

Directors' Report

The Directors have pleasure in presenting their Annual Report and the audited Consolidated and Company Financial Statements for the year ended 31 December 2018.

The Corporate Governance Report on pages 39 to 46, and the Corporate Social Responsibility Statement on pages 24 to 27 (with regard to information about the employment of disabled persons, employee involvement and share schemes) are also incorporated into this Report by reference.

Principal Activities and Business Overview

Johnson Service Group PLC (the 'Company') is incorporated and domiciled in the UK, its registered number is 523335 and the address of its registered office is Johnson House, Abbots Park, Monks Way, Preston Brook, Cheshire, WA7 3GH. The Company is a public limited company and has its primary listing on the AIM division of the London Stock Exchange.

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

Results and Dividends

The Group retained profit after taxation for the year from all operations amounted to £26.8 million (2017: £25.7 million).

The dividend comprises an interim dividend of 1.0 pence (2017: 0.9 pence) per Ordinary share and a proposed final dividend of 2.1 pence (2017: 1.9 pence) per Ordinary share. This total dividend of 3.1 pence (2017: 2.8 pence) per Ordinary share, subject to the approval of Shareholders, will amount to a distribution for the year of £11.4 million (2017: £10.3 million).

Share Capital

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

The total issued share capital at the end of the year and the outstanding share options are given in note 26 to the Consolidated Financial Statements.

Acquisitions and Discontinued Operations

Details of acquisitions and discontinued operations during the current and preceding year are given in notes 31 and 32 to the Consolidated Financial Statements.

Events after the Reporting Period

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

Major Interests in the Company's Share Capital

At 1 March 2019, this being the latest practicable date prior to publication of this document, the Company had been advised of the following interests, of a material nature, in its share capital:

Shareholding (%)

PrimeStone Capital LLP	15.98%
Merian Global Investors	5.80%
BlackRock Investment Mgt	5.55%
Janus Henderson Group plc	5.13%
Invesco Limited	5.11%

The information provided above was correct as at the date of notification, however, it should be noted that these holdings may have changed since the Company was notified. Notification of any change is not required until the next notifiable threshold is crossed. Where we are aware of significant changes in shareholdings these have been adjusted.

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

At the 2018 Annual General Meeting, Shareholders authorised the Company to make market purchases of up to a maximum aggregate of 36,649,937 Ordinary shares, which represented approximately 10% of the Company's issued Ordinary share capital on the latest practicable date prior to publication of the 2018 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 2019 Annual General Meeting. Further details are given in the 2019 Notice of Annual General Meeting.

Directors

Details of the Directors of the Company are shown on page 34. With the exception of Peter Egan and Chris Girling, who were appointed to the Board on 1 April 2018 and 29 August 2018 respectively, they all held office throughout the year, and up to the date of approving this Report.

Chris Sander held office as Chief Executive Officer up until his retirement on 31 December 2018. Paul Moody stepped down as Non-Executive Chairman on 3 August 2018.

Directors' Interests

Share Capital

The interests of the Directors who were in office at 31 December 2018, together with the interests of their close family, in the shares of the Company at the commencement or, if later, date of appointment, and close of the financial year are disclosed in the Board Report on Remuneration. Details of the Company's interest in its own shares are disclosed in note 29 to the Consolidated Financial Statements.

Contracts

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

Directors' Report

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Directors' Indemnity

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

Articles of Association

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

Political Donations

It is the Company's policy not to make political donations. The Directors confirm that no donations for political purposes were made during the year (2017: £nil).

Independent Auditors

The auditors, PricewaterhouseCoopers LLP (PwC), have indicated their willingness to continue in office. In accordance with the recommendation of the Audit Committee, as disclosed on page 51, and as required by Section 489 of the Companies Act 2006, a resolution to reappoint the auditors will be proposed at the Annual General Meeting.

Policy on Payment to Suppliers

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 Apparelmaster Limited.

Johnsons Apparelmaster Limited was required to publish supplier payment information for the six months ended 30 June 2018 and for the six months ended 31 December 2018; the average time taken to pay invoices in each of those periods was 55 days and 53 days respectively. Johnsons Apparelmaster Limited trades through a number of brands, each of which have varying payment terms with its suppliers, however, such terms typically range from 60 days from date of invoice through to 60 days from end of 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.

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 on page 63.

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.jsq.com.

2019 Annual General Meeting

The Company's AGM will be held at the Doubletree by Hilton Chester, Warrington Road, Hoole, Chester, CH2 3PD on Wednesday 8 May 2019 at 11am. An explanation of the resolutions to be proposed at the meeting is included in the Notice of Annual General Meeting accompanying this Annual Report.

Going Concern

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

The Group currently has adequate financial resources and long term relationships with a number of customers and suppliers across many industries throughout the UK. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that there is not a substantial doubt that the Group should be able to operate within the level of its current facilities for a period of at least 12 months from the date of this Report.

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

By order of the Board



Tim Morris
Company Secretary

4 March 2019

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