A Fresh Approach to Managed Services

Annual Report and Accounts 2011

JOHNSON
SERVICE GROUP PLC

Johnson Service Group PLC
Annual Report and Accounts 2011

The established name in the textile rental, facilities management and drycleaning sectors.

Cover artwork by Ines Szamrey www.inesszamrey.com

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Group Overview and Highlights

Textile Rental

The UK's No1 workwear provider and premium linen service.

Johnsons Apparelmaster
The UK's market leading workwear rental, protective wear and workplace hygiene services provider with over 35,000 UK-based customers operating across a wide cross-section of industries.

Stalbridge Linen Services
Providing linen rental to over 5,000 UK-based customers in the premium hotel, catering and corporate hospitality markets.

Highlights

Over 40,000 UK-based customers operating in a wide cross-section of industries, from multiple-site multinationals to small local businesses

Apperelmaster currently clothes over 1 million people a week

Stalbridge named Supplier of the Year for Outstanding Service

Facilities Management

Managed services for the retail, corporate and public sectors.

SGP Property & Facilities Management
Truly integrated property, building and facilities management services to retail, corporate and public sector clients, managing over £1.0bn of annual spend across some 40,000 locations throughout the UK and Eire.

Highlights

1.4 million helpdesk calls received from clients

1.5 million invoices processed on clients behalf

£170 million of reactive maintenance spend managed

Drycleaning

The Nation's No1 drycleaner by volume offering value across the UK.

Johnson Cleaners
The UK's number one drycleaner with a network of over 450 conveniently located stores nationwide. Leaders in drycleaning, specialist textile and garment aftercare services.

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

Alex Reid
A leading supplier to the clothes care sector, serving a wide range of customers from small independent drycleaners and launderettes to national chains and large industrial laundries.

Highlights

Johnson Cleaners is Britain's largest retail drycleaner with over 450 branches across the United Kingdom

Established in 1969, Jeeves is today the garment care specialist of choice for a discerning international clientele

Financial Highlights

A solid performance in a challenging marketplace.

18.5m

Adjusted operating profit[1] increased to £18.5 million (2010: £18.3 million)

15.0m

Adjusted profit before tax[2] increased to £15.0 million (2010: £14.5 million)

49.7m

Net debt reduced to £49.7 million (2010: £59.5 million)

3.5m

Net finance costs[3] reduced to £3.5 million (2010: £3.8 million)

4.2p

Adjusted fully diluted earnings per share[2] of 4.2p (2010: 4.1p)

1.00p

Final dividend proposed of 0.67p (2010: 0.55p), making 1.00p (2010: 0.82p) for full year

1 Before intangibles amortisation and impairment (excluding software amortisation) and exceptional items
2 Before intangibles amortisation and impairment (excluding software amortisation), exceptional items and exceptional finance costs
3 Before exceptional finance costs

Chairman's Statement

We have delivered a solid trading performance for the year

John Talbot

Overview

I am pleased to report that the Group has delivered a solid trading performance for the year against what has continued to be a difficult market backdrop. We have secured renewed bank facilities to provide increased headroom for strategic bolt-on acquisitions and there was a significant reduction in underlying debt during 2011. Since the year end we have announced the exchange of contracts on a significant acquisition for our Textile Rental division and we have also acquired a business, together with associated contracts, to add to our Facilities Management division. Given the solid business performance and reduction in debt, we are proposing a final dividend of 0.67 pence (2010: 0.55 pence) per share, making a total dividend for the full year of 1.0 pence (2010: 0.82 pence), an increase of almost 22%.

Group Results

Total continuing revenue for the year was £242.3 million (2010: £235.1 million), while revenue, excluding costs recharged to customers, was £233.5 million (2010: £227.4 million). Continuing adjusted operating profit amounted to £18.5 million (2010: £18.3 million). The key drivers of this performance are explained more fully in the Divisional Operating Review.

Net finance costs in 2011 were £3.8 million (2010: £3.8 million) comprising exceptional finance costs in relation to bank fees of £0.3 million (2010: £nil) and £3.5 million of other net finance costs (2010: £3.8 million). The reduction in other net finance costs reflects the lower average borrowings and margin during the period offset by the higher interest rate in terms of both LIBOR and on the £40 million fixed interest rate hedge.

Note: Throughout this statement "continuing adjusted operating profit" refers to continuing operating profit before amortisation and impairment of intangibles (excluding software amortisation) and exceptional items. "Adjusted profit before tax" refers to continuing adjusted operating profit less finance costs, excluding, in 2011, exceptional finance costs in relation to bank fees.

Adjusted profit before tax on a continuing basis increased to £15.0 million (2010: £14.5 million).

Amortisation and impairment of intangibles (excluding software amortisation) on continuing operations amounted to £2.6 million (2010: £2.8 million).

Net exceptional items from continuing operations for the year amounted to a credit of £1.6 million (2010: £7.5 million charge) and were in respect of a net reduction in the long term liabilities of the Group's defined benefit pension schemes. After the exceptional items and amortisation and impairment of intangibles (excluding software amortisation) noted above, the pre-tax profit from continuing operations was £13.7 million (2010: £4.2 million).

The tax charge on the adjusted profit before tax was at a rate of 24.6%. Adjusted fully diluted earnings per share from continuing operations were up 2.4% to 4.2p (2010: 4.1p) while continuing fully diluted earnings per share after exceptional items and amortisation and impairment of intangibles (excluding software amortisation) were 3.8p (2010: 1.2p).

Dividend

The Board is recommending a final dividend of 0.67p per share (2010: 0.55p), making a total dividend in respect of 2011 of 1.0p per share (2010: 0.82p). Dividend cover, on an adjusted fully diluted earnings per share basis is 4.2 times (2010: 5.0 times) and is in line with our stated intention of adopting a more progressive dividend policy whilst maintaining an adequate level of cover.

The proposed final dividend, if approved by Shareholders, will be paid on 18 May 2012 to Shareholders on the register at close of business on 20 April 2012.

Finances

Total net debt at the end of 2011 was significantly reduced to £49.7 million (December 2010: £59.5 million). In addition to cash generated from operating activities, this reduction reflects a net repayment of Corporation Tax of £5.8 million received in February 2011 in respect of earlier periods although the retention of £5.0 million of this amount remains subject to agreement with HMRC.

Interest cover based on continuing adjusted operating profit was 5.3 times (2010: 4.8 times).

A renewed £78.5 million bank facility was signed in December 2011, maturing in May 2015 and comprising a Term Loan of £53.5 million and £25.0 million Revolving Credit Facility, including overdraft. The first scheduled repayment of £1.5 million is in December 2012.

Our interest cost in 2012 is protected from increases in LIBOR rates through the use of interest rate hedges. £40.0 million of the Term Loan was hedged at the start of 2010 so that LIBOR was substituted for a fixed rate of 1.9% for 2010 and of 3.0% for 2011 and 2012, with the balance of bank debt incurring interest linked to LIBOR. Margins over LIBOR applicable to the full facility have reduced from 3.75%, which applied for the majority of 2010, to an average rate of 3.2% for 2011. Margins for 2012 will initially be 2.5% and will going forward be in the range from 2.5% to 3.0% dependant on the Group's quarter end gearing level.

Pension Deficit

The recorded net deficit after tax for all post retirement benefit obligations has increased to £15.2 million from £12.3 million at December 2010 due largely to a reduction in the discount rate applied to liabilities.

Chairman's Statement continued

During the last three years we have implemented a number of actions which aim to reduce both the size of and risk attaching to the defined benefit pension schemes.

In 2011 we have completed the implementation of the statutory change for the indexation of certain deferred pension benefits by CPI rather than RPI resulting in a credit to the Income Statement, and a corresponding reduction in liabilities, of £2.2 million (2010: £2.2 million).

The utilisation of £0.9 million of the agreed deficit contributions to fund enhanced transfer values for specific categories of members in place of cash payments into the scheme has reduced the scheme liabilities, and therefore risk, by some £5.8 million. This action has resulted in a charge of £0.6 million, which together with the indexation change referred to above of £2.2 million, is reflected as a net exceptional credit of £1.6 million.

Deficit contributions to the schemes or in respect of liability reducing activities amount to £1.5 million in 2011 and are expected to be £2.0 million in 2012.

Acquisitions

Since the year end we have announced the conditional exchange of contracts for the purchase of the business and assets of the Cannon Textile Care operation from OCS Group UK Limited, for a net consideration of approximately £6.1 million plus costs and expenses. We are awaiting regulatory clearance from the Office of Fair Trading and subject to this would expect to complete the acquisition at the end of March 2012. This acquisition will add considerable volume to our successful Textile Rental operation and we would expect the combined business to deliver enhanced customer value whilst at the same time securing future opportunities in our core markets.

In addition our Facilities Management division, through SGP, has acquired the business, assets and specified contracts of Nickleby & Co Ltd ("Nickleby") for an initial cash consideration of £0.75 million plus costs and expenses with deferred consideration of £0.2 million payable on the achievement of certain targets on or before 31 December 2012. Contingent payments of up to £5.0 million are also payable to the Vendor such that 50% of the initial £10.0 million of gross profit generated by SGP over the four years to December 2015 directly from specified existing and potential customers of Nickleby or from utilising their additional services for existing SGP customers is payable to the Vendor. The potential contingent payments are self financing in cash terms with only the remaining net 50% of gross margin earned being reflected in the Group results.

Nickleby is a technology led facilities management and consultancy company, employing some 40 staff based in Basingstoke managing services to a range of customers across the UK, particularly in the insurance and multi site retail sectors. The Directors of Nickleby will join SGP's management team and, with their existing customer relationship managers, will continue to serve the acquired contracts. The acquisition brings many exciting opportunities to enhance the service that we offer to our customers. SGP's operational experience, reputation and scale, combined with Nickleby's systems and process management expertise will deliver a step change in what can be expected from a facilities management service.

The revenue of Nickleby attributable to the contracts acquired and as shown in the unaudited draft statutory accounts for the year to 31 March 2011 was £3.3 million.

Assuming completion of both acquisitions the exceptional reorganisation and integration costs incurred in 2012 is estimated at £2.3 million.

Staff

Our staff are paramount in ensuring that our customers continue to receive service beyond their expectations.

I would like to thank each and every employee for their commitment and dedication during the past year and thank them for their continuing efforts in driving the Group forward.

Outlook

Despite the continuing tough economic climate the Group is investing for future growth. We have continued to actively look for acquisitions to grow our Textile Rental and Facilities Management divisions following the acquisition of the Jarvis contracts in 2010 and are delighted to have acquired the Nickleby business and to have reached conditional agreement in respect of Cannon Textile Care. We believe that there are further opportunities to expand each of the Group's divisions.

The Textile Rental division has had another successful year achieving growth in revenue and strong customer retention. Whilst the business is still subject to inflationary cost pressures we remain confident that our strong performance will continue into 2012. The full benefit from the intended Cannon Textile Care acquisition will take some time to impact positively on adjusted operating profit but is expected to be accretive for full year 2013.

We believe SGP will continue to benefit from its increased presence in the PFI market and we are very excited about the recent acquisition which broadens the range of services offered and makes increased used of new technology.

Our retail Drycleaning and laundry division remains focused on attracting complementary revenue streams from a more streamlined and improving portfolio of retail units.

Although we remain cautious about the economic environment for the coming months the Board expects to achieve a satisfactory result in 2012.

John Talbot
Executive Chairman
6th March 2012

Operating Review
Textile Rental

Our textile rental division supplies almost 400,000 product lines.

The Textile Rental division trades through two very well recognised brands in the UK, Johnsons Apparelmaster ("Apparelmaster"), which predominantly provides workwear rental and laundry services to all sectors of industry and Stalbridge Linen Services ("Stalbridge"), which provides premium linen services to the hospitality and corporate events market.

Revenue £m

118.2m

2011	£118.2m
2010	£115.1m

12%

With a focus on revenue generation throughout the year, sales of additional products and services to existing customers improved by 12%.

The UK's No1 workwear provider and premium linen service.

The Textile Rental division entered 2011 facing the economic challenges in the Industrial sector together with the well above inflation increases on key cost areas of the business such as transport fuel, production energy and cotton prices.

Despite these challenges the Division, which forms the largest part of the Group, performed very strongly and above our expectations.

Revenue generation was the main focus of the business throughout the year as a comprehensive training package was delivered to all customer facing staff, field service personnel, routemen and installation engineers as well as the field sales teams. With the benefit of the programme put in place new business sales improved by 10%, sales to existing customers improved by 12% and direct sales of uniforms to customers grew by £1.4 million or 74%.

This approach was clearly beneficial as revenue streams increased by 2.7% for the year reaching £118.2 million (2010: £115.1 million).

Corresponding adjusted operating profit, on a like for like basis, remained stable at £15.9 million (2010: £16.6 million). 2010 results included the benefit of additional trading days adding £1.2 million and £0.7 million to revenue and adjusted operating profit respectively. The absorption of the additional operating costs reduced the margin slightly to 13.5% (2010: 14.0%) on a like for like basis.

Very large increases in transport fuel and gas prices added £0.9 million to the Division's cost base. These increases were partly mitigated by the strategy of continuing investment in high specification equipment which enabled the business to process an additional 4 million textile items whilst at the same time reducing energy consumption by 5.2% (following a 12.4% reduction in 2010).

The Division had lower capital expenditure requirements for plant and equipment at £2.5 million (2010: £4.5 million) which offset the increased textile rental stock additions which at £18.9 million was £3.3 million greater than the previous year. The additional expenditure on textile rental stock was due to a combination of the installation of additional new business wins and the renewal of major National accounts together with the impact of price increases of cotton based items. Cash generated before interest reduced to £13.5 million compared to £19.3 million in 2010 reflecting the higher investment in rental stock and an increase in working capital.

Apparelmaster has continued to invest in both its infrastructure and the training of staff. Contracts with customers are generally for an initial three year term, giving some visibility of revenue. The high level of customer renewals during 2011 and anticipated for 2012 will require continued high investment in new textile rental stock. Although this absorbs cash in the short term, it provides stability of revenue for the medium term. It is anticipated that there will be some reduction in cotton prices over the coming months, although costs are unlikely to return to 2010 levels.

Stalbridge has achieved both revenue and profit growth despite significant parts of its market being impacted by the general economic backdrop. An increase in revenue from the luxury hotel and restaurant market has offset the restricted corporate hospitality market. As an endorsement of the quality of the Stalbridge service the business won the coveted "2011 Best Supplier for Service" award from Compass PLC, out of some 5,000 service providers.

We expect the Textile Rental market to remain competitive although with inflationary pressures easing. We will continue to focus on customer service and production quality in order to maintain or improve customer retention and are excited about the prospects of the intended Cannon Textile Care acquisition.

Operating Review
Facilities Management

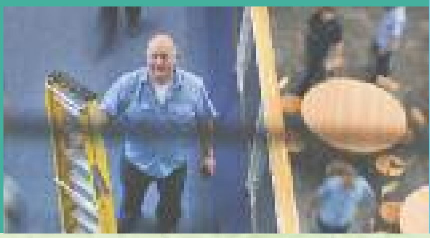
SGP controls annual spend of over £1.0 billion on behalf of its customers.

SGP provides intelligent technology-led property and facilities management (FM) services to the retail, corporate, education and healthcare sectors. It has grown strongly over the last year despite continuingly challenging market conditions. During 2011, the business has delivered strong project growth, won and mobilised a number of new prestigious long term contracts, and successfully expanded services into its existing client base.

Revenue £m

38.0m

2011	£38.0m
2010	£33.6m



25%

SGP provides facilities management to approximately one quarter of units on the high street.

Managed services for the retail, corporate and public sectors.

Revenue, excluding costs recharged to customers, was 13.1% higher at £38.0 million (2010: £33.6 million) whilst revenue including recharges was 13.3% higher at £46.8 million (2010: £41.3 million).

Adjusted operating profit increased by 13.9% to £4.1 million (2010: £3.6 million).

In February 2012, SGP completed a further acquisition, purchasing the business, contracts and assets of Nickleby and Co Ltd, a Basingstoke based facilities management company which provides its strong portfolio of retail and insurance clients with leading edge unique IT software driven solutions. This bolt-on acquisition will not only further enhance SGP's presence in the FM retail sector, but also broaden its product offering to existing clients and strengthen its pipeline of potential new customers.

The SGP business operates in six different areas of the FM market as follows:

Retail FM

SGP provides facilities management to approximately one quarter of units on the high street occupied by major chains. Revenue was at a similar level to 2010, but at a slightly improved margin. During the second half of the year, a number of smaller contracts were won and mobilised including Bibendum Wine, Pasty Presto, Autoglass and Evans Cycles.

Corporate FM

Corporate FM had reduced revenue although a slightly improved margin compared to 2010. There were some prestigious contract wins during the second half of 2011, including Johnston Press, Camelot and a contract to manage part of the 2012 Olympic athletes' village.

Education FM

This sector has shown significant revenue and gross profit growth in 2011 with the benefit of a full year of the 2010 acquired PFI contracts and higher levels of project activity. The 27 year PFI contract for the Worcester Library has now been successfully mobilised and has gone live in January 2012.

Healthcare FM

In our healthcare sector, there has also been strong growth. The long term contracts for a hospital and a PCC (Primary Care Centre) will go live before the end of this year, with an existing PCT (Primary Care Trust) contract extended from its initial 3 year term to March 2013.

Technical Services

The increased investment in technical resource during 2010 continues to produce good returns, with a strong 2011 performance from SGP's project activity, meeting an increased demand from clients for assistance with essential capital projects resulting in an increase in net revenues.

Property Services

Whilst the smallest of the SGP business streams, we have invested in growing the agency business, and in 2011 have seen encouraging revenue growth following the opening of our Farringdon office in London. In 2012, with a further office opening in March in Piccadilly, Manchester, we expect this business stream to continue to grow and increase its contribution. Our service charge business has also grown, and serves some of the best known high street retail names, including Arcadia, Tesco and Marks & Spencer. We intend to invest further in this business stream in 2012.

SGP has again delivered growth, and whilst the economic climate in 2012 is expected to be very challenging, the acquisition of the Nickleby business, stringent cost management, a strong pipeline of potential customers, alongside the 60% of its revenue generated from existing long term PFI contracted income, makes SGP well placed to weather any storm and to continue to show growth.

Operating Review
Drycleaning

A network of 463 stores throughout the UK.

The Drycleaning division operates under the brands Johnson Cleaners, our national retail arm, Jeeves of Belgravia, our predominantly London based luxury business and Alex Reid, our consumables business and major supplier to the drycleaning and laundry sectors.

Revenue £m

77.3m

2011	£77.3m
2010	£78.7m

26%

The Laundry Category achieved 26% like for like increase in the 200 branches which received capital investment.

The Nation's No1 drycleaner by volume offering value across the UK.

Revenue for the Division for the year was 1.8% lower at £77.3 million (2010: £78.7 million) whilst adjusted operating profit was unchanged at £2.0 million (2010: £2.0 million). As anticipated the property related credits of £0.6 million benefiting 2010 were reduced to only £0.2 million in 2011.

The trading pattern of both the Johnson Cleaners and Jeeves high street businesses showed significant inconsistencies throughout the year, with increases being achieved against the weather affected weeks of 2010, and shortfalls evident in the aftermath of high profile, negative newsflow. The resultant full year revenue was £68.9 million (2010: £70.1 million) with the like for like basis showing a small reduction of 0.3% (2010: 3.6% reduction).

High street trading remained tough in 2011, as economic conditions put severe pressure on disposable incomes, which consequently impacted upon the number of visitors to the high street and ultimately on the quality of businesses continuing to operate.

Given the trading environment our store refurbishment programme was slowed down, and capital was invested in projects which could accelerate the introduction and growth of our new or underdeveloped services. The final results indicate that this strategy was successful with turnover growth of over £1.0 million being achieved across the four target categories of laundry, shoe repairs, garment repairs and key cutting. The most significant increases came from the laundry category which achieved an overall increase of 10.4% and a very credible 26% like for like increase in the 200 branches which received capital investment.

Our Empower Programme, whereby Store Managers use their entrepreneurial skills to improve the revenue and profit of their business, continued to provide positive performances and rollout was extended to 200 stores in the 4th Quarter of 2011.

The Retail Store Portfolio at year end was reduced from 480 to 463 as we continue to actively withdraw from poorer locations and focus our attention on more convenient sites. Four Pod Units opened up on sites adjacent to Sainsbury's stores and our first '24 Hour Drive Thru Dry Cleaners' got off to a very successful start in Burton in the Midlands, and has received much critical acclaim for its approach to customer service. We are actively seeking additional locations to expand this concept.

Our restoration business, JRS, produced a 48% increase in revenue, and a significant increase in contribution, as the benefits of operating from the shared premises of our Central Processing Unit in Rugby were realised.

Jeeves of Belgravia, our luxury brand had a year of high activity, opening new stores in London St Pauls and Alderley Edge, Cheshire, with £0.1 million of opening costs charged to operating profit in the year. We have opened a further unit in January 2012 in Notting Hill, bringing the total number of Jeeves units to 13.

Alex Reid, our consumables business, saw a 2.3% decline in revenue from £8.6 million to £8.4 million and a reduced adjusted operating profit of £0.2 million (2010: £0.3 million). The focus of the business this year has been on improving sales and service and on new market development which has put it in a good position to grow both revenue and profit in 2012.

81%

Johnson Service Group has installed GreenEarth® Cleaning systems in some 81% of its drycleaning processing estate.

GreenEarth® CLEANING

The GreenEarth® solution is pure liquid silicone, essentially liquified sand. We use no hazardous chemicals. So there's nothing to dirty the air, contaminate the soil or pollute the water.

GreenEarth® Cleaning.

A breakthrough for the drycleaning industry.

Johnson Service Group has installed GreenEarth® Cleaning systems in some 81% of its drycleaning processing estate. GreenEarth® is an environmentally safe drycleaning process that uses liquid silicone, a gentle solution made from one of the earth's safest and most abundant natural resources: silica, or sand.

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

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

GreenEarth® is the solution the industry has been waiting for. The process uses liquid silicone, which is a safe and natural by-product of sand. The same natural sand the earth has been creating for over six billion years. When released to the environment, it safely breaks down into its three natural elements, sand (SiO_2) and trace amounts of water and carbon dioxide. So GreenEarth® is safe for the air, water and soil. GreenEarth® is safe for people too. If you wanted to, you could safely rub it on your skin. In fact you probably already do. Liquid silicone is the base ingredient in many everyday shampoos, conditioners and lotions.

Rolling out GreenEarth® cleaning to the entire Johnson Cleaners estate forms a significant strand of our strategy going forward. As a leading public company, Johnson Service Group takes its responsibilities seriously - to staff, customers and the environment as a whole.

Quite simply, because we care about the environment we are converting to GreenEarth® cleaning.

The Benefits of GreenEarth® Cleaning

Cleaning, production and cost benefits	Productivity and efficiency, lower utility costs/carbon footprint.
Composition and properties	Modified liquid silicone. Chemically inert, clear, odorless liquid.
Safety and environmental benefits	Non toxic, non irritant to skin, non sensitive.

Financial Review

Adjusted operating profit increased to £18.5m

Yvonne Monaghan

Overview

Group adjusted operating profit on a continuing basis has increased by 1.1% to £18.5 million from £18.3 million with the operating margin remaining at a similar level to 2010 at 7.9%. Details of the segmental results are given in Note 2 on pages 57 to 59.

The Textile Rental division had benefitted by £0.7 million of profit from additional trading days in 2010. Excluding the impact of this, adjusted operating profit was unchanged at £15.9 million, at a slightly lower margin of 13.5%.

Facilities Management continued to expand its customer base and extend the range of services offered achieving an improved adjusted operating profit for the third consecutive year.

Drycleaning has continued to be the most affected by the low consumer confidence which has impacted retail footfall and spend. Continuing tight control over the cost base, the further introduction of new services and a continuing move to higher volume, more convenient locations limited the effect of the difficult backdrop.

Intangibles amortisation and impairment (excluding software) reduced to £2.6 million (2010: £2.8 million) as intangibles on prior year acquisitions became fully amortised.

The net exceptional credit of £1.6 million (2010: £7.5 million charge) relates to the impact of various actions taken on the defined benefit pension schemes.

Total net finance costs, including notional interest on defined benefit retirement schemes, were £3.5 million, reduced from £3.8 million in 2010. Within this cost, net finance costs in respect of bank borrowings, including normal facility fees and finance leases, amounted to £4.2 million (2010: £4.6 million).

Financial Review continued

The improved trading performance was achieved despite the continuing tough economic environment.

Revenue	Adjusted operating profit	Net debt
242.3m	18.5m	49.7m
Increased from £235.1m in 2010	Increased from £18.3m in 2010	Reduced from £59.5m in 2010

This reduction reflects the reduction in margin and lower net debt position of the Group offset by an increase in average LIBOR/fixed rates paid on borrowings.

Under the requirements of IAS19 notional interest is quantified in order to reflect the value of assets and liabilities of defined benefit pension schemes. The net of the expected return on assets and the interest cost on liabilities is calculated at the beginning of each financial year utilising the assumptions used in calculating the balance sheet surplus or deficit for the defined benefit schemes. The notional interest is therefore highly dependant on the value of assets at the previous year end and, as such, is subject to significant movements. Within the net finance cost for 2011 is included a notional interest credit of £0.7 million, similar to the notional interest credit of £0.8 million in 2010. However, for 2012 the notional interest will be nil, an adverse swing of £0.7 million compared to 2011. Further, it should be noted that the IAS19 rules are to change with effect from 1 January 2013, such that the rate of return on assets is assumed to be equal to the interest cost applied to liabilities. Therefore for any defined benefit scheme which has a deficit the resultant notional interest will always be a charge. Had this revised standard been adopted early, the resultant charge for 2012 would be £1.0 million, compared to the nil charge referred to above. This is a non-cash charge and does not impact on scheme funding.

Taxation

The effective continuing tax rate excluding exceptional items and intangibles amortisation and impairment (excluding software) was 24.6% (2010: 26.9%) and is below the normal tax rate of 26.5% (2010: 28%) largely due to credits in respect of previous years.

The net tax charge on the net exceptional items and finance costs was £0.3 million (2010: £2.1 million credit) which, together with the tax credit on intangibles amortisation and impairment gave a total tax charge on continuing operations of £3.4 million (2010: £1.0 million) which amounted to 24.8% (2010: 23.8%).

During 2011 we were able to reclaim some £5.1 million (2010: £1.8 million) of net tax repayments, as a result of reaching agreement with HMRC on tax liabilities of earlier periods and on the repayment of tax relating to the disposal of the Corporatewear division in 2008. The computation relating to the Corporatewear disposal, and therefore the tax payable, remains subject to final agreement from HMRC which may take some time. However, of the potential £5.0 million under discussion we have recognised £1.5 million in the Income Statement within Discontinued Operations, this being the initial view from HMRC of the amount to be retained by the Group.

Dividend

Following on from the interim dividend of 0.33 pence per share (2010: 0.27 pence) a final dividend of 0.67 pence per share (2010: 0.55 pence) has been declared making 1.0 pence (2010: 0.82 pence) for the full year. In accordance with our stated policy, this reflects the adoption of a more progressive dividend policy but retains a comfortable level of dividend cover, based on adjusted fully diluted earnings per share, of 4.2 times.

The cash cost of the full year dividend is £2.4 million, of which £0.8 million was paid in November 2011 in relation to the interim dividend.

Capital Expenditure

Total capital additions on property, plant and equipment and software were £5.9 million (2010: £9.0 million) with the main reduction in spend being within the Textile Rental division. Spend in this division is expected to return to more normal levels in 2012.

Rental stock additions increased from £15.6 million in 2010 to £18.9 million in 2011 reflecting the increase in the number of garments being processed, the introduction of a new linen range at Stalbridge and the impact of increased cotton prices in the market.

Cash Flow

Net cash flow generated from operations improved during the year to £34.3 million (2010: £32.6 million) assisted by the net tax repayment referred to above.

As a consequence of owning the Special Purpose Companies (SPC) relating to the acquired PFI contracts, we hold bank accounts relating to the Lifecycle funds for some of the contracts. The balance on each account is held specifically for the related PFI contract and accordingly, whilst the total balance on these accounts, amounting to £1.3 million, is included within Current Assets on the Group's Balance Sheet, the balance is not included within our reported Net Debt figure, bank covenant calculations or security arrangements with either our Banks or Pension Trustees.

Net debt reduced significantly during the year falling by £9.8 million to £49.7 million (December 2010: £59.5 million). A contribution to this reduction was a net tax repayment of £5.1 million during 2011, although £5.0 million of this amount remains subject to final agreement with HMRC.

Bank Facilities

As announced in January 2012, renewed bank facilities were agreed with three banks from the previous bank group. The Group's bank facilities, which extend to May 2015, are for £78.5 million and comprise of an amortising Term Loan of £53.5 million and Revolving Credit Facility of £25.0 million. This increased level of facility will be used to fund strategic investments in the Group, with the proposed purchase of the Cannon Textile Care business and the purchase of the contracts and business from Nickleby, being the first of these. The first Term Loan repayment of £1.5 million is due in December 2012.

In order to have more certainty over the interest cost of bank loans, in January 2010 we entered into hedging arrangements such that for £40 million of the Term Loan, LIBOR was replaced by a fixed rate of 1.9% for the twelve months to 10 January 2011 and by 3.0% for the two years to 8 January 2013. A further interest rate hedge over the same amount has now been put in place such that LIBOR is substituted for a fixed rate of 1.79% for the period January 2013 to January 2016.

The remaining bank borrowings will be subject to LIBOR at market rates. Interest charges include a margin of 3.75%, for much of 2010, reducing to an average of 3.2% for 2011. The margin is subject to a quarterly review and is dependant upon the gearing ratio at quarter ends, and will initially be 2.5% for 2012.

The bank covenants within the facility agreement measure interest cover, gearing ratios and cash flow cover and contain some restrictions on capital expenditure and on pension fund deficit payments. Capital expenditure limits within the facility are significantly in excess of our current plans.

Acquisitions

As referred to above we anticipate, subject to OFT consent, completing the purchase of the Cannon Textile Care business at the end of March 2012 and have completed the acquisition of the business and facilities management contracts from Nickleby & Co Ltd on 14 February 2012. The initial acquisition cost of these two businesses is expected to amount to £6.9 million plus costs and expenses, with integration and reorganisation exceptional costs amounting to some £2.3 million in 2012. This, together with some working capital and capital expenditure requirements, will be financed from existing bank facilities.

Defined Benefit Pension Scheme Liabilities

We continue to review the defined benefit pension schemes both in terms of the investment of assets and the reduction in the risk attaching to liabilities.

As a result of the change in the index to be used for the calculation of certain deferred pension benefits from RPI to CPI the Group recognised a reduction in long term gross liabilities of its defined benefit schemes of £2.2 million through the Income Statement in 2010. A further reduction of £2.2 million has been recognised in 2011. This change has resulted from the amendment in the Government set statutory minimum rates at which pension benefits must be increased and the resultant implication on benefits calculated in accordance with the Schemes' rules.

As part of our continuing programme of managing the potential risks and liabilities arising from defined benefit schemes we have agreed with the Trustee of the main scheme to utilise some of the agreed deficit contributions in more efficient ways of reducing the scheme's liabilities. During 2011 we completed an enhanced transfer value exercise in respect of certain categories of members which, although resulting in an exceptional charge of £0.6 million (including expenses) to the Income Statement, permanently reduced the liabilities of the Schemes by £5.8 million which was significantly in excess of the Scheme assets utilised. A further exercise is underway in respect of a separate group of members.

Despite the action taken in recent years the gross deficit on the defined benefit pension schemes has increased from £15.4 million to £18.8 million largely as a result of the impact of a reduction in the discount rate applied to the Schemes' liabilities. This assumption, which is driven by Corporate Bond yields, can fluctuate significantly but is totally outside the control of the Group.

We are continuing to discuss ways of reducing the long term liabilities of the Schemes with our advisors and the Trustees although, given the actions that we have already taken, it is likely that further significant reductions will require the utilisation of cash from the Group.

Additional pension contributions, or equivalent payments, of £1.5 million, in order to reduce the Schemes' deficit, were paid during 2011. Total additional contributions, or equivalent payments, in respect of all defined benefit schemes are expected to amount to £2.0 million in 2012.

Balance Sheet

Net assets of the Group have marginally increased to £73.7 million (2010: £70.5 million).

Key Performance Indicators (KPIs)

The main KPIs used as part of the assessment of performance of the Group, and of the individual Divisions, referred to within this Financial Review, Chairman's Statement or segmental information on pages 57 to 59 are growth in revenue, adjusted operating profit, earnings per share and return on capital employed.

Summary

The improved trading performance was achieved despite the continuing tough economic environment. Net debt was reduced further which, together with the agreement of new bank facilities, has given us scope to pursue further strategic, bolt-on acquisitions in our core markets.

Yvonne Monaghan
Finance Director
6th March 2012

Principal Risks and Uncertainties

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

Our Approach to Risk Management

The Board has overall accountability for ensuring that risk is effectively managed across the Group and, on behalf of the Board, the Internal Audit function coordinates and reviews the effectiveness of the risk management process across the Group.

Risks are reviewed by all business areas on an ongoing basis and measured against a defined set of likelihood and impact criteria using the template below. This is captured in consistent reporting formats, enabling Internal Audit to consolidate the risk information and summarise the key risks facing the Group. Wherever possible, action is taken to mitigate, to an acceptable level, the potential impact of identified risks and uncertainties.

The Audit Committee review and discuss the key risks ahead of them being submitted to the Board for final approval.

The principal risks affecting the Group are highlighted below, together with details on how we mitigate each risk.

Financial

	Adverse Macroeconomic Conditions	Defined Benefit Pension Liabilities	Interest Rate Fluctuations	Foreign Currency Fluctuations
Risk	The Group is affected by the downturn in the UK economy. Increases in the price of fuel, cotton fabric and energy could impact future profitability and cash flow.	The valuation of these liabilities is heavily dependant on assumptions and financial market conditions which are outside the control of the Group.	The Group finances its operations through a mixture of retained profit, bank borrowings and lease arrangements. Fluctuations in the rates of applicable interest could adversely impact the profitability of the Group.	Some overseas trade is undertaken by the Group. Fluctuations in foreign exchange rates could adversely impact the profitability of the Group.
Mitigation	The different businesses are being impacted to varying levels and over different time frames. Each Division continually reviews its routes to market, changes in customer demands and expectations and cost base so that it can react appropriately to the impact of the wider economy. Any adverse impact on cash flow could be mitigated in the short term by controls over capital expenditure.	The Group has taken action to reduce the quantum of liabilities through the freezing of pensionable salary for active members, offering pension increase exchanges for certain pension benefits in payment and offering enhanced transfer values to certain categories of members.	The Group borrows at floating rates and normally has hedging products in place to provide fixed rate interest payments for a proportion of its debt over a specified period. This enables the Group to forecast borrowing costs with a degree of certainty. At 31st December 2011 all of the Group's bank borrowings were drawn based on one or three month LIBOR, although hedging products are in place such that in respect of £40 million of the Term Loan, LIBOR rates are substituted by fixed rates through to January 2016.	Foreign currency hedges are entered into by the Group's central treasury function, when considered appropriate, although as at December 2011, in view of the limited exposure to foreign currency trade at that time, there were no forward exchange contracts in place.

Risk Classifications

		Impact		
		High	Medium	Low
Likelihood	High	Class A	Class B	Class C
	Medium	Class B	Class C	Class D
	Low	Class C	Class D	Class D

Class A - Immediate action with Risk Management Plan **Class B** - Consider action and make contingency plans **Class C and D** - Review periodically

	Operational			Regulatory
Liquidity Risk	Loss of a Processing Facility	Failure of Customers and Clients	Loss of Key Personnel	Regulatory Environment
Our key sources of liquidity in the foreseeable future are likely to be cash generated from operations and borrowings through committed bank facilities. Adverse changes in credit markets or our credit rating could increase the cost of borrowing and banks may be unwilling to renew credit facilities on existing terms.	The loss of one facility could result in significant disruption, due to the high utilisation of plant capacity.	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.	As a service orientated Group, one of our main strengths lies in the experience of our senior and middle management team. Short term disruption could occur if a key member of the team was lost at short notice, either on a temporary or permanent basis.	The continuing increase in environmental and health and safety regulations will potentially impose further operational restrictions on the Group. Changes to laws or regulations could adversely affect our performance.
The Group's policy on liquidity is to ensure that it has a committed borrowings facility available to provide continuity of funding. Prior to the balance sheet date, we successfully negotiated extended bank facilities through to May 2015.	A wide geographic spread of processing facilities mitigates the effect of a loss of any single processing facility. Furthermore, appropriate insurance cover is in place such that the increased cost of working following a loss of processing capacity may, in some circumstances, be recovered.	The Group has limited concentration of credit risk with regard to trade receivables given the diverse and unrelated nature of the Group's client base.	The Group regularly reviews the adequacy and strength of its management teams to ensure that appropriate experience and training is given such that reliance on any one individual is not inappropriate. Furthermore, the Group has continued to develop succession planning as part of the development programmes for our people.	Health and Safety matters are given prominence at both a Divisional and Group level so that any potential issues are dealt with promptly. We engage with Industry and other non-governmental organisations directly or through trade associations to ensure that our views are represented.

Board of Directors

4 3 5

1 2

Executive Directors

1.
John Talbot
Executive Chairman
(age 62)

Joined the Group as Interim Chief Executive Officer on 28th December 2007. John was formerly head of Arthur Andersen's Corporate Finance and Corporate Recovery practice until 1999. John is currently Special Adviser to Talbot Hughes McKillop LLP, a leading European turnaround and restructuring firm which he jointly founded in 2001. He was appointed as Chief Executive Officer on 11th June 2008 and assumed the role of Executive Chairman on 8th September 2008. John is also Chairman of the English National Ballet.

2.
Yvonne Monaghan
Finance Director and Company Secretary
(age 53)

Joined the Group as Group Management Accountant in 1984 after qualifying as a chartered accountant with Deloitte Haskins and Sells. She was appointed as Company Secretary and Financial Controller in 1985 and joined the Board as Finance Director on 31st August 2007.

3.
Kevin Elliott
Managing Director of Facilities Management division (age 48)

Joined the Group on the acquisition of SGP Property Services Limited in October 2005 where he was co-founder and Managing Director. He was appointed Managing Director of the Facilities Management division on 1st January 2007 and joined the Board on 9th September 2008.

4.
Paul Ogle
Managing Director of Drycleaning division
(age 44)

Joined the Group in 1997 after spending ten years with footwear retailer The Oliver Group Limited. Prior to his appointment in early 2007 as Managing Director of the Drycleaning division he held the positions of Regional Director, Commercial Director and Deputy Managing Director. Paul joined the Board on 9th September 2008. He is also a fellow of the Institute of Directors.

5.
Christopher Sander
Managing Director of Textile Rental division
(age 53)

Joined the Group in 1984 as Rental General Manager and has subsequently held several other senior positions within the Group, including Managing Director of Stalbridge Linen Services, National Operations Director and Managing Director of Johnsons Apparelmaster Limited. Christopher was appointed Managing Director of the Textile Rental division on 1st January 2008, and joined the Board on 9th September 2008. He is also a Director of the UK Textile Services Association and a Director of the European Textile Services Association.

7

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Non-Executive Directors

6.
Michael Del Mar
Senior Independent Non-Executive Director
(age 65)

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

7.
Paul Moody
Non-Executive Director
(age 54)

Joined the Board as a Non-Executive Director on 10th March 2010 for a three year term. Paul is the Chief Executive of Britvic PLC, having been Director of Sales from 1996 to 2005. Prior to that, he held a number of senior appointments in varied roles in HR and sales with such companies as Mars Inc. and Grand Metropolitan.

8.
William Shannon
Non-Executive Director
(age 62)

Joined the Board as a Non-Executive Director on 8th May 2009. He is a Chartered Accountant (Scotland) and, after qualifying, began his career with Whitbread PLC in 1974, where he served as a Board Director for 10 years until his retirement in 2004. He is currently Chairman of Aegon UK PLC, Chairman designate of St. Modwen Properties PLC, Non-Executive Director of Rank Group PLC and operating partner of Tri-Artisan Partners LLC. Previously, he has served as a Non-Executive Director on the Boards of Matalan PLC and Barratt Developments PLC. He has also acted as Chairman in a number of private equity backed restaurant companies.

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CORPORATE GOVERNANCE
FINANCIAL STATEMENTS
SHAREHOLDER INFORMATION

Directors' Report

The Directors present their Annual Report and the audited Group and Parent Company financial statements for the year ended 31st December 2011.

Activities and Business Review

The Group is engaged, in Great Britain, principally in:

Textile Rental

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

Facilities Management

Delivering building, facilities and property management services to public, commercial and retail organisations throughout the UK.

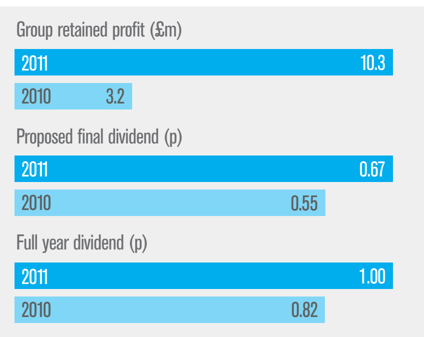
Drycleaning

Provision of retail and commercial drycleaning and other associated support services and sourcing of consumables and drycleaning machinery.

The Company is required by the Companies Act to include a business review in this report. A summary of the Group's performance, including the KPI's used by management to monitor this, the principal risks and uncertainties facing the Group and its future development, is set out in the Chairman's Statement, Operating Review, Financial Review and the Principal Risks and Uncertainties sections on pages 4 to 19.

Results and Dividends

The Group retained profit for the year after taxation amounted to £10.3 million (2010: £3.2 million). The dividend on the Ordinary Shares comprises an interim dividend of 0.33 pence (2010: 0.27 pence) per share and a proposed final dividend of 0.67 pence (2010: 0.55 pence) per share. This total dividend of 1.00 pence (2010: 0.82 pence) per share will, subject to the approval of Shareholders, amount to a distribution for the year of £2.4 million (2010: £2.1 million).



Share Capital

The authorised share capital of the Company at 31st December 2011 comprised of 383,025,739 Ordinary Shares of 10 pence each (2010: 383,025,739 Ordinary Shares of 10 pence each). The total issued share capital at the end of the year and the outstanding options are given in note 28 to the financial statements.

Acquisition and Disposal of Businesses

Details of acquisitions and disposals during the year and the preceding year are given in note 33 to the financial statements.

Events after the Reporting Period

Textile Rental Acquisition

On 23rd January 2012, Johnsons Apparelmaster exchanged contracts relating to the acquisition of the business, specified contracts and related assets of Cannon Textile Care from OCS Group UK Limited for a net consideration of approximately £6.1 million. Further details are provided within note 38.

Facilities Management Acquisition

On 14th February 2012, SGP Property & Facilities Management acquired specified contracts and assets of Nickleby & Co. Limited for an initial cash consideration of £750,000. Further details are provided within note 38.

Directors

A list of the Directors of the Company is shown on page 20 and 21. They all held office throughout the year and up to the date of signing the financial statements.

Directors' Interests

Share Capital

The interests of the Directors who were in office at 31st December 2011 in the shares of the Company at the commencement or, if later, date of appointment, and close of the financial year are disclosed in the Board Report on Remuneration on pages 34 to 37. Details of the Company's interest in its own shares are disclosed in note 31 to the financial statements.

Contracts

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

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

At the Annual General Meeting on 5th May 2011 Shareholders authorised the Company to make market purchases of up to a maximum aggregate of 25,001,191 Ordinary shares. The minimum price allowed for such purchases is 10p and the maximum is 105% of the average of the middle market quotation of such shares for the five business days prior to 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 2012 Annual General Meeting. Further details are given in the Notice of Annual General Meeting on pages 92 to 95.

Employment Policies

The employment policies of the Group embody the principles of equal opportunity and are tailored to meet the needs of its different businesses and the locations in which they operate. Each Operating Company takes responsibility for fostering employee engagement through appropriately structured communications, training and incentive arrangements. Employee views are sought by management and taken into consideration when making decisions that may affect the employees' interests.

A broader understanding of the Group and opportunities within it are made available to employees through Operating Company newsletters. The Group's ongoing desire for employees to be able to share in the performance of the Group as a whole is afforded through an approved Sharesave Plan, which has operated for over 20 years.

In order to meet employees' needs for support both at work and at home the Group offers Occupational Health and Employee Trust benefits across its Operating Divisions.

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

Health and Safety

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

The Board has nominated Mr. P. Ogle, the Managing Director of the Drycleaning division, as the Director responsible for such matters until 30th April 2012, after which Mr. K. Elliott, the Managing Director of the Facilities Management division, will assume responsibility.

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

The Board has appointed the Director of Risk Management of SGP Property & Facilities Management Limited to advise the Directors and senior executives on matters relating to compliance with health and safety legislation.

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

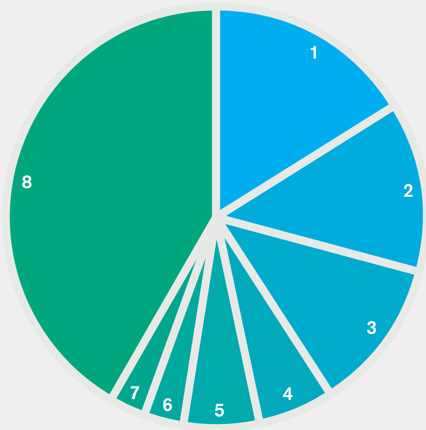
The Group health and safety policy statement is brought to the attention of all employees and copies of the statement are available upon request to all interested parties.

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

The Board has approved the continued use of a computer based Safety Management System for all Operating Companies and, in addition, SGP Property & Facilities Management Limited has developed a robust in-house Safety Management System appropriate to their operations which has been externally certified as meeting the requirements of the OHSAS 18001: 2007 standard.

Major Interests in the Company's Share Capital

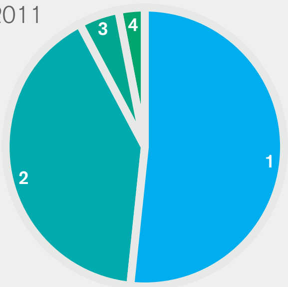
At 6th March 2012, this being the latest practicable date prior to publication of this document, the Company had been advised of the following interests, of a material nature, in its share capital:



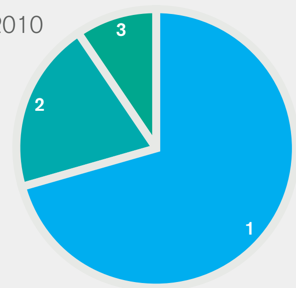
		% of Ordinary share capital owned
1	Legal & General Investment Management	16.12
2	Cazenove Capital Management Limited	13.13
3	Henderson Global Investors Limited	11.68
4	Bank of America Corporation	5.84
5	Schroder plc	5.73
6	Aviva plc	3.05
7	Brown Shipley & Co	3.00
8	Non material interests	41.45

Charitable Donations

2011



2010



Contributions by the Group to charitable causes and local groups during the year totalled £19,873 (2010: £15,697). The single largest donation was for £5,100 to 'Cash for Kids', a network of independently registered, local charities which operate across 20 local areas within the UK. Each local 'Cash for Kids' brand delivers initiatives for sick and underprivileged children in the communities in which we operate, benefiting local children and giving the neediest a better and brighter future.

		2011	2010
1	National Charities	£10,269	£11,116
2	Local Charities	£8,104	£3,131
3	Local Sports Clubs	£940	£1,450
4	Other Donations	£560	-

Directors' Report continued

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

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 (2010: £nil).

Land and Buildings

No formal valuation of the Group's land and buildings has been undertaken during the year. The Directors are satisfied that there is no material difference between the carrying value and the market value of the assets.

Independent Auditor

The Auditor, PricewaterhouseCoopers LLP (PwC), have indicated their willingness to continue in office. In accordance with the recommendation of the Audit Committee, as disclosed on page 29, and as required by Section 489 of the Companies Act 2006, a resolution to reappoint the Auditor will be proposed at the Annual General Meeting.

Policy on Payment to Suppliers

The Company and its subsidiaries fully support the CBI initiative on payments to suppliers and have continued to apply the Prompt Payment Code in respect of all suppliers. The main features of the Code are that payment terms are agreed at the outset of a transaction and are adhered to; that there is a clear and consistent policy that bills will be paid in accordance with the contract; and that there are no alterations to payment terms without prior agreement. Copies of the Code can be obtained from the CBI. The trade creditor days of the Group were 34 days (2010: 26 days). The trade creditor days of the Company were 26 days (2010: 33 days).

Half Yearly Reporting

With effect from 20th January 2007, the Listing Rules and the Disclosure and Transparency Rules were amended and updated by the Financial Services Authority to implement a new reporting regime set out in the EU Transparency Directive. One of the changes brought about by the Transparency Directive was to remove the requirement for companies to either send out half yearly reports to all Shareholders or to advertise the content in a national newspaper.

As previously reported, the Company has taken advantage of the new reporting regime and 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.johnsonplc.com.

2012 Annual General Meeting

The Company's AGM will be held at The Park Royal Hotel, Stretton Road, Stretton, Warrington, Cheshire WA4 4NS on Thursday 3rd May 2012 at 11am.

An explanation of the resolutions to be proposed at the meeting is included in the Notice of Annual General Meeting accompanying this Annual Report.

Corporate Governance

The company's statement on corporate governance can be found in the Corporate Governance Report on pages 26 to 31 of these financial statements. The Corporate Governance Report forms part of this Directors' Report and is incorporated into it by cross-reference.

Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement and Operating Review on pages 4 to 13. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 15 to 17. In addition, note 26 to the 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.

Current economic conditions create uncertainty over the level of demand for the Group's products and services, the price of raw materials and fuel and the exchange rate between Sterling, the US dollar and the Euro and thus the consequence for the cost of foreign supplies.

The Group currently has adequate financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. 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.

After due consideration, the Directors confirm that they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Company's and the Group's financial statements.

Directors' Responsibilities Statement

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

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

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

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

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

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

Each of the Directors at the date of this Report confirms that:

- so far as the Director is aware, there is no relevant audit information of which the Company's Auditors are unaware; and
- he/she has taken all the steps that he/she ought to have taken as a Director in order to make himself/ herself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

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

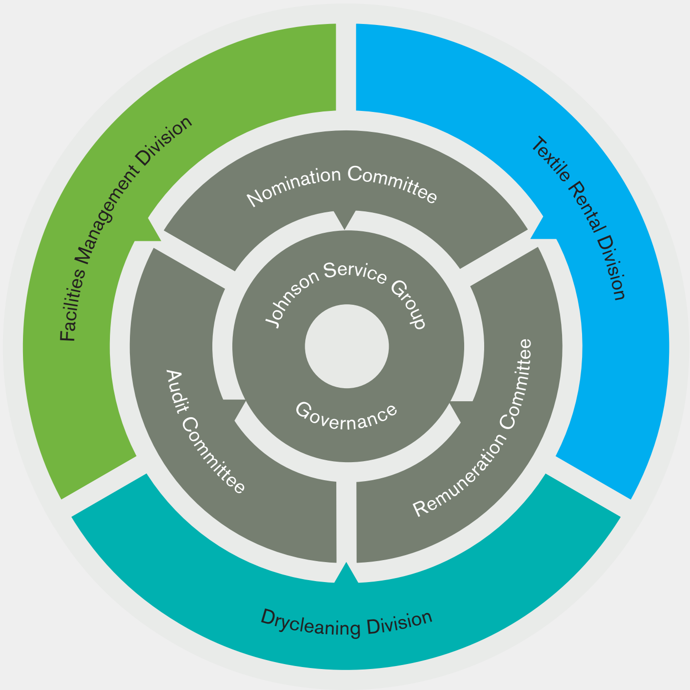
By order of the Board

Yvonne Monaghan
Company Secretary
6th March 2012

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

Corporate Governance Report

Our Governance Structure



Compliance with the Code

The Company has complied with the provisions of the Code throughout the year ended 31st December 2011, other than the provisions in relation to the following:

A.2.1 Division of responsibility of Chairman and Chief Executive
Since the 8th September 2008, Mr. J. Talbot has held the role of Executive Chairman. The Board, having carefully considered the position, believes that each of the Group's three business divisions has a strong management team given the experience and sector knowledge of the divisional Managing Directors, who all sit on the Board. Accordingly, the Board considers that it is unnecessary for the Company to retain a Chief Executive Officer and considers that it is therefore appropriate for the role of Chairman to carry executive responsibility.

E.1.1 Non-attendance by the Senior Independent Director at meetings with major Shareholders
The Executive Chairman and Finance Director regularly meet with the Company's major Shareholders and the Board is of the opinion that additional regular meetings, other than those specifically requested by Shareholders, with the Senior Independent Director would not assist further in the dialogue with Shareholders. The Senior Independent Director is available to meet with Shareholders, at their request, and the Board believes this arrangement to be sufficient.

The Company's compliance with the Code has been reviewed by the Auditors and their report is given on page 41.

"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 and with integrity."

For financial years beginning prior to 29th June 2010, UK premium listed companies were required to comply with the provisions of Section 1 of the Combined Code (2008) or, state the areas in which they did not comply. The FRC issued the new UK Corporate Governance Code in 2010 (the 'Code'), applicable for financial years beginning on or after 29th June 2010. The same 'comply or explain' requirement remains.

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

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

As a Company trading on AIM, Johnson Service Group PLC was not required to comply with the Combined Code nor is it required to comply with the Code. Notwithstanding this, the Board has reviewed the procedures to comply with the provisions of the Code and is committed to high standards of corporate governance which it considers are critical to maintaining investors' trust. The Board expects all directors, employees and suppliers to act with honesty, integrity and fairness.

Leadership main principles

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

Composition of the Board

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

The Directors, who are detailed on pages 20 and 21, all held office throughout the year.

Division of Responsibility of Chairman and Chief Executive

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

From 8th September 2008, the roles of Chairman and Chief Executive have been combined.

The Board believes that each of the Group's three business divisions has a strong management team, each with representation on the Board, and therefore considers it appropriate for the role of Chairman to carry executive responsibility. The commitments of the Executive Chairman are disclosed on page 20.

The overall commitments have not changed during the year.

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.

Responsibilities of the Board

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

The specific responsibilities reserved for the Board include:

- approval of the Group's long-term objectives and overall strategy;
- approval and monitoring of the annual operating budget;
- approval of major acquisitions, disposals and capital expenditure;
- dividend policy;
- approval of appointments to the Board and of the Company Secretary;
- approval of policies relating to Directors' remuneration;
- consideration of succession planning for key members of the management team; and
- determining the terms of reference for the Board committees.

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

The following responsibilities have been delegated to Executive Management:

- the development of strategic plans that reflect the longer term objectives and priorities established by the Board;
- implementation of strategies and policies as determined by the Board;
- monitoring of operational and financial performance against plans and budgets; and
- developing and implementing risk management systems.

Board Attendance

The Board met formally five times during 2011. Individual attendance at the formal meetings is set out in the table below. Where n/a appears in the table, the Director is not a Committee member.

	Board	Audit Committee	Nomination Committee	Remuneration Committee
John Talbot	5	n/a	1	n/a
Yvonne Monaghan	5	n/a	n/a	n/a
Kevin Elliott	5	n/a	n/a	n/a
Paul Ogle	5	n/a	n/a	n/a
Christopher Sander	4	n/a	n/a	n/a
Michael Del Mar	5	3	1	3
Paul Moody	5	3	1	3
William Shannon	5	3	1	3
Number of Meetings	**5**	**3**	**1**	**3**

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

Corporate Governance Report continued

Board Committees

The Committees of the Board are:

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

Both the Audit Committee and the Remuneration Committee consist wholly of the Non-Executive Directors, whilst the Nomination Committee consists of the Executive Chairman and the Non-Executive Directors. Each Committee has written terms of reference which are available on the Company's website. Members of the Committees are shown on page 96.

Effectiveness main principles

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

Nomination Committee

Appointments to the Board are recommended, as appropriate, by the Nomination Committee, which comprises the Executive Chairman and the Non-Executive Directors. Board appointments are subject to approval by the Board as a whole.

The responsibilities of the Nomination Committee include:

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

The Committee meets as required and met during the year to review the structure and composition of the Board.

Performance Evaluation

A performance evaluation of Mr. J. Talbot, in his role of Executive Chairman, was conducted in respect of 2011 by the Non-Executive Directors. In addition, the Executive Chairman has conducted an appraisal of each member of the Board, Board composition and the format and effectiveness of the Board meetings in respect of 2011.

Induction, Training & Knowledge

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

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

Re-election of Directors

Previously, all Directors were subject to re-election at the Annual General Meeting if appointed to the Board since the last Annual General Meeting or if it was the third Annual General Meeting following the Annual General Meeting at which they were elected or last re-elected. With effect from the 2012 Annual General Meeting all Directors will be subject to annual re-election.

Accountability main principles

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

Audit Committee

The Audit Committee meets at least three times per year, and, where appropriate, meets in private with the external Auditors. The Board has satisfied itself that the composition of the Audit Committee is in compliance with the Code.

The main responsibilities of the Committee include:

- monitoring the financial reporting process and the integrity of the financial statements;
- review of the financial statements and announcements relating to financial performance and recommending them to the Board;
- monitoring and reviewing the system of internal control including the work of internal audit;
- ensuring the maintenance of a control environment and the appropriate management of risk;
- recommendation of appointment of and liaison with the external Auditors;
- annual review and monitoring of external Auditors' independence and objectivity and the effectiveness of the audit process;
- development and implementation of policy on the engagement of the external Auditors to supply non-audit services; and
- review of arrangements under which employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, ensuring that arrangements are in place for the proportionate and independent investigation and appropriate follow-up action.

In 2011 the Audit Committee discharged its responsibilities by:

- reviewing the Group's draft financial statements and interim results statement prior to Board approval and reviewing the external Auditors' reports thereon;
- reviewing the external Auditors' plan for the audit of the Group accounts, confirmations of auditor independence and proposed audit fee and approving terms of engagement for the audit;
- reviewing internal audit's work programme and reports on its work during the year;
- review of the risk management programme;
- review of Group Directors' expenses; and
- monitoring of reporting and follow up of items reported on the employee hotline established in line with the Code of Ethics.

The Committee also regularly monitors the non-audit services being provided by the external Auditors. Note 4 details fees relating to non-audit services, summarised according to the type of services provided. A policy regarding the provision of non-audit services is in place, such that non-audit work has been categorised into 3 areas:

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

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

The Committee confirms it is satisfied with the independence, objectivity and effectiveness of the external Auditor, PwC, and accordingly a resolution to re-appoint PwC as Auditor will be proposed at the forthcoming Annual General Meeting.

The work undertaken by the Audit Committee, supported by the internal audit function, helps to enable the Board to make the statements relating to internal control on pages 29 and 30 and the going concern basis on page 24.

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

Internal Control

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness which has been undertaken during the year. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. There is an on-going process for identifying, evaluating and managing the Group's significant risks that has been in place throughout the year ended 31st December 2011 and up to the date of approval of the financial statements. This process has been regularly reviewed by the Board and accords with the internal control guidance of the Combined Code for Directors. The Audit Committee receives reports setting out key performance and risk indicators and considers possible control issues brought to its attention by early warning mechanisms which are embedded within the operational units and reinforced by risk awareness training.

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

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

Financial Reporting

The Board reviews the strategies of the Group and of the Subsidiary Undertakings. There is a detailed budgeting system with an annual budget both challenged and approved by the Board. Monthly results are reported against the corresponding figures for the budget and the previous year with corrective action initiated by the Board as appropriate.

Corporate Governance Report continued

Treasury Management

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

Risk Management

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

Financial Control

Each business maintains financial controls and procedures appropriate to its own operating environment.

The Group has a centralised internal audit function, which can second additional resources from Operating Companies, and which reviews the systems and procedures in all Operating Companies and reports regularly to the Audit Committee. A review of control procedures is undertaken in respect of all new acquisitions, within the first three months of ownership where possible, and action taken where necessary to bring the controls up to the level required by the Group.

The Group has clearly defined guidelines for the review and approval of capital expenditure projects. These include annual budgets and designated levels of authority.

Code of Ethics

The Group has a written code on business ethics, which is reviewed regularly by the Board and which sets out guidelines for all staff to enable the Group to meet the highest standards of conduct in business dealings including those with overseas suppliers. New acquisitions are made aware of these standards on joining the Group and plans are put in place to ensure compliance is achieved.

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

Bribery Act 2010

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

Throughout 2010 and 2011, the Group conducted a preliminary risk assessment, adopted an appropriate policy and re-enforced its code of ethics. Appropriate procedures are in place to prevent employees and other associated persons committing offences under the Act. These procedures will be subject to regular monitoring and review.

Environmental Matters

The Board is aware of its responsibilities with regard to the environment, receives regular reports on all environmental matters and has nominated Mr. P. Ogle, the Managing Director of the Drycleaning division, as the Director responsible for such matters until 30th April 2012, after which Mr. K. Elliott, the Managing Director of the Facilities Management division, will assume responsibility. Potential areas of risk are identified through the Group's risk assessment programme and mitigated wherever possible. Operating divisions undertake quantitative audits which enable a measure of environmental improvement to be made. Several of the Group's operating companies have achieved or are working towards ISO 14001:2004 Environmental Management System Certification.

The Group is working towards reducing its carbon emissions and is working towards Carbon Reduction Commitment (CRC) compliance and also towards the Carbon Trust Standard.

In 2011, the Drycleaning division achieved 42nd place in the 'Sunday Times Best Green Companies' award, in recognition of its environmental credentials, improving on its 2010 position of 45th.

Remuneration main principles

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

Remuneration Committee

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

Further details are outlined in the Board Report on Remuneration, on page 32.

Relations with Shareholders main principles

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

Investor Relations

Overall responsibility for ensuring that there is effective communication with investors and that the Board understands the views of major Shareholders on matters such as governance and strategy rests with the Executive Chairman, who makes himself available to meet Shareholders for this purpose.

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

- formal presentations of full year and half-year results;
- briefing meetings with major institutional Shareholders after the half-year results and preliminary announcement, 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 Executive Chairman and Finance Director to discuss business performance;
- hosting investors and analysts sessions at which senior management from relevant operating companies deliver presentations which provide an overview of each of the individual businesses and operations; and
- attendance by senior executives across the business at relevant meetings throughout the year.

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

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

The Board welcomes private and Institutional Shareholders to the Annual General Meeting, which is normally attended by all Directors, to discuss appropriate topics during the meeting or with the Directors after the formal proceedings have ended. The Board considers that the Preliminary Announcement, the Annual Report, including the Chairman's Statement 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.

By order of the Board

Yvonne Monaghan
Company Secretary
6th March 2012

Board Report on Remuneration

INFORMATION NOT SUBJECT TO AUDIT

Remuneration Committee

The Remuneration Committee consists of the Non-Executive Directors: Mr. M. Del Mar (Chairman), Mr. P. Moody and Mr. W. Shannon. None of the members of the Committee have or had any personal financial interests in the Company (other than as Shareholders), conflicts of interests arising from cross-directorships or day to day involvement in running the business.

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

During the year the Committee consulted the Executive Chairman about his proposals with regard to remuneration and terms of employment of Executive Directors, other than the Executive Chairman himself.

The Committee engaged PricewaterhouseCoopers LLP (PwC) during the year to provide guidance on standard market practice with regard to the Long-Term Incentive Plan and the Discretionary Unapproved Share Option Plan. PwC also provided factual reward surveys, based on a comparator group determined by the Remuneration Committee, which were utilised for benchmarking purposes.

Remuneration Policy

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

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

The total remuneration package links corporate and individual performance with an appropriate balance between short and long-term elements, and fixed and variable components. The policy is designed to incentivise executives to meet the Company's key objectives, such that a significant portion of total remuneration is performance related, based on a mixture of internal targets linked to the Company's key 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.

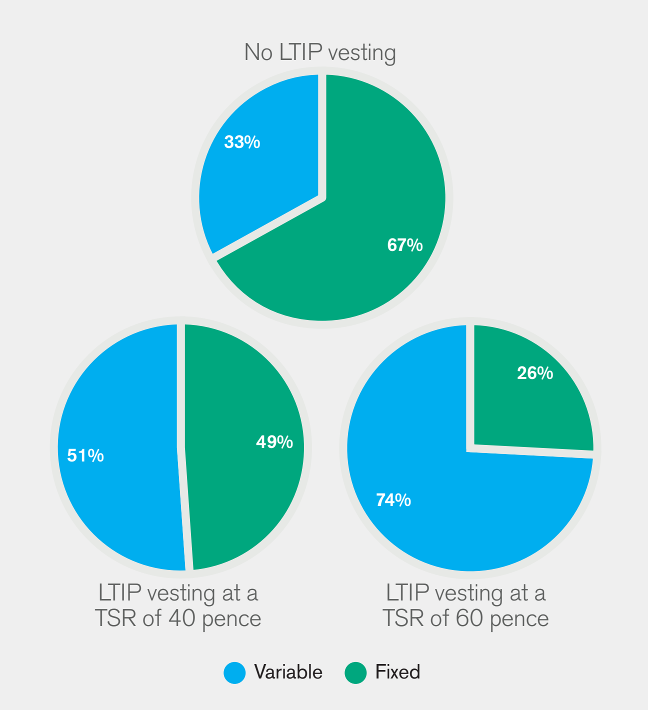
Proposals for new Long-Term Incentive schemes are discussed with major Shareholders to gain their views before schemes are implemented. Full details of all schemes are included within this report, which is subject to approval by Shareholders at the Annual General Meeting.

Components of Executive Remuneration

The current remuneration of Executive Directors comprises the six components of basic salary, annual bonus, long term bonus, taxable benefits, share options (including the Long-Term Incentive Plan (Approved and Unapproved sections) and the Sharesave Plan) and pension arrangements. Only basic salary is pensionable.

By way of illustration, the balance between the fixed and variable elements for the Executive Directors, excluding the Executive Chairman, is shown in the charts below for varying levels of vesting of the 2009 Long-Term Incentive Plan. Broadly, there is a 67:33 split between fixed and variable pay if none of the LTIP were to vest and a 26:74 split at maximum performance, showing the high proportion of performance-related pay that is 'at risk' in the total remuneration package.

Balance of fixed and variable remuneration



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

- fixed remuneration includes basic salary only, and represents annual salary for 2011;
- variable remuneration includes annual bonus (assumed at actual achievement for 2011 within this illustration) and share options (LTIP); and
- the amount included in respect of the LTIP represents the annualised gross gain over the three year Performance Period assuming vesting (and exercise) at a TSR of 40p and 60p.

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

Basic Salary

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

Annual Bonus

The Group operates a Short Term Incentive Programme (STIP) for senior executives, which provides for a performance related bonus based on a combination of the Group's results and the achievement of goals, both financial and personal, set in relation to the individual's area of responsibility. The individual targets for the Executive Directors are established by the Committee with a view to maximising Shareholder value and meeting other Group objectives. Subject to the achievement of the targets, the annual performance related bonus can represent up to a maximum of 100% of basic salary.

The Executive Chairman is not eligible to participate in the STIP.

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

Long-Term Bonus

In addition to an annual cash bonus, the Executive Director responsible for the Facilities Management division is eligible for a long-term cash bonus plan, which was granted on 6th January 2011. The long-term cash bonus will only pay out if the Facilities Management division is sold or listed (or a comparable event occurs) before 31st December 2013.

Should such an event occur, Mr. K. Elliott would be entitled to a scaled percentage ranging from four to eight per cent of the amount by which the net sale proceeds exceeds £35 million, less any amount already paid to Mr. K. Elliott under the Long-Term Incentive Plan (see below). Payment of any long-term bonuses will be subject to the Group's normal good and bad leaver provisions.

Taxable Benefits

Taxable benefits, which are not performance related, principally include the provision of a car and private medical insurance.

Share Options

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

To incentivise certain employees to maximise Shareholder value and to ensure the employees' services are secured, the Company has adopted the LTIP. The LTIP was approved by a resolution of the Board on 7th May 2009. All employees (including Executive Directors) of the Group are eligible to participate in the LTIP, although in practice, participants will be limited to Executive Directors and Senior Management. Participants in the LTIP will be selected by the Remuneration Committee.

Eligible participants will be granted awards entitling them to receive Ordinary Shares in the Company after a specified vesting period and subject to the achievement of specified performance conditions. Vesting of awards granted under the LTIP will normally occur after a three year performance period, however, one third of the Ordinary Shares subject to the award will potentially vest before the three year anniversary if a specified performance condition is met. The remainder of the Ordinary Shares subject to the award will be subject to a three year vesting period and a further performance condition.

Mr. J. Talbot and Mrs. Y. Monaghan were granted awards under the LTIP on 8th July 2009 which would, on exercise, have delivered specific returns for them if the Company's TSR over a three year performance period achieved certain predetermined levels, as set out on page 32 of the 2010 Annual Report. These awards were cancelled on 6th January 2011, without payment, and new awards (the "2011 Award") were granted to the Executive Chairman, the four Executive Directors and certain Senior Management on the same date with an exercise price of nil.

The performance conditions for the 2011 Award will be linked to the Company's Total Shareholder Return ("TSR"), which represents the Company's share price plus any dividends paid on or after 16th November 2009 and any other capital distributions over the vesting period. The performance period runs from the date of the grant until the end of the 30 day period following the announcement of the Company's preliminary results for the year ending 31st December 2013.

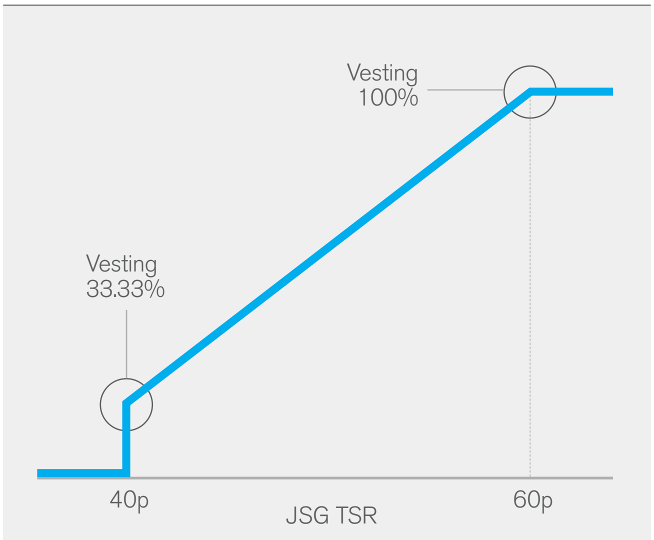
The 2011 Award will vest in two tranches:

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

Floating TSR may be tested at any time during the performance period. Final TSR may only be tested once, following the announcement of the Company's preliminary results for the 2013 financial year.

The chart below demonstrates the effect on vesting of the above performance conditions:

Effect on vesting of the above performance conditions



Board Report on Remuneration continued

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

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

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

Certain Executive Directors (Mr. J. Talbot and Mrs. Y. Monaghan) were granted awards under the Approved LTIP on 8th July 2009, which were subsequently cancelled at the same time as the linked LTIP above.

On 7th January 2011, the four Executive Directors and certain Senior Management were granted awards under the Approved LTIP, linked to the awards granted on 6th January 2011 under the LTIP, at an exercise price of 30.75 pence.

Savings Related Share Option Scheme and the Sharesave Plan (the 'SAYE Schemes')

The SAYE Schemes are open to all employees, including Executive Directors who, for grants made prior to 31st December 2008, have completed one year's service at the date of invitation and who open an approved savings contract. For grants made in 2010 onwards employees are required to have completed two years' service at the date of invitation.

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. Grants prior to 2008 were under the Savings Related Share Option Scheme and grants from 2008 onwards are under the Sharesave Plan. Details of the schemes' exercise periods and normal expiry dates are given in note 28 on page 84.

Non-Executive Directors

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

Service Contracts

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

Executive Directors

Mr. J. Talbot is employed under a service agreement which has no fixed expiry date, dated 30th July 2008, which provides that the Company has to give six months' notice and Mr. J. Talbot is required to give six months' notice.

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

Mr. K. Elliott, Mr. P. Ogle and Mr. C. Sander are employed under service contracts dated 11th October 2005, 20th May 2003 and 6th July 2004 respectively, which have no fixed expiry date and provide that the Company has to give twelve months' notice and the Director is required to give six months' notice.

Non-Executive Directors

The Non-Executive Directors have fixed term appointments. Each Non-Executive Director has a letter of appointment, dated as detailed below, which requires the Company to provide three months' notice and the Director is expected to provide at least one months' notice. At 31st December 2011, the unexpired terms of the Non-Executive Directors letters of appointment were:

	Date of Letter of Appointment	Unexpired Term at 31st December 2011
Mr. M. Del Mar	12th May 2010	5 months
Mr. P. Moody	10th March 2010	1 year 2 months
Mr. W. Shannon	8th May 2009	4 months

On 28th February 2012, Mr. M. Del Mar and Mr. W. Shannon signed new letters of appointment which extended their period of unexpired term as above by one and three years respectively.

Interests in Share Capital

The interests of the Directors who were in office at 31st December 2011, in the shares of the Company at the commencement, or date of appointment if later, and close of the financial year, were as follows:

	31st December 2011 Ordinary shares of 10p each	31st December 2010* Ordinary shares of 10p each
Beneficial		
Mr. J. Talbot	6,163,000	6,163,000
Mrs. Y. Monaghan	136,823	136,823
Mr. K. Elliott	500,000	500,000
Mr. P. Ogle	66,547	66,547
Mr. C. Sander	232,000	232,000
Mr. M. Del Mar	200,000	200,000
Mr. P. Moody	100,000	100,000
Mr. W. Shannon	125,000	125,000
Non-Beneficial		
Mrs. Y. Monaghan, Mr. C. Sander and others	588,452	588,452

* or date of appointment if later

There have been no changes in the Directors' interests in the shares of the Company during the period 31st December 2011 up until the time of signing this Report.

Performance Graph

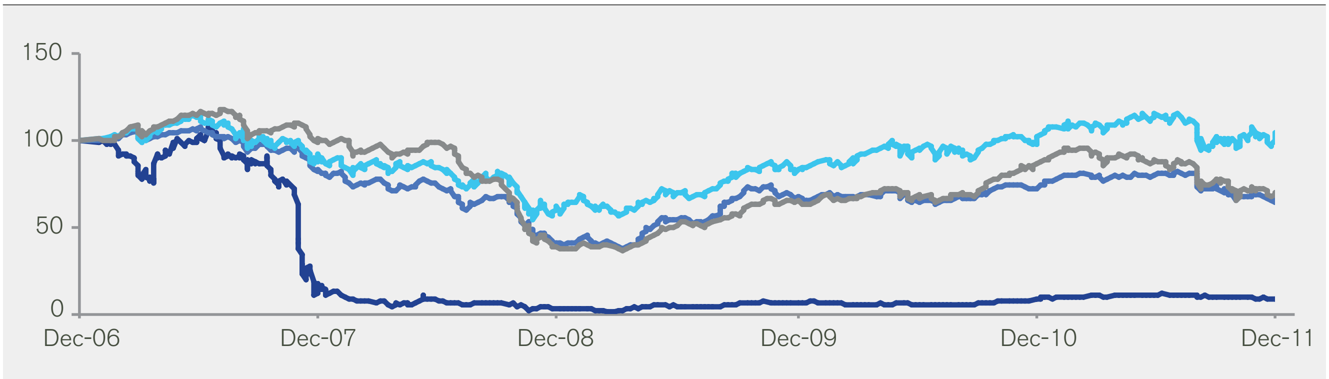
Over the five years to December 2011 the Company has underperformed the FTSE AIM All-Share Index with a net total shareholder return of (91)% against a net total shareholder return of (34)%. Over the two years to December 2011 the Company has outperformed the FTSE AIM All-Share Index with a net total shareholder return of 24% against a net total shareholder return of (1)%.

Over the five years to December 2011 the Company has underperformed the FTSE Support Services Index with a net total shareholder return of (91)% against a net total shareholder return of 7%. Over the two years to December 2011 the Company has outperformed the FTSE Support Services Index with a net total shareholder return of 24% against a net total shareholder return of 23%.

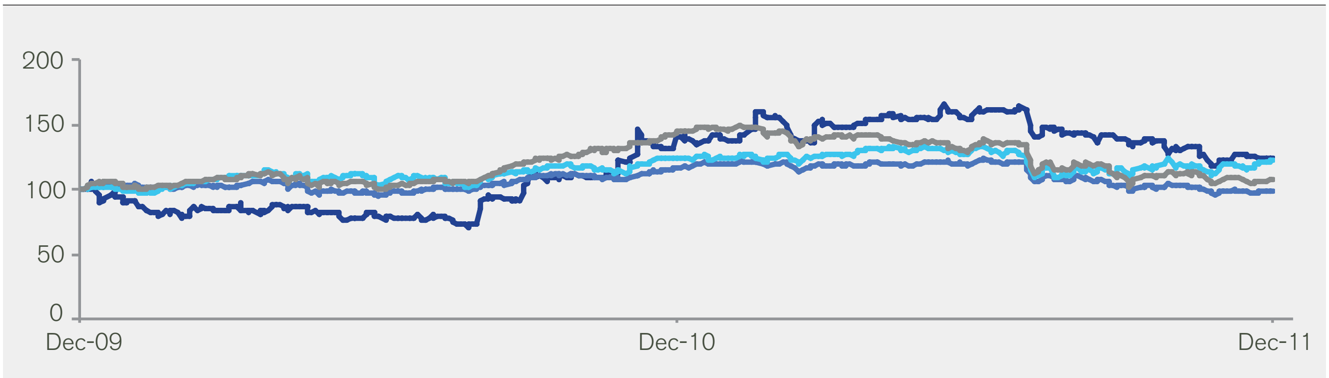
Over the five years to December 2011 the Company has underperformed the FTSE Small Cap (excl. Investment Companies) Index with a net total shareholder return of (91)% against a net total shareholder return of (30)%. Over the two years to December 2011 the Company has outperformed the FTSE Small Cap (excl. Investment Companies) Index with a net total shareholder return of 24% against a net total shareholder return of 8%.

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

TSR 5 Year Performance



TSR 2 Year Performance



JSG FTSE AIM All-Share FTSE Support Services FTSE Small Cap (excl. Investment Companies)

Board Report on Remuneration continued

INFORMATION SUBJECT TO AUDIT

As an AIM listed company, Johnson Service Group is not required to fully apply the Listing Rules of the Financial Services Authority, and hence is not required to present a Board Report on Remuneration in accordance with those rules. However, the Directors consider it appropriate for the Company to apply the Listing Rules of the Financial Services Authority as if it were a listed company.

Directors' Remuneration

	Note	Basic Salary / Fees 2011 £000	Bonus / Allowance 2011 £000	Cash in lieu of pension 2011 £000	Taxable benefits 2011 £000	Total 2011 £000	Total 2010 £000
Executive Directors							
Mr. J. Talbot		250	-	-	-	250	250
Mrs. Y. Monaghan	1	210	127	1	28	366	373
Mr. K. Elliott	2	143	61	-	19	223	235
Mr. P. Ogle		157	40	-	28	225	193
Mr. C. Sander	1	169	107	20	14	310	319
Non-Executive Directors							
Mr. M. Del Mar	3	35	-	-	-	35	34
Mr. P. Moody	4	30	-	-	-	30	24
Mr. W. Shannon	5	34	-	-	-	34	33
Former Directors							
Mr. M. Gatenby	6	-	-	-	-	-	15
		1,028	335	21	89	1,473	1,476

Note 1:
Following the implementation of the pensionable salary freeze as at 6th April 2010 for all current active members of the Johnson Group Staff Pension Scheme (the "Staff Scheme"), a defined benefit scheme, the pensionable salaries of Mrs. Y. Monaghan and Mr. C. Sander were frozen at their basic salary on 6th April 2010. From 6th April 2010, pension contributions in respect of basic salary earned above frozen pensionable salary can be paid into suitable alternative pension arrangements or paid as an equivalent cash amount to the member. The figures included above within 'Cash in Lieu of Pension' reflect the cash amount paid to Mrs. Y. Monaghan and Mr. C. Sander. In addition, Mr. C. Sander ceased to be a member of the Staff Scheme on 31st March 2011 and received an equivalent cash amount in lieu of employer pension contributions.

Note 2:
The Basic Salary figure included in the table above in respect of Mr. K. Elliott excludes two salary sacrifice arrangements. Under the first arrangement, which has been in place from the 1st January 2009, Mr. K. Elliott has sacrificed salary and instead receives an additional monthly employer contribution paid to his Self Invested Personal Pension (SIPP). For the period January to March 2011, the amount of annualised salary sacrificed was £24,000 and the additional monthly employer contribution was £2,376. From April onwards, the amount of annualised salary sacrificed was £11,847 and the additional monthly employer contribution was £1,281. The additional contribution reflects the salary sacrificed plus the savings to the Company, including the saving in employer National Insurance contributions. The second arrangement relates to Mr. K. Elliott sacrificing £4,881 of annual salary in return for additional holiday entitlement. Had these arrangements not been in place during the year, Mr. K. Elliott would have received additional salary of £19,766.

Note 3:
Following the resignation of Mr. M. Gatenby on 31st May 2010, Mr. M. Del Mar was appointed Senior Independent Director on 1st June 2010. The amount paid to Mr. M. Del Mar in 2010 includes the pro-rata increase in his annual fee in respect of this additional responsibility.

Note 4:
Mr. P. Moody was appointed as Non-Executive Director on 10th March 2010. The figure included in the table above for 2010 reflects the amount paid since the date of appointment.

Note 5:
Following the resignation of Mr. M. Gatenby on 31st May 2010, Mr. W. Shannon was appointed Chairman of the Audit Committee on 1st June 2010. The amount paid to Mr. W. Shannon in 2010 includes the pro-rata increase in his annual fee in respect of this additional responsibility.

Note 6:
Mr. M. Gatenby resigned as Non-Executive Director on 31st May 2010. The figure included in the table above for 2010 reflects the amounts paid up until the date of resignation.

During the year the Directors did not make any gains on the exercise of share options (2010: £nil).

No Director waived any emoluments in respect of the years ended 31st December 2011 and 31st December 2010.

Beneficial Interests in Share Options

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

	Date of Grant	At 31st December 2010	Options granted during year	Options lapsed during year	Options cancelled during year	Options excersised during year	At 31st December 2011	Option price
Mr. J. Talbot								
Scheme 3	8th July 2009	7,479,074	-	-	(7,479,074)	-	-	nil
Scheme 3	6th January 2011	-	7,500,000	-	-	-	7,500,000	nil
Scheme 4	8th July 2009	230,769	-	-	(230,769)	-	-	13.00p
Mrs. Y. Monaghan								
Scheme 3	8th July 2009	2,493,024	-	-	(2,493,024)	-	-	nil
Scheme 3	6th January 2011	-	2,500,000	-	-	-	2,500,000	nil
Scheme 4	8th July 2009	230,769	-	-	(230,769)	-	-	13.00p
Scheme 4	7th January 2011	-	97,560	-	-	-	97,560	30.75p
Scheme 5	6th October 2008	44,880	-	-	-	-	44,880	16.00p
Scheme 5	1st April 2010	6,655	-	-	-	-	6,655	18.00p
Mr. K. Elliott								
Scheme 3	6th January 2011	-	1,850,000	-	-	-	1,850,000	nil
Scheme 4	7th January 2011	-	97,560	-	-	-	97,560	30.75p
Mr. P. Ogle								
Scheme 1	8th July 2008*	1,300,000	-	-	(1,300,000)	-	-	19.25p
Scheme 2	8th July 2009	230,769	-	-	(230,769)	-	-	13.00p
Scheme 3	6th January 2011	-	1,850,000	-	-	-	1,850,000	nil
Scheme 4	7th January 2011	-	97,560	-	-	-	97,560	30.75p
Scheme 5	6th October 2008	44,880	-	-	-	-	44,880	16.00p
Scheme 5	1st April 2010	6,655	-	-	-	-	6,655	18.00p
Mr. C. Sander								
Scheme 1	8th July 2008*	1,750,000	-	-	(1,750,000)	-	-	19.25p
Scheme 2	8th July 2009	230,769	-	-	(230,769)	-	-	13.00p
Scheme 3	6th January 2011	-	2,000,000	-	-	-	2,000,000	nil
Scheme 4	7th January 2011	-	97,560	-	-	-	97,560	30.75p
Scheme 5	6th October 2008	44,880	-	-	-	-	44,880	16.00p
Scheme 5	1st April 2010	6,655	-	-	-	-	6,655	18.00p

* Share options granted prior to appointment as Director

Scheme 1 - 2003 Discretionary Unapproved Share Option Plan (the “Plan”)
Scheme 2 - 2003 Discretionary Approved Share Option Plan (the “Approved Plan”)
Scheme 3 - 2009 Long-Term Incentive Plan (the “2009 LTIP”)
Scheme 4 - 2009 Long-Term Incentive Plan Approved Section (the “2009 Approved LTIP”)
Scheme 5 - Sharesave Plan (“SAYE Scheme”)

Details of the 2009 LTIP, the 2009 Approved LTIP and the SAYE Scheme are given on pages 33 to 34 of the Board Report on Remuneration. Details of the Plan and the Approved Plan were given on pages 29 to 31 of the 2010 Annual Report.

Other Details

The mid market price of the Ordinary shares of 10p each on 31st December 2011 and 31st December 2010 was 26.63 pence and 31.00 pence respectively. During the year, the mid market price of the Ordinary shares of 10p each ranged between 25.50 pence and 36.00 pence.

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

There have been no changes in the Directors’ interests during the period 31st December 2011 to 6th March 2012, this being the date of this Report.

Pension Benefits of Executive Directors

Other than for Mr. J. Talbot, Executive Directors are entitled to receive retirement benefits, which are calculated on basic salary, under one or more of the Group’s contributory defined benefit or defined contribution schemes. Details of the schemes are given in note 25.

Board Report on Remuneration continued

Defined Benefit Arrangements

Set out below are details of pension benefits to which each Executive Director, who served during the year, is entitled to under the Johnson Group Staff Pension Scheme (the "Staff Scheme"), which is of the defined benefit type.

	Increase in accrued pension entitlement during the year (incl. inflation) 2011 £000 Note 1	Increase in accrued pension entitlement during the year (excl. inflation) 2011 £000 Note 1	Accrued pension entitlement at December 2011 £000 Note 2	Accrued pension entitlement at December 2010 £000	Increase in transfer value of accrued pension less member contributions 2011 £000 Note 3	Transfer value at December 2011 £000 Note 4	Transfer value at December 2010 £000 Note 4	Increase in transfer value less member contributions 2011 £000 Note 5
Mrs. Y. Monaghan	3	(1)	90	87	(43)	1,713	1,433	268
Mr. P. Ogle	2	1	25	23	(5)	301	241	53
Mr. C. Sander	1	(2)	68	67	(52)	1,268	1,060	205

Note 1: The increase in the accrued pension entitlement is the additional benefits earned since the previous year end.

Note 2: The accrued pension entitlement shown is the amount that would be paid annually on retirement (at normal retirement age) based on service to 31st December 2011. This pension is calculated based on the total period of service to the Company, both before and after becoming a Director.

Note 3: The increase in the transfer value of accrued pension less member contributions is the increase in the transfer value of accrued benefits in respect of qualifying services during the year after deducting the Director's personal contributions to the Staff Scheme paid in the year. Voluntary contributions paid by Directors and the resulting benefits are not shown.

Note 4: All transfer values have been calculated on the basis of actuarial advice in accordance with the Occupational Pension Schemes (Transfer Value) regulations 1996 and with the Trustee's transfer value basis. The transfer values of the accrued entitlement in respect of qualifying services represent the value of assets that the pension scheme would need to transfer to another pension provider on transferring the scheme's liability in respect of the Director's pension benefits that they earned for qualifying services. They do not represent sums payable to individual Directors and therefore cannot be added meaningfully to annual remuneration.

Note 5: The increase in the transfer value less member contributions is the increase in the transfer value of total accrued benefits after deducting the Director's personal contributions to the Staff Scheme paid in the year. Voluntary contributions paid by Directors and the resulting benefits are not shown.

Benefit Structure

Set out below is the benefit structure applicable under the pension arrangements for each Director:

Mrs. Y. Monaghan is a member of the Staff Scheme, and the following accrual rates apply to pensionable service:

- 1/60th of final pensionable salary for each year of pensionable service as on and from 30th July 1984 up to and including 30th November 2000;
- 1/56th of final pensionable salary for each year of pensionable service as on and from 1st December 2000 up to and including 31st March 2004; and
- 1/72nd of final pensionable salary for each year of pensionable service as on and from 1st April 2004.

Where early retirement is taken after the age of 60, a reduction of 5% shall be applied to benefits arising out of pensionable service accrued on or after 1st April 2004, for each year the member retires earlier than normal retirement age and no reduction shall apply to benefits arising out of pensionable service accrued prior to 1st April 2004.

The contribution payable by Mrs. Y. Monaghan for pensionable service from 1st October 2004 is 6% of pensionable salary per annum. The employer contribution was 9.4% of pensionable salary from 1st March 2011 and 13% of pensionable salary prior to that date.

Other provisions which are applicable include:

- a spouse's pension at the rate of 50% of the member's pension payable on the death of the member;
- pension accrued in respect of service prior to 6th April 1997 is guaranteed to increase at the rate of 3% per annum on the excess over the member's Guaranteed Minimum Pension;
- pension accrued in respect of service between 5th April 1997 and 31st March 2004 will increase at the rate of 5% per annum, or the increase in the Retail Price Index, if lower, with a guaranteed minimum of 3% per annum;
- pension accrued in respect of service between 1st April 2004 and 5th April 2006 will increase at the rate of 5% per annum, or the increase in the Retail Price Index if lower; and
- pension accrued in respect of service after 5th April 2006 will increase at the rate of 2.5% per annum, or the increase in the Retail Price Index if lower.

Mr. C. Sander and Mr. P. Ogle are members of the Staff Scheme, and the following accrual rates apply to pensionable service:

- for Mr. C. Sander, 1/60th of final pensionable salary for each year of pensionable service as on and from 1st July 1984 up to and including 31st March 2003;
- for Mr. P. Ogle, 1/60th of final pensionable salary for each year of pensionable service as on and from 1st September 1997 up to and including 31st March 2003; and
- for both Mr. C. Sander and Mr. P. Ogle, 1/80th of final pensionable salary for each year of pensionable service as on and from 1st April 2003.

Where early retirement is taken after the age of 60, a reduction of 5% shall be applied to benefits arising out of pensionable service accrued on or after 1st April 2003, for each year the member retires earlier than normal retirement age and no reduction shall apply to benefits arising out of pensionable service accrued prior to 1st April 2003.

The contribution payable by both Mr. C. Sander and Mr. P. Ogle for pensionable service from 1st October 2003 is 6% of pensionable salary per annum. Mr. P. Ogle's definition of pensionable salary is restricted to the Scheme Specific Cap as per the Staff Scheme Rules. The restricted salary is £123,600. The employer contribution for Mr. C. Sander and for Mr. P. Ogle was 9.4% of pensionable salary from 1st March 2011 and 13% of pensionable salary prior to that date.

Other provisions which are applicable include:

- a spouse's pension at the rate of 50% of the member's pension payable on the death of the member;
- pension accrued in respect of service prior to 6th April 1997 is guaranteed to increase at the rate of 3% per annum on the excess over the member's Guaranteed Minimum Pension;
- pension accrued in respect of service between 5th April 1997 and 31st March 2003 will increase at the rate of 5% per annum, or the increase in the Retail Price Index, if lower, with a guaranteed minimum of 3% per annum;
- pension accrued in respect of service between 1st April 2003 and 5th April 2006 will increase at the rate of 5% per annum, or the increase in the Retail Price Index if lower; and
- pension accrued in respect of service after 5th April 2006 will increase at the rate of 2.5% per annum, or the increase in the Retail Price Index if lower.

Pensionable Salary Freeze

Following the implementation of the pensionable salary freeze as at 6th April 2010 for all current active members of the Staff Scheme, the pensionable salaries of Mrs. Y. Monaghan and Mr. C. Sander were frozen at their basic salary on 6th April 2010; the pensionable salary for Mr. P. Ogle was frozen at the Scheme Specific Cap of £123,600.

From 6th April 2010, pension contributions in respect of basic salary earned above frozen pensionable salary can be paid into suitable alternative pension arrangements, or paid as an equivalent cash amount to the member. Under this arrangement, both Mrs. Y. Monaghan and Mr. C. Sander opted to receive a cash amount on salary earned above frozen pensionable salary at the following rates:

	1 January 2011 to 31 March 2011	1 April 2011 to 31 December 2011
Mrs. Y. Monaghan	14.0%	17.8%
Mr. C. Sander (note 1)	14.0%	16.0%

Note 1: From 1st April 2011, Mr. C. Sander opted to leave the Staff Scheme, and receive a monthly cash amount equal to 16% of his monthly salary.

The amounts payable in the year to Mrs. Y. Monaghan and Mr. C. Sander under the above arrangements were £694 and £20,439 respectively.

Board Report on Remuneration continued

Defined Contribution Arrangements

Mr. K. Elliott is a member of the SGP Property Services Group Personal Pension Plan (the 'SGP Plan'), a defined contribution arrangement. Normal Retirement Age under the Plan is age 65.

Prior to 1st April 2011, the employee and employer contributions were fixed at 6% of pensionable salary. A salary sacrifice arrangement has been in place from 1st January 2009. Under this arrangement, Mr. K. Elliott sacrificed £24,000 of his salary and instead received an additional monthly employer contribution paid to his Self Invested Personal Pension (SIPP) of £2,376 which equated to an annual contribution of £28,512. The additional contribution reflected the salary sacrificed plus the savings to the Company, to include the saving in National Insurance contributions.

From 1st April 2011, the employee contribution to the SGP Plan increased to 7% of pensionable salary and the employer contribution increased to 16% of pensionable salary. In order to comply with Annual Allowance restrictions, Mr. K. Elliott's salary sacrifice arrangement was amended such that he sacrificed £11,847 of his salary and instead received an additional monthly employer contribution paid to his SIPP of £1,281. The additional contribution reflected the salary sacrificed plus the savings to the Company, to include the saving in National Insurance contributions.

Both employee and employer contributions to the SGP Plan are paid on salary after the salary sacrifice has been applied.

As referred to above, from 6th April 2010, pension contributions in respect of basic salary earned above frozen pensionable salary can be paid into suitable alternative pension arrangements, or paid as an equivalent cash amount to the member. Mr. P. Ogle opted for pension contributions in respect of basic salary earned above frozen pensionable salary to be paid into an alternative pension arrangement. Employer contributions were payable at a rate of 14% from 1st January 2011 to 31st March 2011 and at a rate of 16% thereafter.

Annual General Meeting

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

Michael Del Mar
Chairman of Remuneration Committee
6th March 2012

Independent Auditors' Report

Independent Auditors' Report to The Members of Johnson Service Group PLC

We have audited the Group and Parent Company financial statements (the "financial statements") of Johnson Service Group PLC for the year ended 31st December 2011 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Statements of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Statements of Changes in Shareholders' Equity, the Consolidated and Parent Company Statements of Cash Flows, the Statement of Significant Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of Directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 24 to 25, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

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 31st December 2011 and of the Group's profit and Group's and Parent Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union 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.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

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

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

The Directors have requested, (because the company applies Listing Rules 9.8.6R 5 and 6 of the Financial Services Authority as if it were a listed company), that we review the parts of the Corporate Governance Statement relating to the Company's compliance with the nine provisions of the UK Corporate Governance Code specified for our review by the Listing Rules of the Financial Services Authority and that we review the Directors' Statement, set at on page 24, in relation to going concern. We have nothing to report in respect of either of these reviews.

At the request of the Directors, we have also audited the part of the Board Report on Remuneration that is described as having been audited. In our opinion, the part of the Board Report on Remuneration to be audited has been properly prepared in accordance with the Companies Act 2006.

Nicholas Boden (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
6th March 2012

Consolidated Income Statement

	Note	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
Revenue from continuing operations	2	242.3	235.1
Costs recharged to customers		(8.8)	(7.7)
Revenue excluding costs recharged to customers	2	233.5	227.4
Operating profit		17.5	8.0
Operating profit before intangibles amortisation and impairment (excluding software amortisation) and exceptional items	2	18.5	18.3
Amortisation and impairment of intangible assets (excluding software amortisation)		(2.6)	(2.8)
Exceptional items	7		
– Restructuring and other costs		–	(8.3)
– Costs in relation to business acquisition activity		–	(1.4)
– Pension credits and costs		1.6	2.2
Operating profit	3	17.5	8.0
Ordinary finance cost			
– Finance cost		(4.4)	(4.6)
– Finance income		0.2	–
– Notional interest		0.7	0.8
		(3.5)	(3.8)
Exceptional finance cost		(0.3)	–
Net finance cost	8	(3.8)	(3.8)
Profit before taxation		13.7	4.2
Taxation charge	10	(3.4)	(1.0)
Profit for the year from continuing operations		10.3	3.2
Profit for the year from discontinued operations	33	–	–
Profit for the year attributable to equity holders		10.3	3.2
Earnings per share*	11		
Basic earnings per share			
From continuing operations		4.1p	1.3p
From discontinued operations		–	–
From continuing and discontinued operations		4.1p	1.3p
Fully diluted earnings per share			
From continuing operations		3.8p	1.2p
From discontinued operations		–	–
From continuing and discontinued operations		3.8p	1.2p

* Earnings per share before intangibles amortisation and impairment (excluding software amortisation), exceptional items and exceptional finance costs, are shown in note 11.

The notes on pages 57 to 90 are an integral part of these financial statements.

Statements of Comprehensive Income

Consolidated statement of comprehensive income

	Note	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
Profit for the year		10.3	3.2
Actuarial loss on defined benefit pension schemes	25	(7.8)	(1.5)
Taxation in respect of actuarial loss		1.9	0.4
Change in deferred tax due to change in tax rate		(0.3)	(0.2)
Cash flow hedges (net of taxation) – fair value loss		(0.6)	(1.4)
– transfers to interest		0.6	0.3
Other comprehensive income for the year		(6.2)	(2.4)
Total comprehensive income for the year		4.1	0.8

Company statement of comprehensive income

	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
(Loss)/profit for the year	(6.0)	4.3
Actuarial loss on defined benefit pension schemes	(8.1)	(1.4)
Taxation in respect of actuarial loss	2.0	0.4
Change in deferred tax due to change in tax rate	(0.3)	(0.2)
Cash flow hedges (net of taxation) – fair value losses	(0.6)	(1.4)
– transfers to interest	0.6	0.3
Other comprehensive income for the year	(6.4)	(2.3)
Total comprehensive income for the year	(12.4)	2.0

The tax impact of the cashflow hedges are shown in note 23.

The notes on pages 57 to 90 are an integral part of these financial statements.

Consolidated Balance Sheet

	Note	As at 31 December 2011 £m	As at 31 December 2010 £m
Assets			
Non-current assets			
Goodwill	13	87.6	87.6
Intangible assets	14	7.8	10.5
Property, plant and equipment	15	42.8	44.4
Textile rental items	16	23.2	19.7
Trade and other receivables	19	0.8	0.6
Deferred income tax assets	23	6.8	6.5
		169.0	169.3
Current assets			
Inventories	18	4.3	3.7
Trade and other receivables	19	38.6	35.4
Cash and cash equivalents		5.7	2.2
		48.6	41.3
Liabilities			
Current liabilities			
Trade and other payables	20	46.6	44.0
Current income tax liabilities		5.7	0.6
Borrowings	22	2.7	6.4
Provisions	24	4.2	5.0
		59.2	56.0
Net current liabilities		(10.6)	(14.7)
Non-current liabilities			
Retirement benefit obligations	25	20.2	16.8
Deferred income tax liabilities	23	1.4	1.3
Other non-current liabilities	21	2.1	2.2
Borrowings	22	51.4	53.5
Derivative financial liabilities	26	1.4	1.5
Provisions	24	8.2	8.8
		84.7	84.1
Net assets		73.7	70.5
Equity			
Capital and reserves attributable to the company's equity holders			
Share capital	28	25.4	25.0
Share premium	30	13.8	13.7
Other reserves		1.1	1.1
Retained earnings		33.4	30.7
Total equity		73.7	70.5

The notes on pages 57 to 90 are an integral part of these financial statements.

The financial statements on pages 42 to 90 were approved by the Board of Directors on 6th March 2012 and signed on its behalf by:

Yvonne Monaghan
Finance Director

Company Balance Sheet

	Note	As at 31 December 2011 £m	As at 31 December 2010 £m
Assets			
Non-current assets			
Property, plant and equipment	15	0.1	0.1
Trade and other receivables	19	59.9	66.9
Deferred income tax assets	23	6.2	5.5
Investments	17	501.2	501.0
		567.4	573.5
Current assets			
Trade and other receivables	19	2.8	2.6
Current income tax assets		1.4	1.2
Cash and cash equivalents		3.8	–
		8.0	3.8
Liabilities			
Current liabilities			
Trade and other payables	20	2.8	3.0
Borrowings	22	4.5	7.1
Provisions	24	0.1	0.1
		7.4	10.2
Net current assets/(liabilities)		0.6	(6.4)
Non-current liabilities			
Retirement benefit obligations	25	20.8	16.7
Other non-current liabilities	21	422.2	409.8
Borrowings	22	50.5	52.7
Derivative financial liabilities	26	1.4	1.5
		494.9	480.7
Net assets		73.1	86.4
Equity			
Capital and reserves attributable to the company's equity holders			
Share capital	28	25.4	25.0
Share premium	30	13.8	13.7
Other reserves		14.3	14.3
Retained earnings		19.6	33.4
Total equity		73.1	86.4

The notes on pages 57 to 90 are an integral part of these financial statements.

The financial statements on pages 42 to 90 were approved by the Board of Directors on 6th March 2012 and signed on its behalf by:

Yvonne Monaghan
Finance Director

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
Cash flows from operating activities			
Profit for the year		10.3	3.2
Adjustments for:			
Income tax – continuing operations	10	3.4	1.0
– discontinued operations	33	(2.0)	(0.1)
Finance income and expense	8	3.8	3.8
Depreciation		20.5	21.0
Amortisation		2.9	3.1
Increase in inventories		(0.6)	(0.3)
Increase in trade and other receivables		(3.3)	(0.2)
Increase in trade and other payables		2.2	0.6
(Profit)/loss on sale of property, plant and equipment		(0.1)	0.1
Pre-tax gain on disposal of business		–	(0.1)
Acquisition fees charged to income statement		–	1.4
Additional contribution to defined benefit pension schemes		(1.5)	(1.6)
Share-based payments		0.8	0.9
Retirement benefit obligations		(2.2)	(2.7)
Provisions		(1.6)	3.8
Cash generated from operations		32.6	33.9
Interest paid		(3.4)	(3.1)
Taxation received		5.1	1.8
Net cash flows generated from operating activities		34.3	32.6
Cash flows from investing activities			
Acquisition of business (net of cash acquired)	33	(0.2)	(0.5)
Proceeds from sale of business	33	–	0.1
Purchase of property, plant and equipment		(5.3)	(7.7)
Proceeds from sale of property, plant and equipment		0.3	1.4
Purchase of intangible assets		(0.2)	(0.3)
Purchase of textile rental items		(18.5)	(14.3)
Proceeds from sale of textile rental items		2.0	2.2
Interest received		0.2	–
Net cash used in investing activities		(21.7)	(19.1)
Cash flows from financing activities			
Proceeds from borrowings		2.5	73.5
Repayments of borrowings		(6.5)	(86.0)
Capital element of finance leases		(0.7)	(0.8)
Net proceeds from issue of ordinary shares		0.5	0.1
Dividends paid to company shareholders		(2.2)	(1.9)
Net cash used in financing activities		(6.4)	(15.1)
Net increase/(decrease) in cash and cash equivalents		6.2	(1.6)
Cash and cash equivalents at beginning of period		(1.4)	0.2
Cash and cash equivalents at end of period	34	4.8	(1.4)

The notes on pages 57 to 90 are an integral part of these financial statements.

Cash and cash equivalents at the end of the period include cash of £5.7 million and an overdraft of £0.9 million (2010: £2.2 million and £3.6 million respectively).

Company Statement of Cash Flows

	Note	Year ended 31 December 2011 £m	Year ended 31 December 2010 £m
Cash flows from operating activities			
(Loss)/profit for the year		(6.0)	4.3
Adjustments for:			
Income tax		(0.7)	(1.6)
Finance income and expense		5.4	5.1
Dividend income		–	(9.7)
Decrease in trade and other receivables		2.0	0.7
(Decrease)/increase in trade and other payables		(2.7)	0.5
Decrease/(increase) in amounts due from subsidiary companies		0.1	(0.2)
Investment write down		–	0.1
Profit on disposal of investments		–	(0.1)
Additional contribution to defined benefit pension schemes		(1.2)	(1.3)
Share-based payments		0.6	0.6
Retirement benefit obligations		(2.1)	(2.0)
Cash used in operations		(4.6)	(3.6)
Interest paid		(3.7)	(3.2)
Taxation received		5.1	1.8
Net cash flows used in operating activities		(3.2)	(5.0)
Cash flows from investing activities			
Dividends received		–	8.8
Interest received		2.0	1.7
Loans advanced to subsidiary companies		(3.3)	(13.7)
Net cash used in investing activities		(1.3)	(3.2)
Cash flows from financing activities			
Loans received from subsidiary companies		15.9	18.3
Proceeds from borrowings		2.5	73.5
Repayments of borrowings		(6.5)	(86.0)
Net proceeds from issue of ordinary shares		0.5	0.1
Dividends paid to company shareholders		(2.2)	(1.9)
Net cash generated from financing activities		10.2	4.0
Net increase/(decrease) in cash and cash equivalents		5.7	(4.2)
Cash and cash equivalents at beginning of period		(4.9)	(0.7)
Cash and cash equivalents at end of period	34	0.8	(4.9)

The notes on pages 57 to 90 are an integral part of these financial statements.

Cash and cash equivalents at the end of the period include cash of £3.8 million and an overdraft of £3.0 million (2010: £nil and £4.9 million respectively).

Statements of Changes in Shareholders' Equity

Consolidated statement of changes in shareholders' equity

	Share Capital £m	Share Premium £m	Other Reserves £m	Retained Earnings £m	Total Equity £m
Balance at 1st January 2010	24.9	13.7	2.4	29.8	70.8
Total comprehensive income for the year	–	–	(1.1)	1.9	0.8
Reserve transfer	–	–	(0.2)	0.2	–
Share options (value of employee services)	–	–	–	0.7	0.7
Issue of share capital	0.1	–	–	–	0.1
Dividend paid	–	–	–	(1.9)	(1.9)
Balance at 31st December 2010	25.0	13.7	1.1	30.7	70.5
Balance at 1st January 2011	25.0	13.7	1.1	30.7	70.5
Total comprehensive income for the year	–	–	–	4.1	4.1
Share options (value of employee services)	–	–	–	0.8	0.8
Issue of share capital	0.4	0.1	–	–	0.5
Dividend paid	–	–	–	(2.2)	(2.2)
Balance at 31st December 2011	25.4	13.8	1.1	33.4	73.7

At the balance sheet date, other reserves include £1.6 million of merger reserve, £0.6 million of capital redemption reserve and £1.1 million debit balance of hedge reserve. The comparative figures for 2010 are £1.6 million, £0.6 million, and £1.1 million (debit balance) respectively.

Company statement of changes in shareholders' equity

	Share Capital £m	Share Premium £m	Other Reserves £m	Retained Earnings £m	Total Equity £m
Balance at 1st January 2010	24.9	13.7	15.6	31.3	85.5
Total comprehensive income for the year	–	–	(1.1)	3.1	2.0
Reserve transfer	–	–	(0.2)	0.2	–
Share options (value of employee services)	–	–	–	0.7	0.7
Issue of share capital	0.1	–	–	–	0.1
Dividends paid	–	–	–	(1.9)	(1.9)
Balance at 31st December 2010	25.0	13.7	14.3	33.4	86.4
Balance at 1st January 2011	25.0	13.7	14.3	33.4	86.4
Total comprehensive income for the year	–	–	–	(12.4)	(12.4)
Share options (value of employee services)	–	–	–	0.8	0.8
Issue of share capital	0.4	0.1	–	–	0.5
Dividends paid	–	–	–	(2.2)	(2.2)
Balance at 31st December 2011	25.4	13.8	14.3	19.6	73.1

At the balance sheet date, other reserves include £11.3 million of capital reserve, £3.5 million of merger reserve, £0.6 million of capital redemption reserve and £1.1 million debit balance of hedge reserve. The comparative figures for 2010 are £11.3 million, £3.5 million, £0.6 million and £1.1 million debit balance respectively.

All of the retained earnings reserve are distributable as at 31st December 2011 (2010: all distributable).

The notes on pages 57 to 90 are an integral part of these financial statements.

Statement of Significant Accounting Policies

Johnson Service Group PLC ('the Company') and its subsidiaries (together 'the Group") provides a unique range of managed services, operating in two principal areas: textile related services and facilities management.

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

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

The Group consolidated financial statements were authorised for issue by the Board on 6th March 2012.

Basis of preparation

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

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

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

Changes in accounting policy and disclosures

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

There are no new IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 January 2011 that would be expected to have a material impact on the Group.

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

The following standards have been published and are mandatory for accounting periods beginning on or after 1st January 2013 but have not been early adopted by the Group or Company:

IFRS 9, 'Financial Instruments'.
This standard is the first step in the process to replace IAS 39, 'Financial Instruments: recognition and measurement'. IFRS9 introduces new requirements for classifying and measuring financial assets. The standard is not applicable until 1st January 2015 but is available for early adoption. This standard has yet to be endorsed by the EU. It is not expected to have a material impact on the Company or Group financial statements.

IFRS 10, 'Consolidated Financial Statements'.
The objective of IFRS 10 is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities to present consolidated financial statements. This standard is not expected to have a material impact on the Group.

IFRS 11, 'Joint Arrangements'.
IFRS 11 is a more realistic reflection of joint arrangements by focusing on the rights and obligations of the arrangement rather than the legal form. As the Group has neither joint operations or joint ventures this standard is not expected to have an impact on the Group.

IFRS12, 'Disclosures of interests in other entities'.
IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. This standard is not expected to have a material impact on the Company or Group.

IFRS 13, 'Fair Value Measurement'.
IFRS 13 aims to provide consistency and reduce the complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. This standard is not expected to have a material impact on the Company or Group.

Amendments to IAS 19, 'Employee Benefits'.
This amendment changes the calculation of finance costs relating to employee benefits. This standard change is likely to have a material impact on the results of the Company and Group when it becomes effective on 1st January 2013. Had this amendment been effective for 2011 the impact would have resulted in the net pension finance credit of £0.7million being a charge of £1.0 million. The actuarial loss would have reduced by £1.7 million and there would have been no change in the Balance Sheet.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to a material impact on the Group or Company.

Statement of Significant Accounting Policies continued

Critical accounting estimates and assumptions

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

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

(a) Estimated impairment of goodwill
The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated on page 52. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

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

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

(d) Retirement benefit obligations
The Group operates a number of post retirement defined benefit arrangements (note 25). Asset valuations are based on the fair value of the assets. The valuations of the liabilities of the schemes are based on statistical and actuarial calculations, using various assumptions including discount rates, future salary and pension increases, life expectancy of scheme members and cash commutations. The actuarial assumptions may differ materially from actual experience due to changes in economic and market conditions, variations in actual mortality, higher or lower cash withdrawal rates and other changes in factors assessed. Any of these differences could impact the assets or liabilities recognised in the balance sheet in future periods.

(e) Onerous leases, dilapidations and environmental costs
The Group makes provision for the anticipated net costs of onerous leases, dilapidations and environmental clean up costs. The timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites.

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' and clients' acceptance of its products and services; the actions of competitors; and legislative, fiscal and regulatory developments.

Consolidation

The financial statements consolidate the results of Johnson Service Group PLC (the Company) and its subsidiary undertakings. Entities over which the Group has the ability to exercise control are accounted for as subsidiaries. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which the control is transferred to the Group.

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable tangible and intangible net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement. Costs directly attributable to the cost of the acquisition are, with effect from 1st January 2010, expensed to the Income Statement.

Interests sold are consolidated up to the date of disposal, or when control ceases.

Segment reporting

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

Revenue recognition

Revenue represents the fair value of consideration received or receivable for the sale of goods and services supplied in the ordinary course of the Group's activities, and is stated exclusive of VAT, similar taxes, discounts, rebates and after eliminating sales within the Group. The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below:

Textile Rental Services and Facilities Management income is recognised on an accruals basis representing contractual arrangements. Drycleaning income is recognised at the time that goods are processed. Facilities Management revenue comprises fees receivable and costs recharged to customers, where the relationship with the supplier of services is that of principal. These costs, on which no margin is earned, have been shown separately on the Income Statement to aid interpretation of the business. Within certain Facilities Management contract amounts are invoiced to the customer in relation to Lifecycle funds which are held to fund certain contractual obligations. The revenue in relation to this work is recognised when the work is completed, not when invoiced to the customer or cash received.

Interest receivable on bank deposits and other items is included within finance income.

Facilities management pre-contract costs

Pre-contract costs are expensed as incurred up to the point that preferred bidder status is awarded from which time further directly attributable pre-contract costs are recognised as an asset and amortised over the life of the contract.

Lifecycle funds

Lifecycle funds are cash balances held to fund certain contractual obligations within the Facilities Management division. This cash is not available for general use by the Group and can only be used to fund the specific costs to which it relates.

Exceptional items

Items that are material in size and non-operating or non-recurring in nature are presented as exceptional items in the Income Statement, within the relevant account heading. The Directors are of the opinion that the separate recording of exceptional items provides helpful information about the Group's underlying business performance. Events which may give rise to the classification of items as exceptional include, but are not restricted to, restructuring of businesses, gains or losses on the disposal of Textile Rental or industrial properties, the amortisation of intangibles (excluding software) and one off gains or losses relating to pension liabilities. From 1st January 2010, expenses incurred on acquiring businesses, where material, will also be treated as exceptional.

Employee benefits

(i) Retirement benefits

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

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

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

Current and past service costs are recognised in operating costs in the Income Statement. Interest cost on plan liabilities and the expected return 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 operating costs in the Income Statement. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the Statement of Comprehensive Income in the period in which they arise.

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

(ii) Other post-employment obligations

Some Group companies provide unfunded post-retirement healthcare benefits to some retirees. The entitlement to these benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment using the same accounting methodology as used for defined benefit pension plans. The liability is recognised on the Balance Sheet within 'Retirement benefit obligations'. Actuarial gains and

Statement of Significant Accounting Policies continued

losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the Statement of Comprehensive Income in the period in which they arise.

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

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

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

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

(v) Termination benefits
Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these 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.

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

Investments
Investments in Group Undertakings are recorded at cost, which is the fair value of the consideration paid. Investments are tested annually for impairment and carried at cost less accumulated impairment losses. Where an impairment is identified, it is charged to the Income Statement within intangibles amortisation and impairment (excluding software). Investments that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

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

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

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

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

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

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

Other intangible assets
Other intangible assets comprise brands and customer contracts and relationships, recognised at cost or fair value. They have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of the intangible assets over their estimated useful lives (4-22 years).

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

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

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

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

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

Property, plant and equipment bought through acquisition of other businesses are accounted for as if they had been owned by the Group since new.

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

Textile rental items
Textile rental items which principally comprise workwear garments, cabinet towels, linen and dust mats, are initially treated as stock. On issue to customers or into pool stock, rental items are transferred to fixed assets. Depreciation is calculated on a straight line basis over the estimated lives of the items in circulation, which range from two to five years. Issued rental items bought through acquisition of other businesses are accounted for as if they had been owned by the Group since new.

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

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

Where assets are financed by leasing or hire purchase arrangements which give rights approximating to ownership, the assets are treated as if they had been purchased outright and are capitalised at their fair value at the date of inception of the lease. The capital element of outstanding lease or hire purchase commitments is treated as a liability and disclosed as obligations under finance agreements. Interest is allocated to the Income Statement over the period of the lease or hire purchase agreement and represents a constant proportion of the outstanding commitment.

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

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

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

Statement of Significant Accounting Policies continued

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

Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand. This includes cash balances in relation to Lifecycle funds.

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

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

Trade payables

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

Borrowings

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

Net debt

Net debt is defined as borrowings, less cash and cash equivalents but excluding balances relating to Lifecycle funds. Lifecycle funds are excluded as these balances can only be used for certain contracted expenditure and cannot be used to repay bank borrowings.

Provisions

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

Property

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

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

Self insurance

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

Taxation

Current tax

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

Deferred tax

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

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

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

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

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

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

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

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

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

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

Investment in own shares
Ordinary shares in the Company held by the Trustee of the Employee Share Option Plan (ESOP) are recorded in the Balance Sheet as a reduction in Shareholders' funds.

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

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.

Statement of Significant Accounting Policies continued

Financial risk management

1 Financial risk factors

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

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

(a) Market risk

(i) Currency risk

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

Further details are provided in the Principal Risks and Uncertainties section on pages 18 to 19. Note 26 provides numerical disclosures regarding currency risk.

(ii) Cash flow and fair value interest rate risk

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

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

Further details are provided in the Principal Risks and Uncertainties section on pages 18 to 19. Note 26 provides numerical disclosures regarding cash flow and fair value interest rate risk.

(b) Credit risk

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

For banks and financial institutions, only independently rated parties with a minimum rating of 'A-1' are accepted. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored. Sales to retail customers are generally settled in cash or using major credit cards.

Note 19 provides both numerical and narrative disclosures regarding credit risk.

(c) Liquidity risk

Prudent liquidity risk management implies 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 Groups liquidity reserve (comprising an undrawn borrowing facility (note 22) and cash and cash equivalents (note 26)) on the basis of expected cash flow.

2 Capital risk management

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

Further details are provided in note 26.

Notes to the Financial Statements

1 Company income statement

As permitted by Section 408(3) of the Companies Act 2006, the Income Statement of the Parent Company is not presented with these financial statements. The retained profit of the Parent Company is shown in note 32.

2 Segment analysis

Segment information is presented in respect of the Group's business segments, which are based on the Group's management and internal reporting structure as at 31st December 2011.

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

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

Other information provided to the Board is measured in a manner consistent with that in the financial statements. Segment assets exclude deferred tax assets, current tax assets and cash, all of which are managed on a central basis. Segment liabilities include non-bank borrowings but exclude deferred tax liabilities, current tax liabilities, bank borrowings, derivative financial liabilities and retirement benefit obligations that cannot be attributed directly to a segment, all of which are managed on a central basis. These balances are part of the reconciliation to total balance sheet assets and liabilities.

Inter-segment pricing is determined on an arms length basis. The exceptional items have been included within the appropriate business segment as shown on pages 58 to 59.

The Group comprises the following segments:

Textile Rental Workwear rental supply and laundering, linen rental for the premium hotel, catering and corporate hospitality markets and sale of ancillary items.	■ Johnsons Apparelmaster Limited ■ Stalbridge Linen Services
Facilities Management Delivering building, facilities and property management services to public, commercial and retail organisations throughout the UK.	■ SGP Property & Facilities Management Limited ■ Barnhill School Services Limited ■ Balfron Schools Services Limited ■ Cardinal Heenan School Services Limited ■ Colfox School Services Limited ■ Dundee Healthcare Services Limited ■ East Ren Schools Services Limited
Drycleaning With over 460 stores nationwide, provides drycleaning, laundry and ironing services, carpet cleaning, upholstery cleaning, wedding dress cleaning and suede & leather cleaning and the supply of drycleaning consumables and equipment.	■ Johnson Cleaners UK Limited ■ Jeeves of Belgravia Limited ■ Jeeves International Limited ■ Alex Reid Limited
All Other Segments Comprising of central and head office costs.	■ Johnson Service Group PLC ■ Johnson Group Properties PLC ■ Semara Estates Limited

Notes to the Financial Statements continued

2 Segment analysis continued

Year ended 31st December 2011	Textile Rental £m	Facilities Management £m	Drycleaning £m	All Other Segments £m	Total £m
Revenue					
Revenue	118.2	47.4	77.3	–	242.9
Inter-segment revenue	–	(0.6)	–	–	(0.6)
Revenue – continuing	118.2	46.8	77.3	–	242.3
Revenue – discontinued (note 33)					–
Total revenue					242.3
Revenue excluding costs Recharged to customers					
Revenue	118.2	38.6	77.3	–	234.1
Inter-segment revenue	–	(0.6)	–	–	(0.6)
Revenue excluding costs Recharged to customers – continuing	118.2	38.0	77.3	–	233.5
Revenue – discontinued (note 33)					–
Total revenue excluding costs recharged to customers					233.5
Result					
Operating profit before intangibles amortisation and impairment (excluding software amortisation) and exceptional items	15.9	4.1	2.0	(3.5)	18.5
Amortisation and impairment of intangible assets	(0.5)	(2.1)	–	–	(2.6)
Exceptional items:					
– Pension credits	–	–	–	1.6	1.6
Operating profit/(loss)	15.4	2.0	2.0	(1.9)	17.5
Ordinary finance cost (including notional interest)					(3.5)
Exceptional finance cost					(0.3)
Profit before taxation					13.7
Taxation					(3.4)
Profit for the period – continuing					10.3
Discontinued operations (note 33)					–
Profit for the period					10.3

	Discontinued Operations £m	Textile Rental £m	Facilities Management £m	Drycleaning £m	All Other Segments £m	Total £m
Other information						
Fixed asset additions						
– Property, plant and equipment	–	2.5	0.6	2.6	–	5.7
– Textile rental items	–	18.9	–	–	–	18.9
– Intangible software	–	–	0.2	–	–	0.2
Depreciation and amortisation expense						
– Property, plant and equipment	–	4.0	0.4	2.5	0.2	7.1
– Textile rental items	–	13.4	–	–	–	13.4
– Intangible software	–	–	0.2	0.1	–	0.3
Return on Capital Employed		40.6%	266.9%	14.4%		
Balance sheet information						
Segment assets	0.1	105.5	49.2	38.3	12.0	205.1
Unallocated assets: Deferred income tax assets						6.8
Cash and cash equivalents						5.7
Total assets						217.6
Segment liabilities	(2.2)	(26.5)	(11.0)	(16.3)	(5.7)	(61.7)
Unallocated liabilities: Deferred income tax liabilities						(1.4)
Bank borrowings						(52.9)
Income tax liabilities						(5.7)
Derivative financial liabilities						(1.4)
Retirement benefit obligations						(20.8)
Total liabilities						(143.9)

2 Segment analysis continued

Year ended 31st December 2010	Textile Rental £m	Facilities Management £m	Drycleaning £m	All Other Segments £m	Total £m
Revenue					
Revenue	115.1	41.9	78.7	–	235.7
Inter-segment revenue	–	(0.6)	–	–	(0.6)
Revenue – continuing	115.1	41.3	78.7	–	235.1
Revenue – discontinued (note 33)					–
Total revenue					235.1
Revenue excluding costs Recharged to customers					
Revenue	115.1	34.2	78.7	–	228.0
Inter-segment revenue	–	(0.6)	–	–	(0.6)
Revenue excluding costs Recharged to customers – continuing	115.1	33.6	78.7	–	227.4
Revenue – discontinued (note 33)					–
Total revenue excluding costs recharged to customers					227.4
Result					
Operating profit before intangibles amortisation and impairment (excluding software amortisation) and exceptional items	16.6	3.6	2.0	(3.9)	18.3
Amortisation and impairment of intangible assets	(0.8)	(2.0)	–	–	(2.8)
Exceptional items					
– Pension credits	–	0.6	–	1.6	2.2
– Reorganisation costs	–	(0.3)	(6.5)	–	(6.8)
– Loss on disposal of property and property provisions	–	–	–	(1.5)	(1.5)
– Business acquisition activity	(0.1)	(1.3)	–	–	(1.4)
Operating profit/(loss)	15.7	0.6	(4.5)	(3.8)	8.0
Ordinary finance cost (including notional interest)					(3.8)
Profit before taxation					4.2
Taxation					(1.0)
Profit for the period – continuing					3.2
Discontinued operations (note 33)					–
Profit for the period					3.2

	Discontinued Operations £m	Textile Rental £m	Facilities Management £m	Drycleaning £m	All Other Segments £m	Total £m
Other information						
Fixed asset additions						
– Property, plant and equipment	–	4.5	0.4	3.8	–	8.7
– Textile rental items	–	15.6	–	–	–	15.6
– Intangible software	–	–	0.2	0.1	–	0.3
Depreciation and amortisation expense						
– Property, plant and equipment	–	4.2	0.3	3.0	0.2	7.7
– Textile rental items	–	13.3	–	–	–	13.3
– Intangible software	–	–	0.2	0.1	–	0.3
Return on Capital Employed		46.0%	144.1%	16.6%		
Balance sheet information						
Segment assets	0.1	102.3	49.7	38.2	11.6	201.9
Unallocated assets: Deferred income tax assets						6.5
Cash and cash equivalents						2.2
Total assets						210.6
Segment liabilities	(0.5)	(25.5)	(10.1)	(18.5)	(6.9)	(61.5)
Unallocated liabilities: Deferred income tax liabilities						(1.3)
Bank borrowings						(58.5)
Income tax liabilities						(0.6)
Derivative financial liabilities						(1.5)
Retirement benefit obligations						(16.7)
Total liabilities						(140.1)

Notes to the Financial Statements continued

3 Expenses by function

	Continuing 2011 £m	Discontinued 2011 £m	Total 2011 £m	Continuing 2010 £m	Discontinued 2010 £m	Total 2010 £m
Revenue (excluding costs recharged to customers)	233.5	–	233.5	227.4	–	227.4
Cost of sales	(161.5)	–	(161.5)	(156.5)	–	(156.5)
Administrative costs	(31.8)	–	(31.8)	(31.4)	(0.1)	(31.5)
Distribution costs	(21.7)	–	(21.7)	(21.2)	–	(21.2)
Operating profit before intangibles amortisation and impairment (excluding software amortisation) and exceptional items	18.5	–	18.5	18.3	(0.1)	18.2
Amortisation and impairment of intangible assets (excluding software amortisation)	(2.6)	–	(2.6)	(2.8)	–	(2.8)
Exceptional items	1.6	(2.0)	(0.4)	(7.5)	–	(7.5)
Operating profit/(loss)	17.5	(2.0)	15.5	8.0	(0.1)	7.9

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

	Continuing 2011 £m	Discontinued 2011 £m	Total 2011 £m	Continuing 2010 £m	Discontinued 2010 £m	Total 2010 £m
Employee benefit expense (Note 5)	101.1	–	101.1	100.3	–	100.3
Costs recharged to customers	8.8	–	8.8	7.7	–	7.7
Auditors' remuneration (Note 4)	0.5	–	0.5	0.8	–	0.8
Amortisation of intangible assets:						
Software	0.3	–	0.3	0.3	–	0.3
Other intangible assets	2.6	–	2.6	2.8	–	2.8
Depreciation of tangible fixed assets:						
Property, plant and equipment held under finance agreements	0.6	–	0.6	0.6	–	0.6
Owned property, plant and equipment	6.5	–	6.5	7.1	–	7.1
Textile rental items	13.4	–	13.4	13.3	–	13.3
Operating lease payments:						
Land and buildings	16.5	–	16.5	16.5	–	16.5
Sublet rental income	(2.2)	–	(2.2)	(2.4)	–	(2.4)
Plant and equipment	3.0	–	3.0	2.7	–	2.7

4 Auditors' remuneration

	2011 £m	2010 £m
Auditors' remuneration		
Fees payable to the Company's auditor for the audit of the Parent Company and consolidated financial statements	0.1	0.1
Fees payable to the Company's auditor for other services:		
– Audit of the Company's subsidiaries pursuant to legislation	0.2	0.3
– Services relating to taxation	0.2	0.2
– Services relating to corporate finance transactions	–	0.1
– All other services	–	0.1
	0.5	0.8

Included within the above is an amount of £22,000 (2010: £16,000) in respect of fees payable to the Company's auditor for services relating to the audit of the Company's pension schemes.

5 Employee benefit expense

	2011 £m	2010 £m
Staff costs during the year were as follows:		
Wages and salaries	90.8	89.3
Social security costs	7.2	7.2
Redundancy costs	0.1	0.6
Cost of employee share schemes (Note 29)	0.8	0.9
Private healthcare costs	0.3	0.4
Pension costs – defined benefit plans (Note 25)	0.5	0.5
Pension costs – defined contribution plans (Note 25)	1.4	1.4
Total	101.1	100.3

All employee benefit expenses above relate to continuing operations

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

	2011	2010
Textile Rental	2,468	2,413
Drycleaning	2,449	2,536
Facilities Management	654	610
All other segments	20	18
Total	5,591	5,577

6 Directors' emoluments

Detailed disclosures that form part of these financial statements are given in the section 'Information subject to audit' in the Board Report on Remuneration on pages 36 to 40.

7 Exceptional items

		2011 £m	2010 £m
Restructuring costs	– Drycleaning	–	(6.5)
	– Facilities Management	–	(0.3)
Property disposals and provisions		–	(1.5)
		–	(8.3)
Costs in relation to acquisition activity		–	(1.4)
Pension credits and costs		1.6	2.2
Total exceptional items		1.6	(7.5)

In addition, exceptional finance costs of £0.3 million (2010: £nil) were incurred during the year.

Exceptional items in relation to discontinued operations have been included within the result from discontinued operations (note 33).

Pension credits and costs
The statutory change for the indexation of certain future pension benefits has been implemented. This resulted in a credit to the Income Statement of £2.2 million in 2010 with a further credit of £2.2 million in 2011. The impact of the change from RPI to CPI has been recognised in the Income Statement in 2010 and 2011 as a past service credit.

The Company has decided to offer enhanced terms to certain categories of deferred members who choose to transfer their benefits out of the Johnson Group Staff Pension Scheme by increasing the transfer value that would normally be payable by the Scheme Trustee. The 2011 exercise was rolled out to deferred members aged under 50. 532 members were offered the enhancement, 110 accepted, equating to some 35% take up by liability for this group of members.

This has resulted in an exceptional cost of £0.6 million (including fees and employer's national insurance) and has been included as a settlement loss.

Exceptional finance costs
In addition to the exceptional items above, the Group treats certain finance costs as exceptional. Exceptional finance costs are included within Finance Costs in the Income Statement. During the year there were £0.3 million of exceptional finance costs (2010: £nil) and are in respect of the write-off of bank fees relating to the previous bank facility following the signing of a renewed bank facility on 22nd December 2011.

Notes to the Financial Statements continued

7 Exceptional items continued

Prior year exceptional items

Restructuring costs – Drycleaning

The management of the Drycleaning division, in working to optimise the performance of stores in our more marginal locations, conducted a review which identified a number of loss making stores which continued to decline at a faster rate and where, in management's view, overall efficiency and focus would be improved by their closure. It was, therefore, decided to strengthen the overall portfolio by the closure of 20 such stores over and above those at lease expiry which also allows a reduction in overhead. The review also identified a further 8 stores which it was uneconomic to close but which are unlikely to be restored to profitability and in respect of which a provision was recognised for both the least net cost of exiting these stores and asset impairments. The costs also included the restructuring of the warehousing and logistical operations supporting the division. Of the total restructuring cost, £0.5 million was non-cash. The majority of the cash outflow was in respect of existing property lease commitments which will remain until the locations are disposed of.

Restructuring costs – Facilities Management

Following from the acquisition of contracts from Jarvis PLC (in administration) the Division reorganised its management and support structures such that they were better aligned to the business needs going forward. Although these costs were directly as a result of the acquisition of PFI contracts from Jarvis PLC (in administration), they have not been classified as 'costs in relation to business acquisition activity' as they more closely fit the definition of 'restructuring costs'. All costs were incurred during the second half of 2010.

Property disposals and provisions

During the second half of 2010 a surplus freehold property was disposed of for net proceeds, after associated costs, of £1.1 million, resulting in a loss on disposal of £0.1 million. In addition the Group recognised further provisions of £1.4 million in respect of onerous lease commitments on surplus property.

Costs in relation to business acquisition activity

Under IFRS 3 (revised), 'Business combinations', all acquisition-related costs (e.g. professional fees) are required to be expensed to the Income Statement. With effect from 1st January 2010, fees and expenses incurred on business acquisition activities are treated as exceptional. The cost above relates partly to £1.3 million (as at 31st December 2010) and £0.4m (as at 30th June 2010) of fees and expenses incurred on the acquisition of the PFI contracts from Jarvis PLC (in administration). The remainder of the cost relates to fees and expenses incurred during negotiations with other undisclosed targets.

8 Finance cost and income

	2011 £m	2010 £m
Finance cost:		
– Interest payable on bank loans and overdrafts	(3.4)	(3.6)
– Amortisation of bank loan issue costs	(0.8)	(0.8)
– Interest payable on obligations under finance leases	(0.1)	(0.1)
– Other finance costs	(0.1)	(0.1)
Finance cost	(4.4)	(4.6)
Finance income	0.2	–
Net Finance cost before notional interest on defined benefit liabilities and assets	(4.2)	(4.6)
Notional interest on defined benefit obligations:		
– Interest cost on pension scheme liabilities	(10.0)	(10.2)
– Expected return on pension scheme assets	10.8	11.1
– Private healthcare	(0.1)	(0.1)
	0.7	0.8
Ordinary finance cost	(3.5)	(3.8)
Exceptional finance costs relating to bank fees	(0.3)	–
Net finance cost	(3.8)	(3.8)

On 22nd December 2011 an amended and restated bank facility was signed. As a result the unamortised fees relating to the old facility were written off and classed as an exceptional finance cost during the year.

Prospective amendments to the calculation of notional interest

Under the requirements of IAS19, 'Employee Benefits', notional interest is quantified in order to reflect the value of assets and liabilities of defined benefit pension schemes. The net of the expected return on assets and the interest cost on liabilities is calculated at the beginning of each financial year utilising the assumptions used in calculating the Balance Sheet surplus or deficit for the defined benefit schemes.

Amendments to IAS19, effective from 1st January 2013, require that the rate of return on assets is assumed to be equal to the interest cost applied to liabilities and, therefore, for any defined benefit scheme which has a deficit the resultant notional interest will always be a charge.

The revised standard remains subject to adoption by the European Union (EU), however, had the EU adopted the revised standard and had the Group early adopted this amendment, the resultant notional interest charge for 2012 would be £1.0 million, compared to the anticipated charge of nil using the existing methodology.

Note that notional interest is a non-cash item and does not impact on scheme funding.

9 Adjusted profit before and after taxation

	2011 £m	2010 £m
Profit before taxation	13.7	4.2
Intangibles amortisation and impairment (excluding software amortisation)	2.6	2.8
Restructuring and other costs	–	6.8
Loss on disposal of property and property provisions	–	1.5
Costs in relation to business acquisition activity	–	1.4
Pension credits	(1.6)	(2.2)
Exceptional finance costs in respect of bank fees	0.3	–
Adjusted profit before taxation	15.0	14.5
Taxation on adjusted profit	(3.7)	(3.9)
Adjusted profit after taxation attributable to continuing operations	11.3	10.6

10 Taxation

	2011 £m	2010 £m
Current tax		
UK corporation tax charge for the year	2.7	0.3
Adjustment in relation to previous years	(0.6)	–
Current tax charge for the year	2.1	0.3
Deferred tax		
Origination and reversal of temporary differences	1.4	1.1
Adjustment in relation to previous years	(0.1)	(0.4)
Deferred tax charge for the year	1.3	0.7
Total charge for taxation included in the Income Statement for continuing operations	3.4	1.0

The tax charge for the period is lower (2010: lower) than the standard rate of Corporation Tax in the UK of 26.5% (2010: 28.0%). The differences are explained below:

	2011 £m	2010 £m
Profit before taxation per the Income Statement	13.7	4.2
Profit before taxation multiplied by the standard rate of Corporation Tax in the UK of 26.5% (2010: 28.0%)	3.6	1.2
Factors affecting taxation charge for the year:		
Tax effect of expenses not deductible for tax purposes	0.6	0.5
Tax effect of non-taxable income	(0.1)	(0.3)
Adjustments to tax in respect of prior periods	(0.7)	(0.4)
Total charge for taxation included in the Income Statement	3.4	1.0

Taxation on the restructuring and other costs, including exceptional finance costs in the current year, has increased the charge for taxation by £0.3 million (2010: £2.1 million reduction). Tax relief on intangibles amortisation and impairment (excluding software amortisation) has reduced the charge for taxation by £0.6 million (2010: £0.8 million).

During the year a tax repayment relating to 2008 of £5.8 million was received. Of this amount £5.0 million related to the de-grouping charge previously paid by the Group on the disposal of the Corporatewear business. The calculation of this refund has not yet been agreed with HMRC. Of this amount £1.5 million has been included as a tax credit within discontinued operations; the remaining £3.5 million has been retained as an income tax liability pending outcome of discussions with HMRC.

The income tax expense for the year is based on the effective United Kingdom statutory rate of Corporation Tax for the period of 26.5% (2010: 28%). The rate of Corporation Tax in the UK reduced from 28% to 26% on 1st April 2011 and will reduce to 25% on 1st April 2012. The impact of the change in tax rate to 25% has been reflected in the measurement of deferred tax balances. The effect of these changes on the Income Statement charge in the year has not been material, but has resulted in a charge to reserves of £0.3 million.

Further reductions to the main rate are proposed to reduce the rate by 1% per year to 23% by 1 April 2014. These reductions are expected to be introduced in the future Finance Bills for each annual reduction. The effect of these changes to be enacted in future Finance Bills are currently being evaluated by the Group, however, the impact on the deferred tax balances due to the decreased Corporation Tax rates is not expected to be material.

Notes to the Financial Statements continued

11 Earnings per share

	2011 £m	2010 £m
Profit for the financial year from continuing operations attributable to Ordinary Shareholders	10.3	3.2
Loss for the financial year from discontinued operations attributable to Ordinary Shareholders	–	–
Intangibles amortisation and impairment from continuing operations (net of taxation)	2.0	2.0
Intangibles amortisation and impairment from discontinued operations (net of taxation)	–	–
Exceptional (credits)/costs from continuing operations (net of taxation)	(1.2)	5.4
Exceptional costs from discontinued operations (net of taxation)	–	–
Exceptional finance costs in respect of bank fees from continuing operations (net of taxation)	0.2	–
Adjusted profit attributable to Ordinary Shareholders	11.3	10.6

	2011	2010
Weighted average number of Ordinary shares	249,834,780	248,170,808
Dilutive potential Ordinary shares*	20,998,433	13,513,610
Fully diluted number of Ordinary shares	270,833,213	261,684,418
Basic earnings per share		
From continuing operations	4.1p	1.3p
From discontinued operations	–	–
From continuing and discontinued operations	4.1p	1.3p
Adjustment for intangibles amortisation and impairment (continuing operations)	0.8p	0.8p
Adjustment for intangibles amortisation and impairment (discontinued operations)	–	–
Adjustment for exceptional items (continuing operations)	(0.5p)	2.2p
Adjustment for exceptional items (discontinued operations)	–	–
Adjustment for exceptional finance costs in respect of bank fees (continuing operations)	0.1p	–
Adjusted basic earnings per share (continuing operations)	4.5p	4.3p
Adjusted basic earnings per share (discontinued operations)	–	–
Adjusted basic earnings per share from continuing and discontinued operations	4.5p	4.3p
Diluted earnings per share		
From continuing operations	3.8p	1.2p
From discontinued operations	–	–
From continuing and discontinued operations	3.8p	1.2p
Adjustment for intangibles amortisation and impairment (continuing operations)	0.7p	0.8p
Adjustment for intangibles amortisation and impairment (discontinued operations)	–	–
Adjustment for exceptional items (continuing operations)	(0.4p)	2.1p
Adjustment for exceptional items (discontinued operations)	–	–
Adjustment for exceptional finance costs in respect of bank fees (continuing operations)	0.1p	–
Adjusted diluted earnings per share (continuing operations)	4.2p	4.1p
Adjusted diluted earnings per share (discontinued operations)	–	–
Adjusted diluted earnings per share from continuing and discontinued operations	4.2p	4.1p

* Includes outstanding share options granted to employees and warrants issued to the Company's banks.

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

Adjusted earnings per share figures are given to exclude the effects of intangibles amortisation and impairment (excluding software amortisation), exceptional items and exceptional finance costs, all net of taxation, and are considered to show the underlying results of the Group.

For diluted earnings per share, the weighted average number of Ordinary shares in issue is adjusted to assume conversion of all dilutive potential Ordinary shares. The Company has dilutive potential Ordinary shares arising from warrants issued to the Company's banks and share options granted to employees where the exercise price is less than the average market price of the Company's Ordinary shares during the year.

Potential Ordinary shares are dilutive at the profit from continuing operations level when their conversion to Ordinary shares would decrease earnings per share or increase loss per share from continuing operations. Potential Ordinary shares have been treated as dilutive, as their inclusion in the diluted earnings per share calculation decreases earnings per share from continuing operations.

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

12 Dividends

Dividends per share	2011	2010
Final dividend proposed	0.67p	–
Interim dividend paid	0.33p	0.27p
Final dividend paid	–	0.55p

Shareholders' funds utilised	2011 £m	2010 £m
Final dividend proposed	1.6	–
Interim dividend paid	0.8	0.7
Final dividend paid	–	1.4

The Directors propose the payment of a final dividend in respect of the year ended 31st December 2011 of 0.67 pence per share. This will utilise Shareholders' funds of £1.6 million and will be paid, subject to Shareholder approval, on 18th May 2012 to Shareholders on the register of members on 20th April 2012. The trustee of the ESOP has waived the entitlement to receive dividends on the Ordinary shares held by the trust. In accordance with IAS 10 there is no payable recognised at 31st December 2011 in respect of this proposed dividend.

13 Goodwill

	2011 £m	2010 £m
Cost		
Cost brought forward	95.7	95.7
Cost carried forward	95.7	95.7
Accumulated impairment losses		
Accumulated impairment losses brought forward	8.1	8.1
Accumulated impairment losses carried forward	8.1	8.1
Carrying amount		
Opening carrying amount	87.6	87.6
Closing carrying amount	87.6	87.6

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

Impairment tests for goodwill

The allocation of goodwill to Cash Generating Units (CGU) has been based upon business segments and is as follows:

	2011 £m	2010 £m
Textile Rental	43.3	43.3
Drycleaning	13.0	13.0
Facilities Management	31.3	31.3
	87.6	87.6

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management. Cash flows beyond the budgeted period are extrapolated using the estimated growth rate stated below. Anticipated cash flows beyond a period of 20 years have been ignored. The growth rate does not exceed the long-term average growth rate for the markets in which the CGU operates. Further, it is assumed that there are no material adverse changes in legislation.

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

Growth rate: 2.5%
Market risk premium: 6.0%

These assumptions have been used for the analysis of each CGU within a business segment.

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13 Goodwill continued

The pre-tax discount rate used within the recoverable amount calculations was 7.00% and reflects specific risks relating to the Group.

Having completed the 2011 annual impairment review, the Group has recognised no impairment, (2010: £nil). The level of impairment recognised is predominantly dependent upon judgements used in arriving at alternative use values, future growth rates and the discount rate applied to cash flow projections. Key drivers to future growth rates are dependant on the Group's ability to maintain and grow income streams whilst effectively managing operating costs. The level of impairment may change if different growth rate assumptions or a different pre-tax discount rate were used in the cash flow projections.

Sensitivity analysis has been performed in assessing the recoverable amounts of Goodwill. This has been based on changes that are considered reasonably possible by management. For the Drycleaning segment, for which Goodwill of £13.0 million has been allocated, an increase in the discount rate of 2 percentage points or a decrease in the growth rate to (0.4)% would eliminate the headroom. There are no other segments that are sensitive to reasonably possible changes in assumptions.

14 Intangible assets

GROUP	Capitalised Software £m	Other Intangible Assets £m	Total £m
Cost			
At 31st December 2009	2.3	22.5	24.8
Additions	0.3	4.1	4.4
At 31st December 2010	2.6	26.6	29.2
Additions	0.2	–	0.2
Disposals	(0.2)	–	(0.2)
At 31st December 2011	2.6	26.6	29.2
Accumulated amortisation			
At 31st December 2009	1.5	14.1	15.6
Charged during the year	0.3	2.8	3.1
At 31st December 2010	1.8	16.9	18.7
Charged during the year	0.3	2.6	2.9
Disposals	(0.2)	–	(0.2)
At 31st December 2011	1.9	19.5	21.4
Carrying amount			
At 31st December 2009	0.8	8.4	9.2
At 31st December 2010	0.8	9.7	10.5
At 31st December 2011	0.7	7.1	7.8

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

Other intangible assets comprise of brands and customer contracts and relationships, recognised at cost or fair value, and are acquired on business combinations. 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.

Other intangible assets have a finite useful life and are carried at cost less accumulated amortisation. Amortisation of other intangible assets is calculated using the straight-line method to allocate the cost of the assets over their estimated useful lives (4–22 years). The longest estimated useful life remaining at 31st December 2011 is 21 years (2010: 22 years).

14 Intangible assets continued

COMPANY	Capitalised Software £m
Cost	
At 31st December 2009	0.2
At 31st December 2010	0.2
Disposals	(0.2)
At 31st December 2011	–
Accumulated amortisation	
At 31st December 2009	0.2
At 31st December 2010	0.2
Disposals	(0.2)
At 31st December 2011	–
Carrying amount	
At 31st December 2009	–
At 31st December 2010	–
At 31st December 2011	–

Amortisation of capitalised software is included within administration costs in determining operating profit before intangibles amortisation and impairment (excluding software amortisation) and exceptional items.

15 Property, plant and equipment

	Properties				
GROUP	Freehold £m	Long Leasehold £m	Short Leasehold £m	Plant and Equipment £m	Total £m
Cost					
At 31st December 2009	12.1	5.1	2.3	99.8	119.3
Additions	–	–	–	8.7	8.7
Disposals	(1.2)	–	(0.1)	(11.7)	(13.0)
At 31st December 2010	10.9	5.1	2.2	96.8	115.0
Additions	–	–	0.2	5.5	5.7
Disposals	–	–	–	(3.8)	(3.8)
At 31st December 2011	10.9	5.1	2.4	98.5	116.9
Accumulated depreciation and impairment					
At 31st December 2009	4.1	1.5	1.8	67.0	74.4
Charged during the year	0.2	0.1	0.1	7.3	7.7
Eliminated on disposals	(0.1)	–	(0.1)	(11.3)	(11.5)
At 31st December 2010	4.2	1.6	1.8	63.0	70.6
Charged during the year	0.1	0.1	0.1	6.8	7.1
Eliminated on disposals	–	–	–	(3.6)	(3.6)
At 31st December 2011	4.3	1.7	1.9	66.2	74.1
Carrying Amount					
At 31st December 2009	8.0	3.6	0.5	32.8	44.9
At 31st December 2010	6.7	3.5	0.4	33.8	44.4
At 31st December 2011	6.6	3.4	0.5	32.3	42.8

The value of assets under construction at 31st December 2011 was £nil (2010: £0.1 million).

Notes to the Financial Statements continued

15 Property, plant and equipment continued

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

	2011 £m	2010 £m
Plant and Equipment	2.4	2.6

COMPANY	Plant and Equipment £m
Cost	
At 31st December 2009	0.4
At 31st December 2010	0.4
Disposals	(0.1)
At 31st December 2011	0.3
Accumulated depreciation and impairment	
At 31st December 2009	0.2
Charged during the year	0.1
At 31st December 2010	0.3
Disposals	(0.1)
At 31st December 2011	0.2
Carrying amount	
At 31st December 2009	0.2
At 31st December 2010	0.1
At 31st December 2011	0.1

The value of assets under construction at 31st December 2011 was £nil (2010: £nil).

16 Textile rental items

	2011 £m	2010 £m
Cost		
Cost brought forward	33.9	35.0
Additions	18.9	15.6
Disposals	(13.4)	(16.7)
Cost carried forward	39.4	33.9
Accumulated depreciation		
Accumulated depreciation brought forward	14.2	15.4
Charged during the year	13.4	13.3
Disposals	(11.4)	(14.5)
Accumulated depreciation carried forward	16.2	14.2
Carrying amount		
Opening carrying amount	19.7	19.6
Closing carrying amount	23.2	19.7

17 Investments

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Investment in subsidiary undertakings	–	–	501.2	501.0

The Group has a 6% interest in GreenEarth Cleaning LLC, a company incorporated in the United States of America. The investment is recorded at nil net book value.

	Company	
Investment in subsidiary undertakings	2011 £m	2010 £m
Cost		
Gross cost brought forward	537.0	538.1
Movement relating to share options	0.2	0.2
Disposal of subsidiaries	–	(1.3)
Gross cost carried forward	537.2	537.0
Accumulated impairment		
Accumulated impairment brought forward	36.0	37.2
Impairment	–	0.1
Disposal of subsidiaries	–	(1.3)
Accumulated impairment carried forward	36.0	36.0
Carrying amount		
Opening carrying amount	501.0	500.9
Closing carrying amount	501.2	501.0

Particulars of principal subsidiary undertakings are shown in Note 39.

During the prior year the Company struck off a number of dormant subsidiaries. In addition, the values of certain non trading subsidiaries were reduced following the payment of dividends to the Company.

Notes to the Financial Statements continued

18 Inventories

	2011 £m	2010 £m
New textile rental items	0.7	0.7
Goods for resale	0.5	0.4
Raw materials and stores	3.1	2.6
	4.3	3.7

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

	2011 £m	2010 £m
Opening inventories	3.7	3.4
Purchases	35.5	31.7
Amounts transferred to textile rental items	(18.9)	(15.6)
Amounts transferred to cost of sales	(15.9)	(15.6)
Amounts written off during the year	(0.1)	(0.1)
Provision utilised during the year	0.1	0.1
Provision charged during the year	(0.1)	(0.2)
	4.3	3.7

The Company does not have any inventories.

19 Trade and other receivables

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Amounts falling due within one year:				
Trade receivables	26.0	26.1	–	–
Less: provision for impairment of receivables	(1.8)	(1.8)	–	–
Trade receivables – net	24.2	24.3	–	–
Receivables from subsidiaries	–	–	0.1	0.3
Other receivables	5.5	3.2	2.6	2.2
Prepayments and accrued income	8.9	7.9	0.1	0.1
	38.6	35.4	2.8	2.6
Amounts falling due after more than one year:				
Other receivables	0.8	0.6	–	–
Receivables from subsidiaries	–	–	59.9	66.9
	39.4	36.0	62.7	69.5

Amounts owed by subsidiaries are unsecured, have no fixed date of repayment and are repayable on demand.

During the period, the Group recognised a bad debt provision expense relating to continuing operations of £0.5 million (2010: £0.6 million).

Disclosure items

IAS 32, 'Financial Instruments: Presentation', IAS 39, 'Financial Instruments: Recognition and Measurement' and IFRS 7, 'Financial Instruments: Disclosures' require further numerical disclosures in respect of financial assets, and these are set out below:

	2011			2010		
	Gross £m	Provision £m	Net £m	Gross £m	Provision £m	Net £m
Trade and other receivables						
– Not yet due and up to 3 months overdue	39.6	(1.0)	38.6	35.9	(1.0)	34.9
– 3 to 6 months past due	0.4	(0.1)	0.3	1.0	(0.1)	0.9
– 6 to 12 months past due	0.6	(0.1)	0.5	0.5	(0.3)	0.2
– Over 12 months past due	0.6	(0.6)	–	0.4	(0.4)	–
	41.2	(1.8)	39.4	37.8	(1.8)	36.0

19 Trade and other receivables continued

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

All Company receivables (including those from related parties) are not considered past due or impaired.

All trade and other receivable balances at the balance sheet date are denominated in Sterling (2010: Sterling), and held at fair value.

There is limited concentration of credit risk with respect to trade receivables due to the diverse and unrelated nature of the Group's customers and clients. 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:

	2011 £m	2010 £m
At 1st January	(1.8)	(2.1)
Provisions for receivables impairment	(0.5)	(0.4)
Receivables written off during the year as uncollectible	0.5	0.8
Acquired with subsidiary	–	(0.1)
At 31st December	(1.8)	(1.8)

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

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable detailed within this note. Neither the Group nor the Company hold any collateral as security.

20 Trade and other payables

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Trade payables	12.5	11.1	0.2	0.5
Other payables	4.2	2.7	–	–
Other taxation and social security liabilities	8.3	7.4	0.2	0.3
Accruals	21.6	22.8	2.3	2.2
	46.6	44.0	2.7	3.0

21 Other non-current liabilities

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Payables to subsidiaries	–	–	422.2	409.8
Accruals	2.1	2.2	–	–
	2.1	2.2	422.2	409.8

Amounts payable to subsidiaries are unsecured, have no fixed date of repayment and are repayable on demand.

Notes to the Financial Statements continued

22 Borrowings

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
CURRENT				
Overdraft	0.9	3.6	3.0	4.9
Bank loans	1.5	2.2	1.5	2.2
Obligations under finance lease agreements	0.3	0.6	–	–
	2.7	6.4	4.5	7.1
NON-CURRENT				
Bank loans	50.5	52.7	50.5	52.7
Obligations under finance lease agreements	0.9	0.8	–	–
	51.4	53.5	50.5	52.7
	54.1	59.9	55.0	59.8
The maturity of non-current bank loans is as follows:				
– Between one and two years	4.5	3.0	4.5	3.0
– Between two and five years	46.0	50.0	46.0	50.0
– Unamortised issue costs of bank loans	–	(0.3)	–	(0.3)
	50.5	52.7	50.5	52.7

At the 31st December 2011 the bank loan was drawn under the £78.5 million facility dated 18th December 2009. Following repayments during 2010 and 2011 the available facilities at 31st December 2011 were £72.0 million (2010: available facility of £76.0 million).

The first drawdown following the amendment and restatement of the bank facility took place on 10th January 2012. Under the facility, bank loans are secured and are drawn down under a committed facility comprising an amortising Term Loan of, initially, £53.5 million and a Revolving Credit Facility, including an overdraft facility, of £25.0 million of which £2.5 million matures in December 2013 with the remainder maturing in May 2015. Individual tranches are drawn down, in sterling, for periods of up to six months at LIBOR rates of interest prevailing at the time of drawdown, plus the applicable margin which ranges from 2.5% to 3.0%.

The Term Loan will reduce by £1.5 million on 31st December 2012, by £1.5 million on 30th June 2013 and by £3.0 million on the 31st December 2013 and 6 monthly thereafter. As at 6th March 2012, the bank facilities available to the Group were £78.5 million.

The Group and Company secured bank loans are stated net of unamortised issue costs of £nil (2010: £1.1 million).

Finance leases
Obligations under finance lease agreements are as follows:

	Group	
	2011 £m	2010 £m
Expiring in not more than one year		
Minimum lease payments	0.3	0.6
Interest element	–	–
Present value of minimum lease payments	0.3	0.6
Expiring between one and five years		
Minimum lease payments	1.0	0.9
Interest element	(0.1)	(0.1)
Present value of minimum lease payments	0.9	0.8
Expiring in over five years		
Minimum lease payments	–	–
Interest element	–	–
Present value of minimum lease payments	–	–

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

Finance lease obligations in respect of the Company are £nil (2010: £nil).

23 Deferred taxation

Group

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 tax balances in respect of:	Deferred Income Tax Assets 2011 £m	Deferred Income Tax Assets 2010 £m	Deferred Income Tax Liabilities 2011 £m	Deferred Income Tax Liabilities 2010 £m
Accelerated capital allowances	–	0.8	(0.6)	–
Employee share schemes	0.1	0.1	–	–
Retirement benefit obligations	5.0	4.5	–	–
Separately identifiable intangible assets	–	–	(0.8)	(1.3)
Derivative financial liabilities	0.3	0.4	–	–
Other short term timing differences	1.4	0.7	–	–
	6.8	6.5	(1.4)	(1.3)

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

Tax losses of approximately £23.7 million were acquired as part of the acquisition of Sketchley Limited in May 2004. The method of utilisation of the losses was formally agreed with HM Revenue & Customs during 2010. Whilst the method of recovery has been agreed there is no certainty that the tax relating to these losses will be recovered in the future. Accordingly, no deferred tax asset has been recognised within these financial statements in respect of the unutilised losses. At 31st December 2011 the total unrecognised deferred tax asset is £5.7 million (2010: £6.2 million). Should the Group receive relief for the losses at a future date, this will give rise to a liability to the vendor of Sketchley Limited of up to £3.4 million at current rates of taxation, offsetting, in part, the tax benefit of the losses. Any payments due to the vendor are only payable when the Group has first received the cash benefit of the losses.

During 2011 £0.9 million of these tax losses have been utilised, (2010: £nil) resulting in a reduced tax expense of £0.2 million, in relation to which £0.1 million has been paid to the vendor.

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

GROUP	Accelerated Capital Allowances £m	Employee Share Schemes £m	Retirement Benefit Obligations £m	Derivative Financial Instruments £m	Other Short Term Timing Differences £m	Intangible Assets £m	Total £m
At 31st December 2009	0.7	0.1	5.7	–	0.9	(1.9)	5.5
Credit/(charge) to income	0.1	–	(1.4)	–	(0.2)	0.6	(0.9)
Credit to equity	–	–	0.2	0.4	–	–	0.6
At 31st December 2010	0.8	0.1	4.5	0.4	0.7	(1.3)	5.2
(Charge)/credit to income	(1.4)	–	(1.1)	–	0.7	0.5	(1.3)
Credit/(charge) to equity	–	–	1.6	(0.1)	–	–	1.5
At 31st December 2011	(0.6)	0.1	5.0	0.3	1.4	(0.8)	5.4

The deferred income tax charge to income in 2011 includes a charge of £nil in respect of discontinued activities (2010: £0.2 million).

The rate of Corporation Tax in the UK reduced from 28% to 26% on 1st April 2011 and will reduce to 25% on the 1st April 2012. The effect of these changes on the Income Statement charge in the year has not been material, but has resulted in a charge to reserves of £0.3 million.

Notes to the Financial Statements continued

23 Deferred taxation continued

Company

Deferred income tax assets and liabilities attributable to the Company are as follows:

Deferred tax balances in respect of:	Deferred Income Tax Assets 2011 £m	Deferred Income Tax Assets 2010 £m	Deferred Income Tax Liabilities 2011 £m	Deferred Income Tax Liabilities 2010 £m
Accelerated capital allowances	0.4	0.6	–	–
Retirement benefit obligations	5.2	4.5	–	–
Derivative financial instruments	0.3	0.4	–	–
Other short term timing differences	0.3	–	–	–
	6.2	5.5	–	–

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

COMPANY	Accelerated Capital Allowances £m	Employee Share Schemes £m	Retirement Benefit Obligations £m	Derivative Financial Instruments £m	Other Short Term Timing Differences £m	Intangible Assets £m	Total £m
At 31st December 2009	0.7	0.1	5.5	–	–	–	6.3
Charge to income	(0.1)	(0.1)	(1.2)	–	–	–	(1.4)
Credit to equity	–	–	0.2	0.4	–	–	0.6
At 31st December 2010	0.6	–	4.5	0.4	–	–	5.5
(Charge)/credit to income	(0.2)	–	(1.0)	–	0.3	–	(0.9)
Credit/(charge) to equity	–	–	1.7	(0.1)	–	–	1.6
At 31st December 2011	0.4	–	5.2	0.3	0.3	–	6.2

24 Provisions

GROUP	Property £m	Self Insurance £m	Total £m
At 31st December 2009	9.0	1.0	10.0
Additional provision in the year	6.7	0.1	6.8
Utilised during the year	(2.8)	(0.1)	(2.9)
Released during the year	(0.1)	–	(0.1)
At 31st December 2010	12.8	1.0	13.8
Additional provision in the year	2.5	0.2	2.7
Utilised during the year	(3.8)	(0.1)	(3.9)
Released during the year	(0.1)	(0.1)	(0.2)
At 31st December 2011	11.4	1.0	12.4

	2011 £m	2010 £m
Analysis of total provisions		
Current	4.2	5.0
Non-current	8.2	8.8
	12.4	13.8

Property

The property provision includes onerous leases which are expected to be onerous during the period to 2016 and the estimated clean up costs of property where an environmental problem has been identified and a course of action has been determined. The estimates and judgements used in determining the value of provisioning are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

24 Provisions continued

Self insurance

The self insurance provision includes a provision for payments due to existing claimants under the self funded incapacity scheme over a period of 22 years. This scheme is now closed. The balance of the provision, which is in respect of general insurance arrangements, is expected to be utilised within one year.

COMPANY

	Self Insurance £m	Total £m
At 31st December 2009	0.1	0.1
At 31st December 2010	0.1	0.1
At 31st December 2011	0.1	0.1

25 Retirement benefits

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.

The Company financial statements reflect the liabilities of the Johnson Group Staff Pension Scheme, the Semara Augmented Pension Plan and the Private Healthcare Scheme. The liability recognised by the Company at 31st December 2011 is £20.8 million (2010: £16.7 million).

Pensions – defined benefit	Date of Last Full Valuation
Johnson Group Staff Pension Scheme	5th April 2010
Semara Augmented Pension Plan	5th April 2010
WML Final Salary Pension Scheme	5th April 2008
Prudential Platinum Pension Scheme	31st December 2008

The full actuarial valuations of the pension schemes disclosed above (other than the Prudential Platinum Scheme) have been updated to 31st December 2011 by an independent qualified Actuary.

Johnson Group Staff Pension Scheme ("Staff Scheme")
The updated actuarial valuation at 31st December 2011 showed a deficit of £19.3 million (2010: deficit of £15.4 million). During the period, employer contributions to the Staff Scheme were at 13% of Pensionable Salaries up to 1st March 2011 and 9.4% of Pensionable Salaries from that date.

The Company has decided to offer enhanced terms to certain categories of deferred members who choose to transfer their benefits out of the Staff Scheme by increasing the transfer value that would normally be payable by the Scheme Trustee. The 2011 exercise was rolled out to deferred members aged under 50. 532 members were offered the enhancement, 110 accepted, equating to some 35% take up by liability for this group of members.

During 2011 £0.9 million was paid by the Company to fund enhanced transfer values of members leaving the pension scheme. A further £0.3 million of additional contributions, not linked to the enhanced transfer value exercise, were also paid into the Staff Scheme. Further contributions of £1.7 million are expected to be made in 2012.

Semara Augmented Pension Plan ("SAPP Scheme")
The updated actuarial valuation at 31st December 2011 showed a deficit of £0.1 million (2010: surplus of £0.1 million). Contributions to the SAPP Scheme during 2011 were equal to the individual funding rates for each active member. From April 2011 there were no longer any active members of this scheme.

No additional contributions were paid during 2011, nor are any payable during 2012.

WML Final Salary Pension Scheme ("WML Scheme")
The updated actuarial valuation at 31st December 2011 showed a surplus of £0.6 million (2010: deficit of £0.1 million). Employer contributions to the WML Scheme were 13% of Pensionable Salaries. From 1 January 2012 this has reduced to 11% of Pensionable Salaries.

Additional contributions of £0.3 million were made during 2011. Additional contributions are expected to be £0.3 million in 2012.

Prudential Platinum Pension Scheme ("PPPS Scheme")
The last full valuation has not been updated at 31st December 2011 as the net assets and liabilities of the scheme are not considered material.

Employer contributions during the year to the PPPS Scheme were at a rate of 33.6% of Pensionable Salaries.

Notes to the Financial Statements continued

25 Retirement benefits continued

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 Schemes. 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 of "high quality" corporate bonds of appropriate duration and currency, or a suitable proxy. Our method 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)
Consumer Price Inflation (CPI)	Based on the RPI assumption with an adjustment to reflect the historic differences between the RPI and CPI indices
Salary inflation	Assumed to be zero following the Pensionable Salary freeze introduced with effect from 5th April 2010
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 past practice
Demographic assumptions (e.g. rates of mortality and early retirement)	Compatible assumptions that lead to a best estimate of future cash flows

Considerations when calculating the IAS19 expected return on Scheme assets

IAS19 requires assumptions to be made for the average expected return on the various classes of Scheme assets to calculate the finance income element of the pensions charge under IAS19.

For bonds and cash, the market yields at the balance sheet date are known and the overall expected rate for bonds should therefore reflect the actual portfolio of bonds (both corporate and Government issued bonds) held by the Schemes. For equities, the future yield is unknown. It is usually expected that the long-term return on assets will be higher than the return from bonds with the excess expected return generally referred to as the "equity risk premium".

There is, therefore, a range of rates that can be used to calculate the expected return on assets element of the pensions charge under IAS19.

Assumptions used

	2011	2010
Retail price inflation	3.05%	3.50%
Consumer price inflation	2.05%	2.80%
Rate of increase in pensionable salaries	0.00%	0.00%
Rate of increase of pensions in payment (5.0% RPI linked)	3.00%	3.45%
Rate of increase of pensions in payment (2.5% RPI linked)	2.25%	2.40%
Rate of increase of pensions in payment (2.5% CPI linked)	1.80%	2.20%
Rate of increase of pensions in deferment (Staff Scheme)	2.25%	2.40%
Rate of increase of pensions in deferment (SAPP Scheme)	n/a	3.55%
Rate of increase of pensions in deferment (WML Scheme)	1.80%	2.20%
Rate used to discount scheme liabilities	4.90%	5.45%

Life expectancy at age 65 for current pensioners is assumed to be 21.1 years (2010: 21.0 years). Life expectancy at age 65 for future pensioners is assumed to be 21.5 years (2010: 22.1 years). "S1NXA CMI 2010 with a 0.5% long term trend rate" has been used to derive this mortality rate (2010: "S1PA year of birth medium cohort 1% underpin (males) and 0.5% underpin (females)" used).

It is assumed that 90% of non-retired members of defined benefit pension schemes will commute 25% of their pension at retirement (2010: 75% of members will commute 25% of pension).

It has been assumed that 33% (2010: 66%) of future pensioners at retirement will take up the pension increase exchange offer.

25 Retirement benefits continued

Future pensionable salary increases are assumed to be nil from 1st April 2010. In addition, allowance has also been made for the potential increase in liability that will arise if employees leave active service before their retirement (because their benefits would then receive statutory deferred revaluation). It is assumed that 10% of the active liability will withdraw at a uniform rate over the remaining future working lifetime.

Sensitivity of key assumptions

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

Item	Approximate impact on IAS19 valuation
Increase/reduce discount rate by 0.1%	(£2.7 million) / £2.7 million
Increase/reduce inflation assumption by 0.1%	£0.7 million / (£0.7 million)
Increase/reduction in equity markets by 5%	(£3.6 million) / £3.6 million

Pensions – defined contribution

The JSG Pension Plan is a defined contribution scheme. The total cost of employer contributions for the year was £1.3 million (2010: £1.3 million).

The SGP Property Services Group Pension Plan is a defined contribution scheme. The cost of employer contributions for the year was £0.1 million (2010: £0.1 million).

Private healthcare

The Group operates an unfunded defined benefit private healthcare scheme for eligible retirees. At 31st December 2011, the deficit of the scheme was £1.4 million (2010: £1.4 million). The Company accounted for a current service cost of £nil and a notional interest cost of £81,000 in the Income Statement (2010: £nil and £81,000 respectively) and expects this to remain unchanged in 2012.

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

The last actuarial review in 2009 was performed using the Project Unit Credit Method, and a discount rate of 5.8%. The main long term actuarial assumptions used in the review were that the retirement age of eligible employees will be 62 for females and males and the rate of increase in medical costs is to be 9.5% for 2010, reducing over the next 4 years to 4.5%. There have been no material changes in circumstances since the last formal review.

At the time of last formal review an increase of 1% in the medical cost trend would increase the scheme liabilities by £0.1 million and the aggregate of the service cost and interest cost by £8,000. A decrease of 1% in the medical cost trend would reduce the scheme liabilities by £0.1 million and the aggregate of the service cost and interest cost by £7,000.

Retirement benefit disclosures

The assets in the schemes and the expected rates of return were:

	UK Pension Schemes		Post Retirement Healthcare		
DECEMBER 2011	Long Term Rate of Return	Value £m	Long Term Rate of Return	Value £m	Total Plans £m
Equities	6.80%	77.6	–	–	77.6
Alternative return seeking assets	6.80%	27.8	–	–	27.8
Bonds	3.45%	61.6	–	–	61.6
Other	3.45%	0.4	–	–	0.4
Total market value of assets		167.4		–	167.4
Present value of scheme liabilities		(186.2)		(1.4)	(187.6)
Liability recognised in the Balance Sheet		(18.8)		(1.4)	(20.2)

Notes to the Financial Statements continued

25 Retirement benefits continued

DECEMBER 2010	UK Pension Schemes Long Term Rate of Return	UK Pension Schemes Value £m	Post Retirement Healthcare Long Term Rate of Return	Post Retirement Healthcare Value £m	Total Plans £m
Equities	8.15%	81.4	–	–	81.4
Alternative return seeking assets	8.15%	17.1	–	–	17.1
Bonds	4.75%	71.0	–	–	71.0
Other	4.75%	2.8	–	–	2.8
Total market value of assets		172.3		–	172.3
Present value of scheme liabilities		(187.7)		(1.4)	(189.1)
Liability recognised in the Balance Sheet		(15.4)		(1.4)	(16.8)

DECEMBER 2009	UK Pension Schemes Long Term Rate of Return	UK Pension Schemes Value £m	Post Retirement Healthcare Long Term Rate of Return	Post Retirement Healthcare Value £m	Total Plans £m
Equities	8.95%	76.5	–	–	76.5
Alternative return seeking assets	8.95%	12.3	–	–	12.3
Bonds	4.80%	71.3	–	–	71.3
Other	4.80%	0.8	–	–	0.8
Total market value of assets		160.9		–	160.9
Present value of scheme liabilities		(179.9)		(1.4)	(181.3)
Liability recognised in the Balance Sheet		(19.0)		(1.4)	(20.4)

DECEMBER 2008	UK Pension Schemes Long Term Rate of Return	UK Pension Schemes Value £m	Post Retirement Healthcare Long Term Rate of Return	Post Retirement Healthcare Value £m	Total Plans £m
Equities	8.95%	72.2	–	–	72.2
Alternative return seeking assets	8.95%	7.2	–	–	7.2
Bonds	4.75%	61.2	–	–	61.2
Other	4.75%	4.7	–	–	4.7
Total market value of assets		145.3		–	145.3
Present value of scheme liabilities		(164.7)		(1.2)	(165.9)
Liability recognised in the Balance Sheet		(19.4)		(1.2)	(20.6)

DECEMBER 2007	UK Pension Schemes Long Term Rate of Return	UK Pension Schemes Value £m	Post Retirement Healthcare Long Term Rate of Return	Post Retirement Healthcare Value £m	Total Plans £m
Equities	7.90%	104.1	–	–	104.1
Bonds	4.90%	67.5	–	–	67.5
Other	5.50%	0.5	–	–	0.5
Total market value of assets		172.1		–	172.1
Present value of scheme liabilities		(186.4)		(1.5)	(187.9)
Liability recognised in the Balance Sheet		(14.3)		(1.5)	(15.8)

The expected return on scheme assets is determined by considering the expected returns available on the assets underlying the current investment policy. Expected yields on fixed interest investments reflect long-term real rates of return experienced in the respective markets.

25 Retirement benefits continued

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

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Fair value of scheme assets at beginning of the year	172.3	160.9	145.3	172.1	167.5
Expected return on scheme assets	10.8	11.1	10.0	11.5	10.7
Actuarial gains/(losses)	(3.5)	6.7	12.3	(36.0)	(4.4)
Employer contributions (including benefits paid and reimbursed)	2.1	2.5	2.5	5.8	5.0
Members' contributions	0.4	0.4	0.4	0.5	0.6
Benefits paid	(14.7)	(9.3)	(9.6)	(8.6)	(7.3)
Fair value of scheme assets at end of the year	167.4	172.3	160.9	145.3	172.1

The actual return on scheme assets was as follows:

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Actual return on scheme assets	7.3	17.8	22.3	(24.5)	6.3

Movements in the defined benefit obligations were as follows:

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
At beginning of year	(189.1)	(181.3)	(165.9)	(187.9)	(198.2)
Current service cost	(0.5)	(0.5)	(0.5)	(0.8)	(1.1)
Past service cost	–	–	–	–	(0.2)
Members' contributions	(0.4)	(0.4)	(0.4)	(0.5)	(0.6)
Interest cost	(10.1)	(10.3)	(10.7)	(10.8)	(9.9)
Actuarial (losses)/gains	(4.3)	(8.2)	(25.9)	25.0	14.8
Past service gains	2.2	2.2	2.5	–	–
Settlement loss	(0.2)	–	–	–	–
Pension curtailment gain	–	–	9.9	–	–
Utilisation of healthcare provision	0.1	0.1	0.1	0.5	–
Benefits paid	14.7	9.3	9.6	8.6	7.3
At end of year	(187.6)	(189.1)	(181.3)	(165.9)	(187.9)

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

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Current service cost	0.5	0.5	0.5	0.8	1.1
Past service cost	–	–	–	–	0.2
Amounts charged to administrative expenses	0.5	0.5	0.5	0.8	1.3
Past service credits (net of associated expenses)	(2.2)	(2.2)	(2.2)	–	–
Settlement loss (net of associated expenses)	0.6	–	–	–	–
Pension curtailment gain (net of associated expenses)	–	–	(9.8)	–	–
Amounts credited as an exceptional item	(1.6)	(2.2)	(12.0)	–	–
Interest on scheme liabilities	10.1	10.3	10.7	10.8	9.9
Expected return on scheme assets	(10.8)	(11.1)	(10.0)	(11.5)	(10.7)
Amounts (credited)/charged to finance costs	(0.7)	(0.8)	0.7	(0.7)	(0.8)

Current service cost, past service cost and past service gains are charged to the Income Statement in arriving at operating profit before intangibles amortisation and impairment (excluding software) and exceptional items, except where stated. The expected return on scheme assets and the interest on scheme liabilities are included within finance costs.

Notes to the Financial Statements continued

25 Retirement benefits continued

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

	2011 £m	2010 £m	2009 £m	2008 £m	2007 £m
Difference between actual and expected return on scheme assets	(3.5)	6.7	12.3	(36.0)	(4.4)
Experience gains on scheme liabilities	5.2	–	–	0.4	3.3
Changes in actuarial assumptions	(9.5)	(8.2)	(25.9)	24.6	11.5
	(7.8)	(1.5)	(13.6)	(11.0)	10.4

	2011 % of Scheme Assets	2010 % of Scheme Assets	2009 % of Scheme Assets	2008 % of Scheme Assets	2007 % of Scheme Assets
Difference between actual and expected return on scheme assets	(2.1)	3.9	7.6	(24.8)	(2.6)
Experience gains on scheme liabilities	3.1	–	–	0.3	1.9
Changes in actuarial assumptions	(5.7)	(4.8)	(16.1)	16.9	6.7
	(4.7)	(0.9)	(8.5)	(7.6)	6.0

26 Financial instruments

Policies and strategies

Details of the Group's policies and strategies in relation to financial instruments are given on page 56.

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 19. Financial assets and liabilities are stated at fair value.

	2011 £m	2010 £m
Financial assets		
Cash at bank and in hand		
– Sterling	5.2	2.2
– Euros	0.2	–
– US Dollars	0.3	–
At 31st December	5.7	2.2

For interest purposes cash, which earns interest at prevailing floating rates, is offset against overdrafts through a pooling arrangement with the Group's principal banker. Surplus cash is placed on Treasury Deposit with one or more of the Group's principal bankers.

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

	Rating	2011 £m	2010 £m
Cash at bank and in hand (excluding Lifecycle funds)			
– Royal Bank of Scotland	A-1	3.4	0.3
– Barclays	A-1	–	0.1
– Santander	A-1+	1.0	–
		4.4	0.4
Cash at bank and in hand (Lifecycle funds)			
– Royal Bank of Scotland	A-1	0.5	–
– Barclays	A-1	0.8	1.8
		1.3	1.8
Total Cash and Cash equivalents		5.7	2.2

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 and Poor's. The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.

26 Financial instruments continued

Cash balances held with the Royal Bank of Scotland are used for working capital purposes or are to fund Lifecycle expenditure. Given the A-1 rating of Royal Bank of Scotland, the Directors do not consider deposits at this institution to be at risk.

Cash balances held with Barclays are used for either working capital purposes or are to fund Lifecycle expenditure. Given the A-1 rating of Barclays, the Directors do not consider deposits at this institution to be at risk.

Cash balances held with Santander are held on short term deposit and are repayable on demand. Given the A-1+ rating of Santander, the Directors do not consider deposits at this institution to be at risk.

Cash balances in respect of Lifecycle funds which can only be used to fund certain specific contractual obligations under certain facilities management contracts are not part of the Group's cross guarantee arrangement.

	2011			2010		
	As per Balance Sheet £m	Future Interest Cost £m	Total Cash Flows £m	As per Balance Sheet £m	Future Interest Cost £m	Total Cash Flows £m
Financial liabilities						
Overdraft	0.9	–	0.9	3.6	–	3.6
Bank Loans	52.0	5.7	57.7	54.9	6.3	61.2
Finance Leases	1.2	0.1	1.3	1.4	0.1	1.5
Provisions	12.4	0.2	12.6	13.8	0.3	14.1
Derivative Financial Instruments	1.4	–	1.4	1.5	–	1.5
	67.9	6.0	73.9	75.2	6.7	81.9

Liquidity risk

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

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

	Overdrafts £m	Bank Loans £m	Finance Leases £m	Provisions £m	Derivative Financial Instruments £m	Total £m
As at December 2011						
Due within one year	0.9	3.3	0.4	4.3	0.9	9.8
Due within one to two years	–	6.2	0.3	2.0	0.2	8.7
Due within two to five years	–	48.2	0.6	2.7	0.3	51.8
Due after more than five years	–	–	–	3.6	–	3.6
	0.9	57.7	1.3	12.6	1.4	73.9
As at December 2010						
Due within one year	3.6	5.3	0.7	5.1	0.8	15.5
Due within one to two years	–	5.2	0.2	4.2	0.7	10.3
Due within two to five years	–	50.7	0.6	2.1	–	53.4
Due after more than five years	–	–	–	2.7	–	2.7
	3.6	61.2	1.5	14.1	1.5	81.9

Interest rate risk profile

	Fixed Rate Financial Liabilities £m	Floating Rate Financial Liabilities £m	Financial Liabilities on which no Interest is paid £m	Total £m
As at December 2011				
Sterling	41.2	13.7	13.0	67.9
As at December 2010				
Sterling	40.9	20.0	14.3	75.2

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

Notes to the Financial Statements continued

26 Financial instruments continued

Fixed rate financial liabilities

At 31st December 2011 the Group's fixed rate financial liabilities relate to bank borrowings that are covered by interest rate swaps and assets held under finance leases (2010: Interest rate swap and assets held under finance leases).

For assets held under finance leases the average interest rate incurred is 5.0% (2010: 5.0%) and the weighted average period remaining is 48 months (2010: 41 months).

The Group has entered into a number of interest rate swaps the effect of which is to classify £40.0 million of the Group's borrowings as fixed rate. The details of current outstanding swaps are as follows:

- Interest swaps classifying £20.0 million of debt as fixed rate from 8th January 2010 to 8th January 2013. The rate, excluding margin is 2.62%.
- Interest swaps classifying £20.0 million of debt as fixed rate from 10th January 2011 to 8th January 2013. The rate, excluding margin is 3.41%.
- Interest swaps classifying £40.0 million of debt as fixed rate from 8th January 2013 to 8th January 2016. The rate, excluding margin is 1.79%.

Gains and losses recognised in the hedging reserve in equity on interest rate swap contracts as of 31st December 2011 will be continuously released to the Income Statement within finance costs until the end of the hedged period.

Floating rate financial liabilities

Floating rate financial liabilities bear interest at rates based on relevant LIBOR equivalents. Loans are drawn and interest rates fixed for periods of between one and six months. The weighted average period remaining for floating rate financial liabilities is 41 months (2010: 23 months).

The variation in the interest rate of floating rate financial liabilities (with all other variables held constant) required to increase post-tax profit for the year by £0.1 million is 75 basis points (2010: 50 basis points). The variation in the interest rate of floating rate financial liabilities (with all other variables held constant) required to decrease post-tax profit for the year by £0.1 million is 75 basis points (2010: 50 basis points).

Fair values of financial liabilities

Bank loans are drawn down and interest set for no more than a six month period (2010: 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 fair value of derivative instruments held at the year end is given in the table below:

	Book and Fair Value 2011 £m	Book and Fair Value 2010 £m
Derivative financial instruments held to manage the interest and exchange rate profile:		
– Interest rate products	(1.4)	(1.5)
– Exchange rate products	–	–

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

Foreign currency risk

The Group purchases a proportion of its inventory in US dollars and Euros. If the Sterling/US dollar exchange rate in 2011 on average had varied from that actually achieved, it would have added to or reduced cost of inventory by £0.1 million for every 10 cents of variation had no mitigating action been taken. If the Sterling / Euro rate in 2011 on average had varied from that actually achieved, it would have added to or reduced cost of inventory by £0.2 million for every 10 cents of variation if no mitigating action had been taken.

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 to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is as disclosed in note 34. Total capital is calculated as 'total equity' as shown in the Consolidated Balance Sheet plus net debt.

The gearing ratios at 31st December 2011 and 2010 were as follows:

	2011 £m	2010 £m
Net debt	49.7	59.5
Total equity	73.7	70.5
Total capital	123.4	130.0
Gearing Ratio	40.3%	45.8%

27 Contingent liabilities

Group

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 Trustees of the Pension Schemes security over the assets of the Group. The Banks' security ranks pari passu with the £28.0 million of the security of the Pension Trustees.

At 31st December 2011 there were no other contingent liabilities except for those arising from the ordinary course of the Group's business (2010: nil).

Company

The Company has guaranteed the banking facilities of certain UK subsidiary undertakings under a cross guarantee arrangement. No losses are expected to result from this arrangement.

The Company has entered into 30 Rent Deposit Deeds for up to £1.7 million guaranteeing the payment of rent by its subsidiary undertaking, Johnson Cleaners UK Ltd, on specified properties included in a sale and leaseback transaction in June 2006. The guaranteed amount begins to amortise from December 2013 and expires in June 2016. No loss is expected to result from this arrangement.

Following the disposal of Johnson Clothing Limited on 28th April 2008, the Company has guaranteed the obligations of three subsidiary undertakings (Semara Contract Services Limited, Johnson Investment Limited and Semara Nominees Limited) to the purchasers. No loss is expected to result from this arrangement.

28 Called-up share capital

GROUP AND COMPANY	2011 £m	2010 £m
Authorised		
383,025,739 (2010: 383,025,739) Ordinary shares of 10p each	38.3	38.3

	2011		2010	
Issued and Fully Paid	Shares	£m	Shares	£m
Ordinary shares of 10p each:				
At start of period	250,003,543	25.0	249,302,482	24.9
New shares issued	3,965,267	0.4	701,061	0.1
At end of period	253,968,810	25.4	250,003,543	25.0

Issue of Ordinary shares of 10p each

During the year 1,945,404 (2010: 51,924) share options were exercised with a total nominal value of £194,540 (2010: £5,192). In addition, 2,019,863 (2010: 649,137) warrants were exercised with a total nominal value of £201,986 (2010: £64,914).

The total proceeds received on allotment in respect of these transactions were £0.5 million (2010: £0.1 million).

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 2003 Discretionary Unapproved Share Option Plan (the 'Plan'), the 2009 Long-Term Incentive Plan (the 'LTIP') and the 2009 Long-Term Incentive Plan Approved Section (the 'Approved LTIP') (together referred to as 'Executive' schemes) at prices ranging from nil to 394.50 pence.

Certain Group employees also hold options in respect of potential issues of Ordinary shares of 10p each granted pursuant to the Johnson Group Savings Related Share Option Scheme and the Johnson Service Group Sharesave Plan (together referred to as 'SAYE' schemes) at prices ranging from 16.0 pence to 281.0 pence.

Options granted under the SAYE schemes are normally exercisable within six months from the date exercisable as shown below. Options under the Executive schemes are normally exercisable within seven years from the date exercisable as shown below. Savings related share options are generally settled in equity. Executive share options are either settled in equity or by settling the value of the gain at the time of exercise in shares.

Notes to the Financial Statements continued

28 Called-up share capital continued

The number of shares subject to option under each scheme which were outstanding at 31st December 2011, 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
Plan	24th June 2003	64,866	24th June 2006	297.00p
Plan	22nd April 2004	18,018	22nd April 2007	394.50p
LTIP	6th January 2011	16,351,000	note 1	nil
Approved LTIP	7th January 2011	1,756,080	note 1	30.75p
		18,189,964		
SAYE	5th October 2006	65,942	1st December 2011	281.00p
SAYE	3rd October 2007	44,640	1st December 2012	246.00p
SAYE	6th October 2008	2,190,480	1st December 2011	16.00p
SAYE	6th October 2008	1,612,158	1st December 2013	16.00p
SAYE	1st April 2010	1,513,387	1st June 2013	18.00p
SAYE	1st April 2010	663,776	1st June 2015	18.00p
SAYE	6th October 2011	1,361,756	1st December 2014	28.50p
SAYE	6th October 2011	608,977	1st December 2016	28.50p
		8,061,116		
		26,251,080		

Note 1: Vesting of awards granted under the LTIP will normally occur after a three year performance period, however, one third of the Ordinary shares subject to the award will potentially vest before the three year anniversary if a specified performance condition is met. Full details are provided on pages 33 to 34 of the Board Report on Remuneration.

In addition to the schemes above, 25,000 options with an exercise price of 289.50 pence are outstanding to one senior executive. The options were granted on 20th December 2002 and became exercisable from 20th December 2005. If exercised, they will be satisfied from shares currently held by the ESOP.

Warrant Instruments

On 11th April 2008, the Company executed a warrant instrument pursuant to which it issued Warrants to its lending banks over 2,957,636 Ordinary shares. The Warrants were originally exercisable from 11th April 2008 until 31st December 2011 at an exercise price of 10 pence per Ordinary share, which represents the par value of an Ordinary share. On 18th December 2009 the exercise period of certain warrants was lengthened so that it ended on 30th April 2013 rather than 31st December 2011.

On issue of the Warrants, the difference between the fair value of the Company's Ordinary shares and the exercise price of the Warrant is deemed as a cost to the Company under the provisions of IFRS 2, 'Share-based Payment'; this cost was amortised over the term of the Bank Facility dated 11th April 2008. A Warrant Reserve for the total cost was recognised (within Other Reserves) and was amortised as a finance cost through the Income Statement, with a corresponding reserve transfer between the Warrant Reserve and Retained Earnings.

Movements in the number of Warrants is shown below:

	2011	2010
Exercisable at beginning of period	2,308,499	2,957,636
Exercised during the period	(2,019,863)	(649,137)
Lapsed during the period	(72,159)	–
Exercisable at end of period	216,477	2,308,499

29 Share based payments

2003 Discretionary Share Option Plan

The 2003 Discretionary Unapproved Share Option Plan (the 'Plan') and the 2003 Discretionary Approved Share Option Plan (the 'Approved Plan') provide for a grant price equal to the quoted closing mid-market price of the Company shares on the business day immediately preceding the date of grant. The exercise price is determined by the Remuneration Committee. The vesting period is generally three years. Both market based and non-market based performance conditions are generally attached to the options, for which an appropriate adjustment is made when calculating the fair value of an option. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before the options vest, unless under exceptional circumstances.

29 Share based payments continued

2009 Long-Term Incentive Plan

The 2009 Long-Term Incentive Plan (the 'LTIP') provides for a grant price of nil. The 2009 Long-Term Incentive Plan Approved Section (the 'Approved LTIP') provides for a grant price equal to the quoted closing mid-market price of the Company shares on the business day immediately preceding the date of grant. The exercise price is determined by the Remuneration Committee. The vesting period is generally three years. Both market based and non-market based performance conditions are generally attached to the options, for which an appropriate adjustment is made when calculating the fair value of an option. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Group before the options vest, unless under exceptional circumstances.

SAYE Schemes

The Johnson Group Savings Related Share Option Scheme provides for an exercise price equal to the average of the quoted mid-market price of the Company shares on the three business days immediately preceding the date of grant, less a discount of up to 20 percent. The Johnson Service Group Sharesave Plan provides 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, less a discount of up to 20 percent. The vesting period under both schemes is either three or five years and no performance conditions, other than remaining a Group employee, are attached to the options.

	2011		2010	
	Number of Options	Weighted Average Exercise Price (p)	Number of Options	Weighted Average Exercise Price (p)
Executive schemes				
Outstanding at beginning of the period	15,628,058	8p	15,788,058	8p
Granted during the period	18,107,080	4p	–	–
Lapsed during the period	–	–	(160,000)	19p
Waived during the period	(15,545,174)	6p	–	–
Outstanding at the end of the period	18,189,964	4p	15,628,058	8p
Exercisable at the end of the period	82,884	318p	82,884	318p
SAYE schemes				
Outstanding at beginning of the period	8,677,733	24p	7,338,717	32p
Granted during the period	1,993,128	29p	2,472,807	18p
Exercised during the period	(1,945,404)	16p	(51,924)	16p
Lapsed during the period	(664,341)	70p	(1,081,867)	67p
Outstanding at the end of the period	8,061,116	23p	8,677,733	24p
Exercisable at the end of the period	2,256,422	24p	129,458	272p

The aggregate gain made by Directors on the exercise of share options during the period was £nil (2010: £nil). Further details are disclosed within the Board Report on Remuneration on pages 32 to 40.

The average share price of Johnson Service Group PLC during the period was 31.45 pence (2010: 20.91 pence).

For options outstanding at 31st December 2011, the exercise date and the exercise price are disclosed within Note 28.

The fair value of options awarded to employees is determined by reference to option pricing models, principally Binomial 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 2011	Options Granted During 2010
Weighted average share price (pence)	30.80	19.25
Weighted average exercise price (pence)	3.10	18.00
Weighted average fair value (pence)	16.08	9.79
Expected volatility (%)	54.84	90.93
Expected life (years)	3.32	3.86
Risk free interest rate (%)	1.65	2.24
Expected dividend yield (%)	0.54	5.00

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.

During the year the Group recognised total expenses of £0.8 million (2010: £0.9 million) in relation to equity-settled share based payment transactions.

Notes to the Financial Statements continued

30 Share premium

GROUP AND COMPANY	2011 £m	2010 £m
Balance brought forward	13.7	13.7
Received on allotment of shares	0.1	–
Balance carried forward	13.8	13.7

31 Own shares

GROUP	2011 £m	2010 £m
Balance brought forward and carried forward	0.4	0.4

Own shares represent the cost of shares in Johnson Service Group PLC purchased in the market and held by the Trustee of the ESOP, to satisfy options under the Group's share option schemes (see Note 29).

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

	Group		Company	
	2011	2010	2011	2010
Number of shares held	1,286,531	1,286,531	343	343
Market value £m	0.3	0.4	–	–

32 Reconciliation of movements in shareholders' funds

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Profit / (loss) for the period	10.3	3.2	(6.0)	4.3
Dividends	(2.2)	(1.9)	(2.2)	(1.9)
	8.1	1.3	(8.2)	2.4
Other recognised gains and losses relating to the year:				
Issue of share capital	0.5	0.1	0.5	0.1
Transfer to share option reserve	0.8	0.7	0.8	0.7
Actuarial losses (net of taxation)	(5.9)	(1.1)	(6.1)	(1.0)
Change in deferred tax due to change in tax rate	(0.3)	(0.2)	(0.3)	(0.2)
Cash flow hedges movement	–	(1.1)	–	(1.1)
Net addition / (reduction) to Shareholders' funds	3.2	(0.3)	(13.3)	0.9
Opening Shareholders' funds	70.5	70.8	86.4	85.5
Closing Shareholders' funds	73.7	70.5	73.1	86.4

33 Business combinations and discontinued operations

Acquisitions

There were no acquisitions during the year.

During 2010 the Group acquired seven Facilities Management contracts with six related special purpose companies from Jarvis Plc (in Administration). In addition Johnsons Apparelmaster Limited acquired certain trade and assets from a small independent supplier of personal protective equipment.

There have been no changes to the values included within note 33 of the 2010 Annual Report in relation to these acquisitions. The £0.2 million of professional fees relating to the Facilities Management acquisition in 2010 that were outstanding at 31st December 2010 has been paid during 2011.

Disposals

There were no business disposals during the current or prior year.

On 15th December 2009 Workplace Engineering Limited disposed of its trade and certain assets for an initial cash consideration of £0.2 million. A further £0.1 million of deferred consideration was received during 2010.

Discontinued operations

During the year, £2.0 million of additional provisions were recognised relating to future lease commitments of properties previously used in operations that are now discontinued. If not provided for these costs would have been incurred in future years. No further provisioning is anticipated. The tax credit consists of £0.5 million relating to the above provisions together with £1.5 million relating to the refund of the de-grouping tax charge paid in respect of the disposal of the Corporatewear division in 2008.

33 Business combinations and discontinued operations continued

	2011 £m	2010 £m
Revenue from discontinued operations	–	–
Loss before taxation from discontinued operations	(2.0)	(0.2)
Taxation	2.0	0.1
Profit/(loss) for the period	–	(0.1)
Consideration (net of disposal costs)	–	0.1
Total net assets disposed of	–	–
Pre-tax gain on disposal	–	0.1
Taxation	–	–
Profit on disposal	–	0.1
Retained profit from discontinued operations	–	–

Cash flow from discontinued operations

The cash flows (excluding proceeds from disposal) from discontinued operations included within the Consolidated Cash Flow Statement are as follows:

	2011 £m	2010 £m
Net cash used in operating activities (excluding income tax)	(0.4)	(0.6)
Net cash used in investing activities	–	–
Net cash flow	(0.4)	(0.6)

34 Analysis of net debt

Net debt is calculated as total borrowings less cash and cash equivalents (excluding Lifecycle funds), less unamortised facility fees. Non-cash changes represent the effects of the recognition and subsequent amortisation of issue costs relating to the Bank Facility, changing maturity profiles and new finance leases entered into during the year.

Group

DECEMBER 2011	At 1st January 2011 £m	Cash Flow £m	Other Non-cash Changes £m	At 31st December 2011 £m
Cash and cash equivalents (per Consolidated Statement of Cash Flows)	(1.4)	6.2	–	4.8
Less: Lifecycle funds	(1.8)	0.5	–	(1.3)
Cash and cash equivalents (excluding Lifecycle funds)	(3.2)	6.7	–	3.5
Debt due within one year	(2.2)	3.0	(2.3)	(1.5)
Debt due after more than one year	(52.7)	1.0	1.2	(50.5)
Finance leases	(1.4)	0.7	(0.5)	(1.2)
	(59.5)	11.4	(1.6)	(49.7)

DECEMBER 2010	At 1st January 2010 £m	Cash Flow £m	Other Non-cash Changes £m	At 31st December 2010 £m
Cash and cash equivalents (per Consolidated Statement of Cash Flows)	0.2	(1.6)	–	(1.4)
Less: Lifecycle funds	–	(1.8)	–	(1.8)
Cash and cash equivalents (excluding Lifecycle funds)	0.2	(3.4)	–	(3.2)
Debt due within one year	(7.2)	8.0	(3.0)	(2.2)
Debt due after more than one year	(59.5)	4.5	2.3	(52.7)
Finance leases	(1.2)	0.8	(1.0)	(1.4)
	(67.7)	9.9	(1.7)	(59.5)

Notes to the Financial Statements continued

34 Analysis of net debt continued

COMPANY

DECEMBER 2011	At 1st January 2011 £m	Cash Flow £m	Other Non-cash Changes £m	At 31st December 2011 £m
Cash and cash equivalents (per Company Statement of Cash Flows)	(4.9)	5.7	–	0.8
Debt due within one year	(2.2)	3.0	(2.3)	(1.5)
Debt due after more than one year	(52.7)	1.0	1.2	(50.5)
	(59.8)	9.7	(1.1)	(51.2)

DECEMBER 2010	At 1st January 2010 £m	Cash Flow £m	Other Non-cash Changes £m	At 31st December 2010 £m
Cash and cash equivalents (per Company Statement of Cash Flows)	(0.7)	(4.2)	–	(4.9)
Debt due within one year	(7.2)	8.0	(3.0)	(2.2)
Debt due after more than one year	(59.5)	4.5	2.3	(52.7)
	(67.4)	8.3	(0.7)	(59.8)

35 Reconciliation of net cash inflow to movement in net debt

GROUP	2011 £m	2010 £m
Increase/(decrease) in cash in year (per Consolidated Statement of Cash Flows)	6.2	(1.6)
Movement in Lifecycle funds	0.5	(1.8)
Increase/(decrease) in cash excluding Lifecycle funds	6.7	(3.4)
Cash outflow on change in debt and lease financing	4.7	13.3
Change in net debt resulting from cash flows	11.4	9.9
Movement in unamortised issue costs of bank loans	(1.1)	(0.7)
New finance leases	(0.5)	(1.0)
Movement in net debt in year	9.8	8.2
Opening net debt	(59.5)	(67.7)
Closing net debt	(49.7)	(59.5)

COMPANY	2011 £m	2010 £m
Increase/(decrease) in cash in year (per Company Statement of Cash Flows)	5.7	(4.2)
Cash outflow on change in debt and lease financing	4.0	12.5
Change in net debt resulting from cash flows	9.7	8.3
Movement in unamortised issue costs of bank loans	(1.1)	(0.7)
Movement in net debt in year	8.6	7.6
Opening net debt	(59.8)	(67.4)
Closing net debt	(51.2)	(59.8)

36 Financial commitments

Capital expenditure

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

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Intangible assets	–	–	–	–
Property, plant and equipment	1.4	0.4	–	–
	1.4	0.4	–	–

Revenue expenditure

Total future minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2011 £m	2010 £m	2011 £m	2010 £m
Land and buildings				
– within one year	14.6	14.5	0.1	0.1
– between two and five years	41.3	45.1	0.3	0.3
– in five years or more	37.3	41.7	–	0.1
	93.2	101.3	0.4	0.5
Plant and machinery				
– within one year	2.5	2.4	0.1	0.1
– between two and five years	3.4	3.0	0.1	0.1
	5.9	5.4	0.2	0.2

The total of future minimum sublease payments to be received under non-cancellable leases at the balance sheet date is £5.5 million (2010: £6.6 million).

37 Related party transactions

Transactions during the year between the Company and its subsidiaries, which are related parties, are eliminated on consolidation.

The following significant transactions with subsidiary undertakings occurred in the year:

	2011 £m	2010 £m
Dividends received	–	9.7
Interest received	1.8	1.7
Interest paid	(3.6)	(3.1)
	(1.8)	8.3

The key management of the Company are considered to be only the Directors of the Company and details of their compensation is provided in the Board Report on Remuneration. The Company did not enter into any form of loan arrangement with any Director during any of the years presented.

38 Events after the balance sheet date

The following events occurring after the balance sheet date have been disclosed in accordance with IAS 10, 'Events after the reporting period'.

Textile Rental Acquisition

On 23rd January 2012, Johnsons Apparelmaster Limited ("JAM") conditionally exchanged contracts relating to the acquisition of the business, specified contracts and related assets of Cannon Textile Care ("Cannon") from OCS Group UK Limited ("OCS") for a net consideration of approximately £6.1 million plus associated professional fees. The contracts to be acquired are complementary to those currently serviced by JAM and will enable the combined business to deliver enhanced customer value whilst at the same time securing both future opportunities in our core markets and economies of scale.

Cannon currently operates its textile rental business from laundries based in Glasgow, Manchester, Bristol, Newmarket and Balham with additional depots in Gateshead and Birmingham. OCS will continue to operate their washroom services business under the Cannon Hygiene brand.

Notes to the Financial Statements continued

38 Events after the balance sheet date continued

The acquisition is conditional on a number of points including clearance from the Office of Fair Trading. There is also a right of rescission by either party if there is a material adverse change in the business prior to completion or if regulatory clearance has not been received by 29th May 2012. It is currently anticipated that the transaction will be completed at the end of March 2012.

The net consideration for the business and assets was based on the estimated contracted annual revenue of £15.0 million at the time of exchange of contracts. The consideration will be adjusted, up or down, to reflect the actual contracted revenue at the date of completion, although this is not expected to change significantly. The consideration will be payable in cash at completion and funded from the existing debt facility.

The revenue and operating profit relating to the business and assets to be acquired as included in the accounts for OCS for the year ended 31st March 2011 were £16.5 million and £0.2 million respectively.

On completion, JAM will operate the existing Cannon Laundries whilst reviewing the combined business structure. It is anticipated that any expected operational efficiencies and economies of scale from the business going forward will take some time to be fully realised, and accordingly, the transaction is not expected to have an impact on adjusted operating profit (before intangibles amortisation and exceptional items) for the year ending December 2012 but is expected to be accretive thereafter.

Facilities Management Acquisition

On 14th February 2012, SGP Property & Facilities Management Limited ("SGP") acquired specified contracts and assets of Nickleby & Co. Limited ("Nickleby") for an initial consideration of £0.75 million plus associated professional fees.

Nickleby is a technology led facilities management and consultancy company, employing circa 40 staff based in Basingstoke managing services to a range of customers across the UK, particularly in the insurance and multi site retail sectors. Its bespoke "Emergense" software is market leading in the management of supply chains which, when combined with SGP's bespoke "Horizon" and "Focas" systems, will create an IT platform unique in the FM market.

The initial consideration was payable in cash on completion with a further £0.2 million of deferred consideration potentially payable in 2012, subject to performance against certain integration parameters. Contingent payments of up to a further £5.0 million are potentially payable based on the level of additional gross profit achieved from specified existing and potential customers of Nickleby ("Relevant Contracts"), and will be financed from the additional cumulative gross profit generated by the combined business on the Relevant Contracts over the four year period to December 2015. The contingent payments are self financing in cash terms, with only the remaining net 50% of gross profit earned being reflected in the Group results.

There is a real synergy in bringing the SGP and Nickleby businesses together. Both are focused on designing, managing and delivering facilities management and property solutions through the intelligent use of technology and this acquisition allows us the opportunity to firmly establish a true market leading position.

The revenue attributable to the contracts acquired and as included in Nickleby's draft statutory accounts for the year to 31st March 2011 was £3.3 million.

Due to the short period of ownership a full post acquisition fair value exercise has yet to be completed.

Integration Costs

The estimated costs of integrating both acquisitions are approximately £2.3 million, which will be treated as an exceptional item in 2012.

39 Principal subsidiaries

	Principal Activity
Johnsons Apparelmaster Limited *	Textile Rental and Specialist Linen Rental (Stalbridge)
Johnson Cleaners UK Limited *	Drycleaning
Jeeves of Belgravia Limited	Drycleaning
Jeeves International Limited *	Drycleaning Franchises
Alex Reid Limited	Clothes Care Supplies
SGP Property & Facilities Management Limited *	Facilities Management
Barnhill School Services Limited *	Facilities Management
Balfron Schools Services Limited *#	Facilities Management
Cardinal Heenan School Services Limited *	Facilities Management
Colfox School Services Limited *	Facilities Management
Dundee Healthcare Services Limited *#	Facilities Management
East Ren Schools Services Limited *#	Facilities Management
Johnson Group Properties PLC	Property
Johnson Investment Limited	Holding Company
Semara Estates Limited *	Property

Johnson Service Group PLC owns directly or indirectly the entire share capital of each of these companies. The share capital of the companies annotated * are held through intermediate holding companies. All companies above are incorporated in Great Britain and registered in England apart from those annotated # which are registered in Scotland.

A full list of subsidiary undertakings will be annexed to the next Annual Return of Johnson Service Group PLC to be filed with the Registrar of Companies.

Financial Calendar and Five Year Record

Financial Calender

Results for the year	Announced in March 2012
Results for the half year	Announced in September 2012

Annual General Meeting	To be held on 3rd May 2012
Dividend payment dates	
Proposed Final 2011	18th May 2012
Interim 2012	November 2012

Five Year Record

	2011	2010	2009	2008	2007
Revenue (£m)	242.3	235.1	236.4	252.3	305.2
Revenue excluding costs recharged to customers (£m)	233.5	227.4	229.3	242.6	264.1
Operating profit/(loss) (£m)	17.5	8.0	26.3	5.0	(33.3)
Adjusted operating profit (£m)	18.5	18.3	17.5	16.9	17.2
Profit/(loss) before taxation (£m)	13.7	4.2	20.6	(6.8)	(47.6)
Adjusted profit before taxation (£m)	15.0	14.5	12.2	6.0	6.3
Basic earnings per share (pence)	4.1	1.3	6.1	(3.4)	(65.0)
Fully diluted adjusted earnings per share (pence)	4.2	4.1	3.4	2.8	3.4
Dividend per ordinary share (pence)	1.00	0.82	0.75	–	–
Dividend increase year on year (%)	22.0	9.3	–	–	–

All figures are from continuing operations.

Adjusted operating profit excludes goodwill or intangibles amortisation and impairment (excluding software amortisation), exceptional items and, in the case of adjusted profit before taxation, exceptional finance costs.

Adjusted earnings per share figures are given on a fully diluted basis and exclude the effects of goodwill or intangibles amortisation and impairment (excluding software amortisation), exceptional items and exceptional finance costs.

Notice of Annual General Meeting

Company Number: 00523335

This Document is important and requires your immediate attention. If you are in any doubt as to any aspect of the contents of this Document or the action you should take you are recommended to immediately consult your stockbroker, solicitor, accountant or other independent adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if you reside elsewhere, another appropriately authorised financial adviser.

If you have sold or otherwise transferred all of your shares in Johnson Service Group PLC ('JSG' or the 'Company'), please pass this document together with the accompanying proxy form as soon as possible to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

NOTICE is hereby given that the Annual General Meeting of Johnson Service Group PLC will be held at The Park Royal Hotel, Stretton Road, Stretton, Warrington, Cheshire WA4 4NS on Thursday 3rd May 2012 at 11am to transact the business set out in the Resolutions below. Resolutions 1 to 7 (inclusive) will be proposed as Ordinary Resolutions and Resolutions 8 to 9 (inclusive) will be proposed as Special Resolutions.

The business of the meeting will be:

Ordinary Business

To consider and, if thought fit, pass the following resolutions which will be proposed as Ordinary Resolutions:

1 To receive and adopt the financial statements for the year ended 31st December 2011 together with the reports of the Directors and the Auditors on those financial statements.

2 To approve the Board Report on Remuneration as set out on pages 32 to 40 of the 2011 Annual Report.

3 To confirm the payment of the interim dividend of 0.33 pence per Ordinary Share and to declare a final dividend of 0.67 pence per Ordinary Share for the year ended 31st December 2011.

4 To re-elect:
4(a) Mr. J. Talbot;
4(b) Mrs. Y. Monaghan;
4(c) Mr. K. Elliott;
4(d) Mr. P. Ogle;
4(e) Mr. C. Sander;
4(f) Mr. M. Del Mar;
4(g) Mr. P. Moody; and
4(h) Mr. W. Shannon

who all retire in accordance with Section B.7.1 of the UK Corporate Governance Code and whom, being eligible, offer themselves for re-election as a Director.

5 To re-appoint PricewaterhouseCoopers LLP as Auditor to the Company until the conclusion of the next general meeting at which accounts are laid before the Company.

6 To authorise the Audit Committee to determine the remuneration of the Auditor.

Special Business

7 To consider and, if thought fit, pass the following resolution which will be proposed as an Ordinary Resolution:

"That, in substitution for all existing and unexercised authorities and powers, the Directors of the Company be and they are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 to exercise all powers of the Company to allot equity securities (as defined in section 560 of the Companies Act 2006) ("Equity Securities") to such persons at such times and on such terms and conditions as the Directors may determine and subject always to the Articles of Association, provided that the aggregate of the nominal amount of such Equity Securities that may be allotted under this authority shall not exceed £10,801,569.

This authority shall, unless previously renewed, varied or revoked by the Company in general meeting, expire at the conclusion of the next Annual General Meeting of the Company to be held after the passing of this Resolution or, if earlier, on 1st July 2013, 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)."

8 To consider and, if thought fit, pass the following resolution which will be proposed as a Special Resolution:

"That, subject to and conditional upon the passing of the Ordinary Resolution numbered 7 in this notice of Annual General Meeting of the Company and in substitution for all existing and unexercised authorities and powers, the Directors of the Company be and are hereby generally and unconditionally empowered pursuant to section 570 of the Companies Act 2006 to allot Equity Securities pursuant to the authority conferred upon them by Ordinary Resolution numbered 7 in this notice of Annual General Meeting of the Company as if section 561 of the Companies Act 2006 did not apply to any such allotment of Equity Securities, provided that this power shall be limited to:

(i) the allotment of Equity Securities in connection with a rights issue or similar offer to or in favour of ordinary shareholders where the Equity Securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as may be) to the respective numbers of shares held by them on that date provided that the Directors of the Company may make such exclusions or other arrangements to deal with any legal or practical problems under the laws of any territory or the requirement of any regulatory body or any stock exchange or with fractional entitlements as they consider necessary or expedient; and

(ii) the allotment (otherwise than pursuant to sub paragraph (i) above) of Equity Securities pursuant to the authority granted under Ordinary Resolution 7 in this notice of Annual General Meeting up to an aggregate nominal amount of £1,272,476 (representing approximately 5% of the Company's share capital as at 6th March 2012).

This power shall expire at the conclusion of the next Annual General Meeting of the Company to be held after the passing of this Resolution or, if earlier, on 1st July 2013, unless previously renewed, varied or revoked by the Company in general meeting, save that the Company may before such expiry make any offer or enter into any agreement which would or might require Equity Securities to be allotted after such expiry and the Directors of the Company may allot Equity Securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired. All previous authorities under Section 571 of the Companies Act 2006 shall cease to have effect at the conclusion of the Annual General Meeting."

9 To consider and, if thought fit, pass the following resolution which will be proposed as a Special Resolution:

"That, in accordance with article 11 of the Articles of Association and in accordance with the Companies Act 2006, the Directors of the Company be and are hereby generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of Ordinary shares of 10 pence each in the capital of the Company ("Ordinary Shares") on such terms and in such manner as the Directors of the Company may from time to time determine, provided that:

i the maximum number of Ordinary Shares that may be purchased under this authority is 25,449,513;

ii the minimum price which may be paid for an Ordinary Share is 10p exclusive of attributable expenses payable by the Company (if any);

iii the maximum price which may be paid for an Ordinary Share is an amount equal to not more than 105% of the average of the middle market quotations for the Ordinary Shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made exclusive of attributable expenses payable by the Company (if any).

The authority hereby conferred shall, unless previously revoked or varied, expire at the conclusion of the next Annual General Meeting of the Company held after the passing of this Resolution or, if earlier, on 1st July 2013 save in relation to purchases of Ordinary Shares the contract for which was concluded before the expiry of this authority and which will or may be executed wholly or partly after such expiry, where the Company may make a purchase of Ordinary Shares in pursuance of any such contract.

All previous unutilised authorities for the Company to make market purchases of Ordinary shares are revoked, except in relation to the purchase of shares under a contract or contracts concluded before the date of this resolution and where such purchase has not yet been executed."

All Shareholders will find enclosed with this document a form of proxy to be used in connection with the Annual General Meeting. A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and to speak and vote in his stead. The proxy need not be a member of the Company.

By Order of the Board

Yvonne Monaghan, Company Secretary

Abbots Park
Monks Way
Preston Brook
Cheshire WA7 3GH
7th March 2012

Notice of Annual General Meeting continued

Accompanying Notes

1. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint one or more persons as his/her proxy to exercise all or any of his/her rights to attend, speak and vote at the Annual General Meeting of the Company. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise rights attached to a different share or shares held by him/her. A proxy need not be a member of the Company. The form of proxy is enclosed. The form of proxy and power of attorney or other authority, if any, under which it is signed or a certified copy of such power of authority must be received by the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours prior to the commencement of the Annual General Meeting. Completion of the form will not prevent you from attending and voting at the meeting instead of the proxy, if you wish.

   To appoint more than one proxy, additional proxy forms may be obtained by contacting the Registrars or you may photocopy the proxy form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned in the same envelope.

   In accordance with Section 325 of the Companies Act 2006, the right to appoint proxies does not apply to persons nominated to receive information rights under Section 146 of the Companies Act 2006. Persons nominated to receive information rights under Section 146 of the Companies Act 2006 who have been sent a copy of this notice of meeting are hereby informed, in accordance with Section 149 (2) of the Companies Act 2006, that they may have a right under an agreement with the registered member by whom they were nominated to be appointed, or to have someone else appointed, as a proxy for this meeting. If they have no such right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.

   In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate Shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that Shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate Shareholder attends the meeting but the corporate Shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.

   Corporate Shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk – for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

2 CREST members who wish to appoint a proxy or proxies by utilising the proxy voting service may do so for the meeting (and any adjournment thereof) by following the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members (and those CREST members who have appointed a voting service provider) should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.

   In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message (regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy) must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID "RA10") by the latest time(s) for receipt of proxy appointments specified in, or in a note to, the Notice of Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

   CREST members (and, where applicable, their CREST sponsors or voting service providers) should note that CREST does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members (and, where applicable, their CREST sponsors or voting service providers) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

   The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

3 The following documents will be available for inspection at the Registered Office of the Company during normal business hours on any business day (Saturdays, Sundays and public holidays excluded) from the date of this Notice until the close of the meeting and at the place of the meeting for 15 minutes prior to and during the meeting:

3.1 the Register of Directors' interests kept by the Company under Section 809 of the Companies Act 2006;

3.2 copies of all service contracts between the Directors and the Company together with other appropriate documentation; and

3.3 copies of the terms and conditions of appointment of the Non-Executive Directors.

4 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 as at 6.00pm on 1st May 2012, or in the event that the Meeting is adjourned, in the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend or vote at the Meeting in respect of the number of shares registered in their name at the relevant time. Changes to entries on the Register of Members after 6.00pm on 1st May 2012 or, in the event that the Meeting is adjourned, less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the Meeting.

5 As at 6th March 2012 (being the last business day prior to publication of this notice) the Company's issued share capital consists of 254,495,130 Ordinary Shares carrying one vote each. The total voting rights in the Company as at 6th March 2012 are, therefore, 254,495,130.

6 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.

7 Subject to the provisions of section 338 of the Companies Act 2006, members representing at least 5% of the total voting rights of all members (or at least 100 members who would have the right to vote at the meeting and who hold shares on which there has been paid an average sum per member of at least £100) may have the right to require the Company (i) to give, to members of the Company entitled to receive notice of the meeting, notice of a resolution which may properly be moved and is intended to be moved at the meeting and/or (ii) to include in the business to be dealt with at the meeting any matter (other than a proposed resolution) which may be properly included in the business. A resolution may properly be moved or a matter may properly be included in the business unless (a) (in the case of a resolution only) it would, if passed, be ineffective (whether by reason of inconsistency with any enactment or the Company's constitution or otherwise), (b) it is defamatory of any person, or (c) it is frivolous or vexatious.

   Such a request may be in hard copy form or in electronic form, must identify the resolution of which notice is to be given or the matter to be included in the business, must be authenticated by the person or persons making it, must be received by the Company not later than 6 weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

Explanatory Notes

The notes on the following pages give an explanation of the proposed resolutions.

Resolutions 1 to 7 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 8 and 9 are proposed as Special resolutions. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

Your Directors consider the passing of all of the Resolutions to be in the best interests of the Company and its Shareholders and accordingly recommend that you vote in favour of these Resolutions as they intend to do in respect of their own shareholdings.

Report and Accounts (Resolution 1)
The Directors of the Company must present the accounts to the AGM.

Directors' Remuneration Report (Resolution 2)
Although, as a company listed on AIM, there is no requirement for the Board Report on Remuneration to be approved by members, the Directors believe that it is best practice to do so. It is proposed, therefore, that the Board Report on Remuneration for the financial year ended 31st December 2011, as set out on pages 32 to 40 of the Company's Annual Report, be approved.

The Board Report on Remuneration contains, inter alia, details of the Directors who were members of the Remuneration Committee, a forward looking statement of the Company's policy on Directors' remuneration for subsequent financial years, a performance graph showing the Company's Total Shareholder Return compared with the return on the FTSE AIM All-Share Index, the FTSE Support Services Index and the FTSE Small Cap Index (excluding Investment Companies), details of the Directors' service contracts and specific disclosures relating to each Director's remuneration.

Declaration of a Dividend (Resolution 3)
A final dividend can only be paid after the Shareholders at a general meeting have approved it. A final dividend of 0.67 pence per Ordinary Share is recommended by the Directors for payment to Shareholders who are on the Register at the close of business on 20th April 2012. If approved, the date of payment of the final dividend will be 18th May 2012. An interim dividend of 0.33 pence per Ordinary share was paid on 11th November 2011.

Re-election of Directors (Resolutions 4(a) – 4(h) inclusive)
Under the Company's Articles of Association, and in line with the recommendations of the UK Corporate Governance Code (the "Code") for non-FTSE 350 companies, all Directors are required to retire and submit themselves for re-election every three years and all newly appointed Directors are required to retire and submit themselves for re-election at the first Annual General Meeting following their appointment. Notwithstanding the provisions of the Articles of Association, in the interests of good corporate governance, the Directors have resolved that, each year, all Directors will retire and offer themselves for re-election.

Biographical details of all the Directors are set out on pages 20 and 21 of the 2011 Annual Report and are also available for viewing on the Company's website (www.johnsonplc.com).

Reappointment of the Auditor (Resolution 5)
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 5, which is recommended by the Audit Committee, proposes the re-appointment of the Company's existing auditor, PricewaterhouseCoopers LLP.

Remuneration of the Auditor (Resolution 6)
This Resolution follows best practice in corporate governance by separately seeking authority for the Audit Committee to determine the auditors' remuneration.

Renewal of Directors' Authority to Allot Securities (Resolution 7)
The Company's Directors may only allot Ordinary Shares or grant rights over Ordinary Shares if authorised to do so by Shareholders. The authority granted at the last AGM under section 551 of the Companies Act 2006 to allot relevant securities is due to expire at the conclusion of this year's AGM. Accordingly, this resolution seeks to grant a new authority to authorise the Directors to allot shares in the Company or grant rights to subscribe for, or convert any security into, shares in the Company and will expire at the conclusion of the next AGM of the Company in 2013 or, if earlier, the close of business on 1st July 2013.

If passed, the authority will be limited to an aggregate nominal value of £10,801,569 of Ordinary Shares which represents approximately 42.4 per cent of the Ordinary share capital in issue at the date of this Notice. This limit comprises a number of Ordinary Shares equivalent to approximately one third of the Ordinary Shares in issue as at 6th March 2012 (being the latest practicable date prior to publication of this Notice) and a further number of Ordinary Shares set aside for issue on the exercise of outstanding share options.

The Directors have no present intention of exercising this authority. However, it is considered prudent to maintain the flexibility that this authority provides. The Company's Directors intend to renew this authority annually.

Renewal of Disapplication of Pre-emption Rights (Resolution 8)
Under section 561(1) of the Companies Act 2006, if the Directors wish to allot any of the unissued shares or grant rights over shares or sell treasury shares for cash (other than pursuant to an employee share scheme) they must in the first instance offer them to existing Shareholders in proportion to their holdings. There may be occasions, however, when the Directors will need the flexibility to finance business opportunities by the issue of shares without a pre-emptive offer to existing Shareholders. This cannot be done under the Companies Act 2006 unless the Shareholders have first waived their pre-emption rights.

Resolution 8 asks the Shareholders to do this and, apart from rights issues or any other pre-emptive offer concerning Equity Securities, the authority will be limited to the issue of shares for cash up to a maximum aggregate nominal value of £1,272,476 (which includes the sale on a non pre-emptive basis of any shares held in treasury), which is equivalent to approximately 5 per cent of the Company's issued Ordinary share capital as at 6th March 2012 (being the latest practicable date prior to publication of this Notice). The Company undertakes to restrict its use of this authority to a maximum of 7.5 per cent of the Company's issued Ordinary share capital in any three year period. Shareholders will note that this resolution also relates to treasury shares and will be proposed as a special resolution.

This resolution seeks a disapplication of the pre-emption rights on a rights issue so as to allow the Directors to make exclusions or such other arrangements as may be appropriate to resolve legal or practical problems which, for example, might arise with overseas Shareholders. If renewed, the authority will expire at the conclusion of the next AGM of the Company in 2013 or, if earlier, the close of business on 1st July 2013. The Company's Directors intend to renew this authority annually.

Renewal of Company's authority to purchase Ordinary Shares (Resolution 9)
In certain circumstances it may be advantageous for the Company to purchase its own shares and Resolution 9 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 25,449,513 of its Ordinary Shares at the AGM held on 5th May 2011 (being equal to approximately 10 per cent of the Company's issued Ordinary share capital as at 8th March 2011, the latest practicable date prior to the publication of the notice for the AGM held on 5th May 2011). 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 25,001,191 Ordinary Shares, representing approximately 10 per cent of the Company's issued Ordinary share capital as at the 6th March 2012, being the latest practicable date prior to the publication of this Notice.

Renewing the authority for the Company to purchase Ordinary Shares in the market is intended to allow your Board to take advantage of opportunities that may arise to increase Shareholder value. The Directors will exercise this power only when, in the light of market conditions prevailing at the time, they believe that the effect of such purchases will be to increase earnings per share and will be likely to promote the success of the Company for the benefit of its members as a whole. Other investment opportunities, appropriate gearing levels and the overall position of the Company will be taken into account when exercising this authority. The price paid for shares will not be less than the nominal value of 10p per share nor more than 5% above the average of the middle-market quotation of the Company's Ordinary Shares as derived from the London Stock Exchange Daily Official List for the five business days immediately proceeding the day on which the shares are purchased.

The Company may hold in treasury any of its own shares that it purchases pursuant to the Companies Act 2006 and the authority conferred by this resolution. This gives the Company the ability to reissue treasury shares quickly and cost-effectively and provides the Company with greater flexibility in the management of its capital base. It also gives the Company the opportunity to satisfy employee share scheme awards with treasury shares. The total number of options to subscribe for Ordinary Shares that were outstanding at 6th March 2012 (being the latest practicable date prior to publication of this Notice) was 25,724,760. The proportion of issued share capital that they represented at that time was 10.1 per cent and the proportion of issued share capital that they will represent if the full authority to purchase shares (existing and being sought) is used is 11.2 per cent. Once held in treasury, the Company is not entitled to exercise any rights, including the right to attend and vote at meetings in respect of shares. Further, no dividend or other distribution of the Company's assets may be made to the Company in respect of the treasury shares.

The Directors have no present intention of purchasing Ordinary Shares in the market. The authority given under this Resolution will lapse, unless renewed, at the conclusion of the next Annual General Meeting of the Company, or, if earlier, 1st July 2013. It is the present intention of the Directors to seek renewal of this authority annually.

Directors and Advisors

Directors

John Andrew Talbot FCA
Executive Chairman
Chairman of Nomination Committee

Yvonne May Monaghan BSc (Hons), FCA
Finance Director

Kevin Paul Elliott CIPS
Managing Director of the Facilities Management Division

Paul Derek Ogle FIOD
Managing Director of the Drycleaning Division
Director responsible for Health, Safety and the Environment

Christopher Sander
Managing Director of the Textile Rental Division

Michael Bernard Del Mar
Non-Executive Senior Independent Director
Chairman of Remuneration Committee
Member of Nomination Committee
Member of Audit Committee

Paul Stephen Moody
Non-Executive
Member of Remuneration Committee
Member of Nomination Committee
Member of Audit Committee

William Mervyn Frew Carey Shannon CA
Non-Executive
Member of Remuneration Committee
Member of Nomination Committee
Chairman of Audit Committee

Company Secretary

Yvonne May Monaghan BSc (Hons), FCA

Group Financial Controller

Timothy James Morris BA (Hons), ACA

Registered Office

Johnson House, Abbots Park
Monks Way, Preston Brook
Cheshire WA7 3GH

Advisors

Nominated Advisor, Financial Advisor and Stockbrokers

Investec Investment Banking
2 Gresham Street, London EC2V 7QP

Bankers

Lloyds TSB Bank plc
40 Spring Gardens, Manchester M2 1EN

The Royal Bank of Scotland plc
10th Floor, The Plaza, 100 Old Hall Street, Liverpool L3 9QJ

Santander Corporate Banking
298 Deansgate, Manchester M3 4HH

Lawyers

Beachcroft LLP,
7 Park Square East, Leeds LS1 2LW

Hill Dickinson LLP
No1 St Paul's Square, Liverpool L3 9SJ

Registrar and Transfer Office

Capita Registrars
The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
101 Barbirolli Square, Lower Mosley Street, Manchester M2 3PW

Electronic Communications

The Company offers Shareholders the opportunity to receive communications such as notices of Shareholder meetings and the annual report and accounts electronically. The Company encourages the use of electronic communication as, not only does it save the Company printing and mailing costs, it is also a more convenient and prompt method of communication.

If you decide to receive communications electronically, you will be sent an email message each time a new Shareholder report or notice of meeting is published. The email will contain links to the appropriate website where documents can be viewed. It is possible to change your instruction at any time by amending your details on the register.

If you would like to receive electronic communications, you will need to register your email address by accessing the Shareholder Services page within the Investor Relations section of the Company's website at www.johnsonplc.com.

This will link you to the service offered by the Company's Registrar. If you decide not to register an email address with the Registrar, you will continue to receive all communications in hard copy form.

Those Shareholders who are CREST members and who wish to appoint a proxy or proxies utilising the proxy voting service please refer to Note 2 of the Notice of Annual General Meeting.

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johnsonplc.com

If you have any queries regarding electronic communications, please contact the Company's registrar, Capita Registrars, on 0871 664 0300 (calls cost 10p per minute plus network extras, lines are open 8.30am-5.30pm Mon-Fri).

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