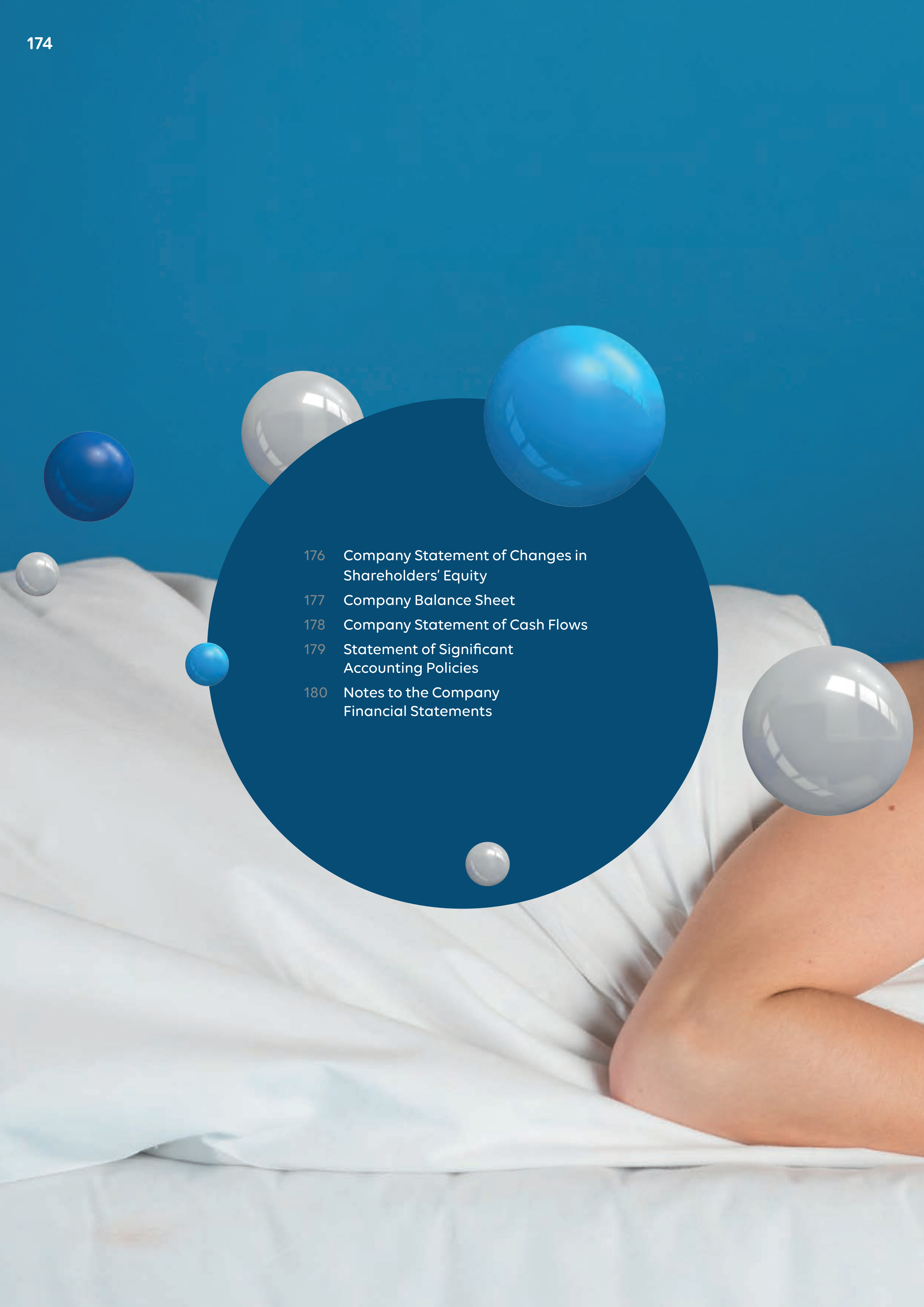
	2022 £m	2021 £m
Property, plant and equipment	11.1	10.9

39 EVENTS AFTER THE REPORTING PERIOD

On 13 February 2023 we completed the acquisition of the entire issued share capital of Regency Laundry Limited ('Regency') for a cash consideration of £5.75 million on a debt free, cash free basis and subject to an adjustment for normalised working capital.

The unaudited revenue of Regency in the year ending 31 December 2022 as reported in its management accounts was £6.1 million.

Due to the short period of ownership prior to the Consolidated Financial Statements being released, the Group has not yet completed the acquisition accounting required to fulfill the disclosure requirements of IFRS3. These disclosures will be made in the 2023 Annual Report and Accounts.



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 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**
Loss for the year	–	–	–	–	–	(3.4)	(3.4)
Other comprehensive loss	–	–	–	–	(0.8)	(7.4)	(8.2)
Total comprehensive loss for the year	–	–	–	–	(0.8)	(10.8)	(11.6)
Share options (value of employee services)	–	–	–	–	–	0.8	0.8
Deferred tax on share options	–	–	–	–	–	(0.1)	(0.1)
Share buybacks	(0.6)	–	–	0.6	–	(5.7)	(5.7)
Dividends paid	–	–	–	–	–	(3.5)	(3.5)
Transactions with Shareholders recognised directly in Shareholders' Equity	(0.6)	–	–	0.6	–	(8.5)	(8.5)
Balance at 31 December 2022	**43.9**	**16.8**	**3.5**	**1.2**	**(0.5)**	**142.0**	**206.9**

At 31 December 2022, and pursuant to the ongoing share buyback programme, the Group also held 116,934 treasury shares (2021: nil treasury shares). These were subsequently cancelled on 3 January 2023. See note 29 of the Consolidated Financial Statements for further details.

Company Balance Sheet

	Note	As at 31 December 2022 £m	As at 31 December 2021 £m *restated
Assets			
Non-current assets			
Right of use assets	5	0.2	0.3
Trade and other receivables	8	5.3	10.8
Derivative financial assets	13	–	0.3
Deferred income tax assets	6	4.4	1.3
Investments	7	569.3	568.9
		579.2	**581.6**
Current assets			
Trade and other receivables	8	0.1	0.2
		0.1	**0.2**
Liabilities			
Current liabilities			
Trade and other payables	9	341.4	324.8
Borrowings	10	5.1	9.5
Lease liabilities	11	0.1	0.1
Derivative financial liabilities	13	0.4	0.1
		347.0	**334.5**
Non-current liabilities			
Post-employment benefit obligations	12	10.2	2.1
Borrowings	10	14.7	18.0
Lease liabilities	11	0.2	0.2
Derivative financial liabilities	13	0.3	–
		25.4	**20.3**
Net assets		**206.9**	**227.0**
Equity			
Capital and reserves attributable to the company's shareholders			
Share capital	15	43.9	44.5
Share premium	16	16.8	16.8
Merger reserve		3.5	3.5
Capital redemption reserve		1.2	0.6
Hedge reserve		(0.5)	0.3
Retained earnings		139.9	161.3
Total Shareholders' equity		**206.9**	**227.0**

*The prior year presentation of payables to subsidiaries has been restated from non current trade and other payables to current trade and other payables. The prior year has also been restated to reclass balances of £196.5 million as current liabilities (previously non current assets) to net down subsidiary balances relating to the same legal entity. See notes 8 and 9 for further details. Opening amounts due from receivables and amounts due to receivables as at 1 January 2021 would have been adjusted by £10.8 million and £347.5 million respectively. A third balance sheet is not presented as these adjustments have no impact on net assets and accordingly it is considered the provision of a third balance sheet would not provide additional information material to these financial statements.

The Company recognised a loss during the year of £3.4 million (2021: £0.9 million profit).

The financial statements on pages 176 to 186 were approved by the Board of Directors on 6 March 2023 and signed on its behalf by:

Yvonne Monaghan

Chief Financial Officer

Company Statement of Cash Flows

	Note	Year ended 31 December 2022 £m	Year ended 31 December 2021 £m
Cash flows from operating activities			
(Loss)/profit for the year		(3.4)	0.9
Adjustments for:			
Income tax (credit)/charge		(0.9)	0.4
Total finance income		(1.3)	(5.1)
Depreciation	5	0.1	0.1
Decrease in trade and other receivables		0.1	0.3
(Decrease)/increase in trade and other payables		(0.8)	2.1
Decrease/(increase) in amounts due from subsidiary companies		1.8	(1.7)
Deficit recovery payments in respect of post-employment benefit obligations		(1.9)	(1.9)
Share-based payments		0.5	0.2
Commodity swaps not qualifying as hedges		(0.1)	(0.3)
Decrease in provisions		–	(1.1)
Business acquisition costs		–	0.1
Cash used in operations		(5.8)	(6.0)
Interest paid		(4.8)	(2.2)
Taxation received		3.5	0.5
Net cash used in operating activities		**(7.1)**	**(7.7)**
Cash flows from investing activities			
Acquisition of investment in subsidiary		–	(4.0)
Disposal of business costs		–	(3.6)
Interest received		5.1	7.4
Loans advanced to subsidiary companies		(30.1)	(37.0)
Net cash used in investing activities		**(25.0)**	**(37.2)**
Cash flows from financing activities			
Loans received from subsidiary companies		48.5	12.3
Proceeds from borrowings		48.0	29.0
Repayments of borrowings		(51.0)	(11.0)
Capital element of leases		–	(0.1)
Purchase of own shares by EBT		–	(0.1)
Share buybacks		(5.6)	–
Dividends paid		(3.5)	–
Net proceeds from issue of Ordinary shares		–	0.6
Net cash generated from financing activities		**36.4**	**30.7**
Net increase/(decrease) in cash and cash equivalents		4.3	(14.2)
Cash and cash equivalents at beginning of year		(9.6)	4.6
Cash and cash equivalents at end of year	18	**(5.3)**	**(9.6)**

Cash and cash equivalents at the end of the year include cash of £nil and an overdraft of £5.3 million (2021: £nil and £9.6 million respectively).

Included within the Company Statement of Cashflows above is £0.2 million of cash generated from 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 6 March 2023.

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 138 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

After considering the monthly cash flow projections, the stress tests 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 2024. Accordingly, 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. 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 59.

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 26 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 26 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 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 109.

3 EMPLOYEE BENEFIT EXPENSE

	2022 £m	2021 £m (restated*)
Wages and salaries	2.2	2.5
Social security costs	0.3	0.3
Cost of employee share schemes	0.5	0.3
Pension costs – defined contribution plans	0.1	0.1
Total	**3.1**	**3.2**

* Prior year employee numbers and employee benefit expenses have been restated to exclude non-executive directors. See note 4 of the Consolidated Financial Statements for further details.

The monthly average number of persons employed for the Company during the year was 14 (2021 restated: 15).

4 PROPERTY, PLANT AND EQUIPMENT

	Plant And Equipment £m
Cost	
At 31 December 2020, 2021 & 2022	**0.3**
Accumulated depreciation and impairment	
At 31 December 2020, 2021 & 2022	**0.3**
Carrying Amount	
At 31 December 2020, 2021 & 2022	–

There were £nil assets under construction at 31 December 2022 (2021: £nil).

5 RIGHT OF USE ASSETS

	Properties £m
Cost	
At 31 December 2020	**0.2**
Reassessment and modifications	0.4
At 31 December 2021	**0.6**
Reassessment and modifications	–
At 31 December 2022	**0.6**
Accumulated depreciation and impairment	
At 31 December 2020	**0.2**
Charged during the year	0.1
At 31 December 2021	**0.3**
Charged during the year	0.1
At 31 December 2022	**0.4**
Carrying amount	
At 31 December 2020	–
At 31 December 2021	**0.3**
At 31 December 2022	**0.2**

6 DEFERRED INCOME TAX ASSETS/LIABILITIES

Deferred income tax assets/(liabilities) attributable to the Company are as follows:

	Deferred tax assets		Deferred tax liabilities	
	2022 £m	2021 £m	2022 £m	2021 £m
Deferred income tax balances in respect of:				
Depreciation in excess of capital allowances	0.1	0.1	–	–
Post-employment benefit obligations	2.6	0.4	–	–
Derivative financial instruments	0.2	–	–	(0.1)
Employee share schemes	0.2	0.3	–	–
Trading losses	1.3	0.6	–	–
	4.4	**1.4**	**–**	**(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 2020	**0.1**	**2.8**	**0.2**	**0.3**	**0.3**	**0.3**	**4.0**
(Charge)/credit 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**
(Charge)/credit to income	–	(0.4)	–	–	0.7	–	0.3
Charge to shareholders equity	–	–	–	(0.1)	–	–	(0.1)
Credit to other comprehensive income	–	2.6	0.3	–	–	–	2.9
At 31 December 2022	**0.1**	**2.6**	**0.2**	**0.2**	**1.3**	**–**	**4.4**

Deferred income taxes at the balance sheet date have been measured at an effective deferred tax rate of 25.6% as at 31 December 2022 (2021: 22.6%). The impact of the change in tax rates has been a £0.1 million charge (2021: £0.2 million charge) to income.

The Company has estimated that £nil 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.

7 INVESTMENTS

	2022 £m	2021 £m
Investment in subsidiary undertakings		
Cost		
Brought forward	579.5	576.3
Additions	–	3.1
Movement relating to share options	0.4	0.1
Carried forward	**579.9**	**579.5**
Accumulated impairment		
Brought forward	10.6	10.6
Impairment	–	–
Carried forward	**10.6**	**10.6**
Carrying amount		
Opening	568.9	565.7
Closing	**569.3**	**568.9**

Particulars of subsidiary undertakings are shown in note 22 of the Company Financial Statements.

The Directors deem the investments to be recoverable due to the future forecasts of the Group.

Notes to the Company Financial Statements Continued >

8 TRADE AND OTHER RECEIVABLES

	2022 £m	2021 £m Restated
Amounts falling due within one year:		
Receivables from subsidiaries	–	0.1
Prepayments and other receivables	0.1	0.1
	0.1	**0.2**
Amounts falling due after more than one year:		
Receivables from subsidiaries	5.3	10.8
	5.3	**10.8**

Amounts owed by subsidiaries due within one year relate to invoiced services and are due according to the invoice terms.

The prior year has been restated to reclass balances of £196.5 million as current liabilities (previously shown as non-current assets) to net down subsidiaries' balances relating to the same legal entity.

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. Balances are interest bearing with interest charged based on one month GBP SONIA plus 0.1193% Credit Adjustment Spread plus a 3.75% margin. The fair value of these amounts is considered to be the same as their carrying value as they bear interest at a rate considered by Directors to be a market rate.

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 (2021: Sterling) and are held at amortised cost.

9 TRADE AND OTHER PAYABLES (CURRENT)

	2022 £m	2021 £m Restated
Trade payables	0.2	0.3
Other payables	0.1	0.6
Other taxation and social security liabilities	0.3	0.3
Accruals	1.4	1.5
Payables to Subsidiaries	339.4	322.1
	341.4	**324.8**

All trade and other payable balances at the balance sheet date are denominated in Sterling (2021: Sterling) and are held at amortised cost. Given their short term nature there is to be no difference between this and their fair value.

The prior year has been restated to present balances payable to subsidiaries as current liabilities rather than non-current liabilities. Management have reassessed the requirements of IAS1 where the company requires an unconditional right to defer settlement. Whilst the subsidiaries still do not intend to recall the outstanding liabilities, the balances are shown as current as it has been determined the company does not have an unconditional right to defer settlement..

The prior year has also been restated to reclass balances of £196.5 million as current liabilities (previously non-current assets) to net down subsidiaries' balances relating to the same legal entity.

10 BORROWINGS

	2022 £m	2021 £m
Current		
Overdraft	5.3	9.6
Bank loans	(0.2)	(0.1)
	5.1	**9.5**
Non-current		
Bank loans	14.7	18.0
Total Borrowings	**19.8**	**27.5**
The maturity of non-current bank loans is as follows:		
– Between one and two years	15.0	18.0
– Unamortised issue costs of bank loans	(0.3)	–
	14.7	**18.0**

10 BORROWINGS (Continued)

All Group bank loans are held by the Company. Full details of Group facilities are provided in note 22 of the Consolidated Financial Statements.

The overdraft and secured bank loans are stated net of unamortised issue costs of £0.5 million (2021: £0.1 million) of which £0.2 million is included within current borrowings (2021: £0.1 million) and £0.3 million is included within non-current borrowings (2021: £nil within non-current borrowings).

The Group has two overdraft facilities for £5.0 million and £3.0 million with two of its principal bankers (2021: £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 (2021: £10.0 million and £5.0 million).

11 LEASE LIABILITIES

	Properties £m
At 31 December 2020	–
Reassessment and modifications	0.4
Lease liability payments (including finance costs)	(0.1)
At 31 December 2021	0.3
At 31 December 2022	**0.3**

Lease liabilities are comprised of the following balance sheet amounts:

	2022 £m	2021 £m
Amounts due within one year (Lease liabilities, Current Liabilities)	0.1	0.1
Amounts due more than one year (Lease liabilities, Non-current Liabilities)	0.2	0.2
	0.3	**0.3**

Lease liabilities are as follows:

	2022 £m	2021 £m
Not more than one year		
Minimum lease payments	0.1	0.1
Interest element	–	–
Present value of minimum lease payments	**0.1**	**0.1**
More than one year		
Minimum lease payments	0.2	0.2
Interest element	–	–
Present value of minimum lease payments	**0.2**	**0.2**

12 POST-EMPLOYMENT BENEFIT OBLIGATIONS

Details of the Group's pension schemes are provided in note 26 of the Consolidated Financial Statements.

As at the 31 December 2022 and 31 December 2021 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 (2021: £0.1 million).

13 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

Details of derivative financial liabilities are shown in note 27 of the Consolidated Financial Statements. All of the Group's derivative financial liabilities are held by the Company.

14 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.

Notes to the Company Financial Statements Continued >

15 SHARE CAPITAL

Issued and Fully Paid	Shares	2022 £m	Shares	2021 £m
Ordinary shares of 10p each:				
At start of year	445,256,639	44.5	444,211,100	44.4
New shares issued	–	–	1,045,539	0.1
Share buyback	(6,105,293)	(0.6)	–	–
At end of year	**439,151,346**	**43.9**	**445,256,639**	**44.5**

Full details relating to the issue of Ordinary shares in the prior year are shown in note 29 of the Consolidated Financial Statements.

16 SHARE PREMIUM

	2022 £m	2021 £m
Balance brought forward	16.8	16.3
Received on allotment of shares	–	0.5
Balance carried forward	**16.8**	**16.8**

17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' EQUITY

	2022 £m	2021 £m
(Loss)/profit for the year	(3.4)	0.9
	(3.4)	**0.9**
Other recognised gains and losses relating to the year:		
Issue of share capital	–	0.6
Share option (value of employee services)	0.8	0.5
Deferred tax on share options	(0.1)	
Purchase of own shares by EBT	–	(0.1)
Share buybacks	(5.7)	–
Dividends paid	(3.5)	–
Re-measurement and experience (losses)/gains (net of taxation)	(7.4)	8.9
Cash flow hedges movement (net of taxation)	(0.8)	1.3
Net (reduction)/addition to Shareholders' equity	**(20.1)**	**12.1**
Opening Shareholders' equity	**227.0**	**214.9**
Closing Shareholders' equity	**206.9**	**227.0**

18 ANALYSIS OF NET DEBT

Net debt is calculated as total borrowings plus lease liabilities less cash and cash equivalents, less unamortised facility fees. Non-cash changes represent the effects of the recognition and subsequent amortisation of fees relating to the bank facility and changing maturity profiles.

	At 1 January 2022 £m	Cash Flow £m	Other Non-cash Changes £m	At 31 December 2022 £m
Debt due within one year	0.1	0.3	(0.2)	0.2
Debt due after more than one year	(18.0)	3.4	(0.1)	(14.7)
Lease liabilities	(0.3)	–	–	(0.3)
Total debt and lease liabilities	(18.2)	3.7	(0.3)	(14.8)
Cash and cash equivalents	(9.6)	4.3	–	(5.3)
Net debt	**(27.8)**	**8.0**	**(0.3)**	**(20.1)**

18 ANALYSIS OF NET DEBT (Continued)

	At 1 January 2021 £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)**

19 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2022 £m	2021 £m
Increases/(decrease) in cash in year	4.3	(14.2)
Decrease/(Increase) in debt financing	3.7	(17.9)
Change in net debt resulting from cash flows	8.0	(32.1)
New leases	–	(0.4)
Non-cash movement in unamortised bank facility fees	(0.3)	(0.3)
Movement in net debt in year	7.7	(32.8)
Opening net debt	(27.8)	5.0
Closing net debt	**(20.1)**	**(27.8)**

20 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:

	2022 £m	2021 £m
Interest paid	(2.8)	(0.6)
Interest received	5.5	7.4
	2.7	**6.8**

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 5 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.

21 EVENTS AFTER THE REPORTING PERIOD

On 13 February 2023 we completed on the acquisition of the entire issued share capital of Regency Laundry Limited ('Regency') for a cash consideration of £5.75 million on a debt free, cash free basis and subject to an adjustment for normalised working capital.

The unaudited revenue of Regency in the year ending 31 December 2022 as reported in its management accounts was £6.1 million.

Notes to the Company Financial Statements Continued >

22 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	Non-trading company
Johnson Group Properties PLC	Property holding
Semara Estates Limited *	Property holding
Fresh Linen Holdings Limited	Holding company
Johnson Investment 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 Inc (UK) 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 Limited	Non-trading company
JSG PLC*	Non-trading company
London Linen Management 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 is 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 9, City Business Park, Dunmurry, Belfast, BT17 9GX.

Under Section 479A of the Companies Act 2006, exemption from an audit of the financial statements for the financial year ended 31 December 2022 has been taken by Lilliput (Dunmurry) Limited (NI001375). As required, the Company guarantees all outstanding liabilities to which the subsidiary company is subject to at the end of the financial year until they are satisfied in full, and the guarantee is enforceable against the Company by any person to whom the subsidiary company is liable in respect of those liabilities.

5 SHAREHOLDER INFORMATION

FINANCIAL CALENDAR

Results announcement for the year to December 2022
7 March 2023

Results announcement for the half year to June 2023
September 2023

Annual General Meeting
4 May 2023

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.

I am pleased to be writing to you with details of the 2023 Annual General Meeting (the 'Meeting' or the 'AGM') of Johnson Service Group PLC ('JSG' or the 'Company') which will be held at the DoubleTree by Hilton Hotel & Spa Chester, Warrington Road, Hoole, Chester, CH2 3PD on Thursday 4 May 2023 at 11:00am.

BUSINESS OF THE MEETING

The formal notice of the AGM is set out on pages 192 to 199 and full details of the Resolutions to be proposed at the AGM are contained in the Explanatory Notes on pages 196 to 199.

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 11:00am on Tuesday 2 May 2023 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 11:00am on Tuesday 2 May 2023 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.

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 Chair
6 March 2023

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 Hotel & Spa Chester, Warrington Road, Hoole, Chester, CH2 3PD on Thursday 4 May 2023 at 11:00am to transact the business set out in the Resolutions below.

Resolutions 1 to 13 (inclusive) will be proposed as Ordinary Resolutions and Resolutions 14 to 16 (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 2022 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 109 of the 2022 Annual Report.

Final Dividend

3. To confirm the payment of the interim dividend of 0.8 pence per Ordinary Share and to declare a final dividend of 1.6 pence per Ordinary Share for the year ended 31 December 2022.

Election and Re-election of Directors

4. To re-elect Jock Lennox as a Director.
5. To re-elect Peter Egan as a Director.
6. To re-elect Yvonne Monaghan as a Director.
7. To re-elect Chris Girling as a Director.
8. To re-elect Nick Gregg as a Director.
9. To elect Nicola Keach as a Director, who was appointed as a Director by the Board subsequent to the previous Annual General Meeting of the Company.

Articles of Association – Maximum Aggregate Fees Payable to Non-Executive Directors

10. That the maximum aggregate fees per annum payable by the Company to its Non-Executive Directors, as stated in the Company's Articles of Association, be increased from £250,000 to £500,000.

External Auditor's Appointment and Remuneration

11. 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.
12. To authorise the Audit Committee to determine the remuneration of the auditor.

Directors' Authority to Allot Shares

13. 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 £14,428,751.

    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 2024, 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

14. Subject to and conditional upon the passing of the Ordinary Resolution numbered 13 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 for cash pursuant to the authority conferred upon them by the Ordinary Resolution numbered 13 in this notice of Annual General Meeting of the Company and / or sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment of Equity Securities or sale of ordinary shares held by the Company as treasury shares, 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;

    (ii) the allotment (otherwise than pursuant to sub paragraph (i) above) of Equity Securities pursuant to the authority granted under the Ordinary Resolution numbered 13 in this notice of Annual General Meeting or sale of treasury shares up to an aggregate nominal amount of £4,238,625 (representing approximately 10% of the Company's issued share capital (excluding treasury shares) as at 6 March 2023); and

    (iii) the allotment of Equity Securities or sale of treasury shares (otherwise than under sub-paragraphs (i) or (ii) above) up to an aggregate nominal amount equal to 20 per cent of any allotment of Equity Securities or sale of treasury shares from time to time under sub-paragraph (ii) above, such authority to be used only for the purposes of making a follow-on offer which the Directors of the Company determine to be of a kind contemplated by paragraph 3 of Section 2B of the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice.

    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 2024, 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 (and treasury shares to be sold) after such expiry and the Directors of the Company may allot Equity Securities (and sell treasury shares) 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.

15. Subject to and conditional upon the passing of the Ordinary Resolution numbered 13 in this notice of Annual General Meeting of the Company and in addition to any authority granted under the Special Resolution numbered 14 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 for cash pursuant to the authority conferred upon them by the Ordinary Resolution numbered 13 in this notice of Annual General Meeting of the Company and / or sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment of Equity Securities or sale of treasury shares, provided that this power shall be limited to the allotment of Equity Securities pursuant to the authority granted under the Ordinary Resolution numbered 13 in this notice of Annual General Meeting of the Company or the sale of treasury shares:

    (i) up to an aggregate nominal amount of £4,238,625 (representing approximately 10% of the Company's issued share capital (excluding treasury shares) as at 6 March 2023) such authority to be used only for the purposes of financing (or refinancing, if the authority is to be used within twelve months after the original transaction) a transaction which the Directors of the Company determine to be an acquisition or other specified 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; and

    (ii) (otherwise than under sub-paragraph (i) above) up to an aggregate nominal amount equal to 20 per cent of any allotment of Equity Securities or sale of treasury shares from time to time under sub-paragraph (i) above, such authority to be used for the purposes of making a follow-on offer which the Directors of the Company determine to be of a kind contemplated by sub-paragraph 3 of Section 2B of 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 2024, 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 (and treasury shares to be sold) after such expiry and the Directors of the Company may allot Equity Securities (and sell treasury shares) 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

16. 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 43,286,254 (representing approximately 10% of the Company's issued share capital (excluding treasury shares) as at 6 March 2023);

Notice of Annual General Meeting

Continued >

(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 2024 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 their proxy in advance of the AGM.

By Order of the Board

Christopher Clarkson
Company Secretary
6 March 2023

Johnson Service Group PLC
Abbots Park, Monks Way, Preston Brook, Cheshire, WA7 3GH

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 2023 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 11:00am on 2 May 2023 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 holders 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 11:00am on Tuesday 2 May 2023.

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 CREST'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 their 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.

Notice of Annual General Meeting

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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 6 March 2023 (being the last business day prior to publication of this notice) the Company's issued share capital consists of 433,791,800 Ordinary Shares carrying one vote each. The total voting rights in the Company as at 6 March 2023 are, therefore, 432,862,547 (excluding treasury shares).

Explanatory Notes

The following notes give an explanation of the proposed Resolutions.

Resolutions 1 to 13 (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 14 to 16 (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 2022 to the AGM.

Directors' Remuneration Report (Resolution 2)

It is proposed that the Directors' Remuneration Report for the financial year ended 31 December 2022, as set out on pages 85 to 109 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.

Declaration of a Dividend (Resolution 3)

A final dividend can only be paid after the Shareholders at a general meeting have approved it. A final dividend of 1.6 pence per Ordinary Share is recommended by the Directors for payment to Shareholders who are on the Register at the close of business on 14 April 2023. If approved, the date of payment of the final dividend will be 12 May 2023. The ex-dividend date is 13 April 2023. An interim dividend of 0.8 pence per Ordinary Share was paid on 4 November 2022.

Election and Re-election of Directors (Resolutions 4 to 9 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 or election, as applicable, are set out on page 56 of the 2022 Annual Report and are also available for viewing on the Company's website (www.jsg.com). In addition, a final summary of engagement with Shareholders following the Company's annual general meeting in May 2022 is provided on page 73 of the 2022 Annual Report.

Following the independent, formal, external evaluation of the Board and its committees conducted in the final quarter of 2021 by Gould Consulting (which is independent of, and has no other links to, the Company) which identified a number of actions to help improve the performance and effectiveness of the Board ("Board Improvement Plan"), the Board agreed that, for 2022, an evaluation of the Board would be conducted internally by way of questionnaire for completion by each Board member. The questionnaire was designed to encourage thought provoking and candid responses in relation to several aspects of Board performance during the year, in particular, with regard to the implementation of the Board Improvement Plan and views on future focus topics for the Board. The Chair then arranged individual, one-to-one, meetings with each Board member to discuss the aggregated and anonymised questionnaire responses. Overall conclusions were then presented and discussed at the meeting of the Board in January 2023. Further details are provided on pages 72 to 73 of the 2022 Annual Report. Additionally, the Independent Non-Executive Directors conducted a performance evaluation of the Chair, 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.

Articles of Association – Maximum Aggregate Fees Payable to Non-Executive Directors (Resolution 10)

Under the Company's Articles of Association, the total annual fees that may be paid to the Company's Non-Executive Directors is limited to £250,000 in aggregate or such larger sum as the Company may, by Ordinary Resolution, determine. The current cap of £250,000 has been in place since 2003.

Non-Executive Directors' fees have, historically, been subject to periodic benchmarking to provide a degree of independent confirmation of the fee levels. Whilst the Board determined and approved the fees payable to the Non-Executive Directors, and believes that the Non-Executive Directors' fees are in line with market rates and appropriately reflect the time commitment and responsibilities of the role, the aggregate fees paid to the Non-Executive Directors in the financial years ended 31 December 2021 (£279,000) and 31 December 2022 (£289,000) exceeded the current aggregate cap of £250,000 stated in the Company's Articles of Association.

Accordingly, as permitted by the Company's Articles of Association, the Company seeks Shareholder approval to increase the maximum aggregate fees that the Company can pay to its Non-Executive Directors, as stated in the Articles of Association, from the current maximum cap of £250,000 to £500,000. The Board considers that this increased amount appropriately takes account of the effects of inflation, since 2003, on the current £250,000 cap; takes account of the increased number of Non-Executive Directors (following the appointment of Nicola Keach to the Board in June 2022); provides a degree of headroom to enable the Company to continue to pay its Non-Executive Directors in accordance with letters of appointment, facilitate future additional Non-Executive Director appointments (for example, in support of Board succession planning activity) and increases in Non-Executive Director remuneration, ensuring that the Company has the ability to attract and retain suitably qualified Non-Executive Directors in future. In the meantime, the Board will continue to periodically benchmark Non-Executive Directors' fees and continue to disclose, in the Annual Report, any changes in the level of Non-Executive Directors' fees from year to year.

If Shareholders decide not to approve the proposed increase to the aggregate Non-Executive Directors' fees cap in the Articles of Association, the Company will need to restructure remuneration payable to its Non-Executive Directors. Any change to the remuneration of the Company's Non-Executive Directors may impact the Company's ability to retain and attract suitably qualified Non-Executive Directors.

Appointment of the Auditor (Resolution 11)

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 11, 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 12)

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 13)

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 2024 or, if earlier, the close of business on 1 July 2024.

If passed, the authority granted by the passing of this Resolution will be limited to an aggregate nominal value of £14,428,751 of Ordinary Shares which represents approximately one third of the Ordinary share capital (excluding treasury shares) in issue as at 6 March 2023 (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 2024.

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. In addition, whilst the authority granted by the passing of this Resolution is determined by reference to the Company's issued share capital (excluding treasury shares) as at 6 March 2023 (being the latest practicable date prior to publication of this Notice), in light of the Company's Share Buyback Programme (as defined in the explanatory notes to Resolution 16, below) launched in September 2022 (which, unless ended earlier, is due to end no later than the Company's Annual General Meeting) the Directors confirm that, in the event that the Directors exercise the authority granted by the passing of this Resolution, it is their intention to exercise the authority only up to the relevant limits by reference to the Company's Ordinary share capital as at the date of the Annual General Meeting.

Renewal of General Disapplication of Pre-emption Rights (Resolution 14)

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 2022, 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.

In previous years the Company has sought Shareholder approval for a general authority for the disapplication of pre-emption rights over approximately 5 per cent of the Company's issued ordinary share capital, in accordance with the previously applicable authority limits set out in the Pre-Emption Group's principles for the disapplication of pre-emption rights published in 2015. The Principles now provide that a general authority for the disapplication of pre-emption rights over approximately 10 per cent of the Company's issued ordinary share capital, together with a further disapplication for up to 2 per cent to be used only for the purposes of a follow-on offer which the Directors of the Company determine to be of a kind contemplated by paragraph 3 of Section 2B of the Principles, should be treated as routine.

Whilst the Directors do not have any present intention to exercise the disapplication authority sought in Resolution 14, the Directors consider that it is appropriate for them to seek the additional flexibility that this authority provides, and that the authority sought in Resolution 14 is in the best interests of the Company.

Notice of Annual General Meeting

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Accordingly, other than in connection with a rights issues or any other pre-emptive offer concerning Equity Securities, and subject to the passing of Resolution 13, this Resolution seeks to replace the authority conferred on the Directors at the 2022 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 (i) £4,328,625, which is equivalent to approximately 10 per cent of the Company's issued ordinary share capital (excluding treasury shares) as at 6 March 2023 (being the latest practicable date prior to publication of this Notice); and (ii) up to an additional £865,725, which is equivalent to approximately 2 per cent of the Company's issued ordinary share capital (excluding treasury shares) as at 6 March 2023 (being the latest practicable date prior to publication of this Notice), solely for the purposes of making a follow-on offer which the Directors of the Company determine to be of a kind contemplated by paragraph 3 of Section 2B of the Principles.

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 2024 or, if earlier, the close of business on 1 July 2024. The Directors intend to renew this authority annually and confirm their intention to follow best practice, as set out in the Principles. In addition, whilst the authority granted by the passing of this Resolution is determined by reference to the Company's issued share capital (excluding treasury shares) as at 6 March 2023 (being the latest practicable date prior to publication of this Notice), in light of the Company's Share Buyback Programme (as defined in the explanatory notes to Resolution 16, below) launched in September 2022 (which, unless ended earlier, is due to end no later than the Company's Annual General Meeting) the Directors confirm that, in the event that the Directors exercise the authority granted by the passing of this Resolution, it is their intention to exercise the authority only up to the relevant limits by reference to the Company's Ordinary share capital as at the date of the Annual General Meeting.

General Disapplication of Pre-emption Rights in Connection with an Acquisition or Specified Capital Investment (Resolution 15)

The Principles further provide that the Company may, as a routine, seek to disapply pre-emption rights over the equivalent of approximately an additional 10 per cent of the issued ordinary share capital of the Company, so long as certain criteria are met. Subject to the passing of Resolution 13, Resolution 15 seeks to replace the authority conferred on the Directors at the 2022 AGM (in addition to the authority referred to above in relation to Resolution 13) 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:

(i) 10 per cent of the Company's issued ordinary share capital (excluding treasury shares) 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:

   a. an acquisition; or

   b. 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 twelve month period and is disclosed in the announcement of the issue; and up to an additional

(ii) 2 per cent of the Company's issued ordinary share capital (excluding treasury shares) 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 making a follow-on offer which the Directors of the Company determine to be of a kind contemplated by paragraph 3 of Section 2B of the Principles.

In previous years, in addition to approval for a general authority for the disapplication of pre-emption rights over approximately 5 per cent of the Company's issued ordinary share capital, the Company has, in addition, sought Shareholder approval for an additional general authority for the disapplication of pre-emption rights over approximately 5 per cent of the Company's issued ordinary share capital in connection with an acquisition or specified capital investment , in accordance with the previously applicable authority limits set out in the Pre-Emption Group's principles for the disapplication of pre-emption rights published in 2015.

Whilst the Directors do not have any present intention to exercise the disapplication authority sought in Resolution 15, the Directors consider that it is appropriate for them to seek the additional flexibility that this authority provides, and that the authority sought in Resolution 15 is in the best interests of the Company.

Accordingly, other than in connection with a rights, scrip dividend, or other similar issue, the authority contained in Resolution 15 would be limited to (i) the issue of shares for cash up to a maximum aggregate nominal value of £4,328,625 (which includes the sale on a non pre-emptive basis of any shares held in treasury), which is equivalent to approximately 10 per cent of the Company's issued ordinary share capital (excluding treasury shares) as at 6 March 2023 (being the latest practicable date prior to the publication of this Notice); and (ii) up to an additional £865,725, which is equivalent to approximately 2 per cent of the Company's issued ordinary share capital (excluding treasury shares) as at 6 March 2023 (being the latest practicable date prior to publication of this Notice), solely for the purposes of making a follow-on offer which the Directors of the Company determine to be of a kind contemplated by paragraph 3 of Section 2B of the Principles.

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 2024 or, if earlier, the close of business on 1 July 2024. The Directors intend to renew this authority annually. In addition, whilst the authority granted by the passing of this Resolution is determined by reference to the Company's issued share capital (excluding treasury shares) as at 6 March 2023 (being the latest practicable date prior to publication of this Notice), in light of the Company's Share Buyback Programme (as defined in the explanatory notes to Resolution 16, below) launched in September 2022 (which, unless ended earlier, is due to end no later than the Company's Annual General Meeting) the Directors confirm that, in the event that the Directors exercise the authority granted by the passing of this Resolution, it is their intention to exercise the authority only up to the relevant limits by reference to the Company's Ordinary share capital (excluding treasury shares) as at the date of the Annual General Meeting.

Renewal of Company's authority to purchase Ordinary Shares (Resolution 16)

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 44,525,663 of its Ordinary Shares at the 2022 AGM (being equal to approximately 10 per cent of the Company's issued ordinary share capital as at 7 March 2022, the latest practicable date prior to the publication of the notice for the 2022 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 43,379,180 Ordinary Shares, representing approximately 10 per cent of the Company's issued ordinary share capital (excluding treasury shares) as at 6 March 2023, 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.

On 15 September 2022, pursuant to the authority given to the Company, at the 2022 AGM, to make market purchases up to an aggregate of 43,286,254 of its Ordinary Shares, the Company announced the commencement of a share buyback programme of the Company's Ordinary Shares of 10 pence each with an aggregate market value equivalent of up to £27.5 million (excluding expenses) ("Share Buyback Programme"). Further details of the Share Buyback Programme are set out on page 57 of the 2022 Annual Report. Unless ended earlier, the Share Buyback Programme is due to end no later than the Company's Annual General Meeting. As at 6 March 2023 (being the latest practicable date prior to publication of this Notice) a total of 11,464,839 Ordinary Shares of 10 pence each had been bought back and cancelled through market purchases on the London Stock Exchange pursuant to the Share Buyback Programme, representing 2.6% of the Company's Ordinary Shares in issue prior to the commencement of the Share Buyback Programme.

Renewing the authority for the Company to purchase Ordinary Shares in the market, pursuant to Resolution 16, is intended to allow your Board the flexibility to take advantage of opportunities that may arise to increase Shareholder value. The Directors intend that this authority will only be exercised when, in the light of market conditions prevailing at the time and having carefully considered any priority capital allocation activities, financial gearing levels and the overall position of the Company, 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. The purchase price would be paid out of distributable profits.

Whilst it is the Directors' present intention to cancel any shares purchased pursuant to 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 6 March 2023 (being the latest practicable date prior to publication of this Notice) was 4,527,447. The proportion of issued share capital (excluding treasury shares) that they represented at that time was 1.0 per cent and the proportion of issued share capital (excluding treasury shares) that they will represent if the full authority to purchase shares (existing and being sought) is used is 1.2 per cent. Also, as at 6 March 2023 (being the latest practicable date prior to publication of this Notice), an additional 929,253 Ordinary Shares of 10 pence each had been bought back pursuant to the Share Buyback Programme and were awaiting cancellation, representing a further 0.2% of the Company's Ordinary Shares in issue prior to the commencement of the Share Buyback Programme.

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 2024, or, if earlier, the close of business on 1 July 2024. It is the present intention of the Directors to seek renewal of this authority annually. In addition, whilst the authority granted by the passing of this Resolution is determined by reference to the Company's issued share capital (excluding treasury shares) as at 6 March 2023 (being the latest practicable date prior to publication of this Notice), in light of the Company's Share Buyback Programme launched in September 2022 (which, unless ended earlier, is due to end no later than the Company's Annual General Meeting) the Directors confirm that, in the event that the Directors exercise the authority granted by the passing of this Resolution, it is their intention to exercise the authority only up to the relevant limits by reference to the Company's Ordinary share capital (excluding treasury shares) as at the date of the Annual General Meeting.

Directors and Advisors

Directors and Officers

John (Jock) Fyfe Lennox, LLB, CA
Non-Executive Chair
Chair 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
Chair 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
Chair of Remuneration Committee
Non-Executive Director responsible for Workforce Engagement

Nicola Elizabeth Anne Keach, MA
Independent Non-Executive Director
Member of Audit Committee
Member of Nomination Committee
Member of Remuneration Committee

Christopher (Chris) John Clarkson, LLB (Hons)
General Counsel & Company Secretary

Registered Office

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Landmark
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1 Oxford Street
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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 notification in the post each time a new Shareholder report or notice of meeting is published, unless you have requested to receive these documents in hard copy form.v

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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