Annual Report 2013 and Accounts

JOHNSON
SERVICE GROUP PLC

THE ESTABLISHED NAME IN THE TEXTILE RENTAL AND DRYCLEANING SECTORS

Cover artwork by Ines Szamrey www.iszamrey.com

CONTENTS

STRATEGIC REPORT

02	Group Overview and Highlights
04	Chairman's Statement
06	Strategic Review
	Operating Review
12	Financial Review
14	Corporate Social Responsibility Statement
16	Principal Risks and Uncertainties

CORPORATE GOVERNANCE

18	Board of Directors
19	Directors' Report
21	Directors' Responsibilities Statement
22	Corporate Governance Report
27	Audit Committee Report
32	Nomination Committee Report
33	Board Report on Remuneration

GROUP FINANCIAL STATEMENTS

42	Consolidated Independent Auditors' Report
46	Consolidated Income Statement
47	Consolidated Statement of Comprehensive Income
47	Consolidated Statement of Changes in Shareholders' Equity
48	Consolidated Balance Sheet
49	Consolidated Statement of Cash Flows
50	Statement of Significant Accounting Policies
58	Notes to the Consolidated Financial Statements

COMPANY FINANCIAL STATEMENTS

90	Company Independent Auditors' Report
92	Company Balance Sheet
93	Company Statement of Comprehensive Income
93	Company Statement of Changes in Shareholders' Equity
94	Company Statement of Cash Flows
95	Company Statement of Significant Accounting Policies
96	Notes to the Company Financial Statements

SHAREHOLDER INFORMATION

103	Financial Calendar
104	Notice of Annual General Meeting
108	Directors and Advisors

Group Overview and Highlights

Textile Rental

THE UK'S NO1 WORKWEAR PROVIDER AND PREMIUM LINEN SERVICE.

Johnsons Apparelmaster

The UK's market leading workwear, protective wear and workplace hygiene services provider with over 43,000 UK-based customers operating across a wide cross-section of industries.

Stalbridge Linen Services

Providing premium linen to the hotel, catering and corporate hospitality markets.

43,000

Over 43,000 UK-based customers operating in a wide cross-section of industries, from multiple-site multinationals to small local businesses

1million

Apparelmaster currently clothe over 1 million people a week

Drycleaning

THE NATION'S NO1 DRYCLEANER BY VOLUME AND VALUE ACROSS THE UK.

Johnson Cleaners

The UK's number one drycleaner with a network of conveniently located branches 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.

330

Britain's largest retail drycleaner with over 330 branches across the United Kingdom

45 Years

Established in 1969, Jeeves is today the garment care specialist of choice

Financial Highlights

STRONG PERFORMANCE IN A CHALLENGING ENVIRONMENT.

17.0m

Adjusted operating profit[1] increased to £17.0m (2012: £15.3m)

13.4m

Adjusted profit before tax[1] increased to £13.4m (2012: £10.7m)

3.6m

Finance costs reduced to £3.6m (2012: £4.6m)

24.5m

Reduction in net debt to £24.5m (2012: £58.5m)

3.8p

Adjusted fully diluted earnings per share from continuing operations of 3.8p (2012: 3.4p)

1.21p

Final proposed dividend of 0.81p making full year 1.21p (2012: 1.10p)

[1] Before intangible amortisation and impairment (excluding software amortisation) and exceptional items

Chairman's Statement

John Talbot

BUILDING ON OUR SIGNIFICANT PROGRESS

I am pleased to report that the Group has delivered a strong result for the year building on the significant progress made in the first half.

During the year we have completed the disposal of the Facilities Management (FM) division thereby refocusing the Group on our original core business of Textile Services. In line with this strategy we have separately announced the acquisition of Bourne Services Group Limited.

Given the encouraging performance of the Group we are proposing a final dividend of 0.81 pence (2012: 0.74 pence) per share, making a total dividend for the full year of 1.21 pence (2012: 1.10 pence), an increase of 10%, which indicates our confidence in the future.

Group Results

Total continuing revenue for the year reduced slightly to £193.6 million (2012: £198.7 million) with the impact of a reduced number of drycleaning branches being only partly offset by an increase in revenue from Textile Rental. Adjusted operating profit increased by 11.1% to £17.0 million (2012: £15.3 million). The key drivers of this performance are explained more fully in the Operating Review.

Finance costs in 2013 were £3.6 million (2012: £4.6 million) with the benefit of the lower margin and, in the second half of the year, lower average borrowings following the disposal of the FM division.

Adjusted profit before the tax increased by 25.2% to £13.4 million (2012: £10.7 million).

Intangibles amortisation and impairment (excluding software amortisation) for the year was £0.6 million (2012: £0.5 million) whilst net exceptional items from continuing operations for the year amounted to a charge of £0.6 million (2012: £25.5 million). Exceptional items comprised a £1.2 million charge in respect of the final part of the restructuring of the Drycleaning business which commenced in 2012 and a £0.6 million credit in relation to further exercises to reduce the quantum and risk relating to the Group's defined benefit pension schemes.

Continuing profit before tax amounted to £12.2 million (2012: £15.3 million loss).

The tax charge on the adjusted profit before tax was at a rate of 22.6% (2012: 20.7%) with both years benefitting from prior year tax credits although offset to a large extent in 2013 by the impact of reducing tax rates on deferred tax assets. After the intangibles amortisation and impairment (excluding software amortisation) and exceptional items noted above, the post-tax profit from continuing operations was £9.8 million (2012: £11.7 million loss).

Adjusted fully diluted earnings per share from continuing operations were up 11.8% to 3.8p (2012: 3.4p). Continuing fully diluted earnings per share after exceptional items were 3.6p (2012: 4.6p loss).

Dividend

The Board is recommending a final dividend of 0.81p per share (2012: 0.74p), making a total dividend in respect of 2013 of 1.21p per share (2012: 1.10p), an increase of 10%. The dividend increase is reflective of the improvement in underlying adjusted profit before tax and the cash requirements for future expansion.

The proposed final dividend, if approved by Shareholders, will be paid on 16th May 2014 to Shareholders on the register at close of business on 22nd April 2014. The ex dividend date is 16th April 2014.

Finances

Total net debt at the end of 2013 was £24.5 million (December 2012: £58.5 million), with much of the reduction being as a result of the disposal of the FM division in August 2013.

Part of the fleet of 36 fully owned vehicles, acquired with Bourne Services Group Limited

Interest cover based on continuing adjusted operating profit was 4.7 times (2012: 3.3 times).

A new bank facility was signed in February 2014 for £60.0 million and runs to May 2018. In addition to the £60.0 million Revolving Credit Facility (RCF), including overdraft, an additional 364 day short term facility has been agreed for £10.0 million.

Our interest cost in 2014 is protected from increases in LIBOR rates through the use of interest rate hedges. £20.0 million of the bank loan has been hedged so that LIBOR is substituted for a fixed rate of 1.79% for three years from January 2013, with the balance of bank debt incurring interest linked to LIBOR. The margin over LIBOR applicable to the full facility was, on average, 2.6% for 2013 and will reduce further in 2014 with a fixed margin of 1.5% on the £10.0 million 364 day facility and an initial margin of 2.0% on the remaining facility.

Disposal of FM Division

The disposal of the Group's FM division was completed on 7th August 2013 for consideration of £32.2 million on a debt free, cash free basis and subject to adjustments for normalised working capital. After the adjustments and transaction costs total net proceeds of £26.7 million were received in 2013 with up to a further £2.2 million of deferred and contingent consideration potentially receivable. The loss on disposal amounted to £7.9 million net of taxation and is reported within Discontinued Operations.

Acquisition and Fund Raising

We have announced the acquisition of Bourne Services Group Limited, a hotel linen supplier, for £22.0 million, debt free, cash free and subject to normalised working capital. This acquisition has been part funded by the £12.8 million net proceeds from an equity placing, with the balance being funded from bank debt.

On a pro-forma basis net debt would have increased from the reported £24.5 million as at 31st December 2013 to £34.0 million following the acquisition and the placing. The acquisition and placing taken together are expected to be immediately earnings enhancing.

Pension

The recorded net deficit after tax for all post retirement benefit obligations has reduced to £3.4 million from £14.0 million at December 2012 due to a combination of the impact of an out performance of returns on scheme assets, the impact of transferring assets and liabilities of the original three defined benefit schemes into one new scheme together with a small increase in the discount rate applied to liabilities.

As a result of the actions taken during 2013 we have removed a further £5.1 million of liabilities from the scheme.

Deficit recovery payments directly to the schemes amounted to £1.9 million in 2013 and are expected to be £2.1 million in 2014 although this is subject to review when the results of the triennial valuation, as at 5th October 2013, are finalised in the next few months.

The notional interest charge, which is non-cash, amounted to £0.8 million in 2013. The charge for 2014 is dependant upon the level of the accounting deficit at 31st December 2013, and therefore will reduce to £0.2 million for 2014.

Board Changes

This is my last Chairman's Statement before I retire from the Board on 1st May 2014. The Group is now in a strong financial position and is moving to a more conventional Board structure going forward.

I am delighted that Paul Moody will succeed me in the new role of Non Executive Chairman and I am sure that, under Paul's Chairmanship, the Group will continue to go from strength to strength.

As previously announced, Chris Sander was appointed as Chief Executive Officer from 3rd January 2014.

I leave the Group with a strong executive management team who are well able to take advantage of the exciting times ahead.

Staff

I would like to thank all employees in every part of the Group for their continuing commitment and dedication to delivering service beyond our customers' expectations.

Outlook

The current year has started very positively and I am delighted with the acquisition of the Bourne Linen business. This is a significant step in our plan to expand the range of services offered by our Textile Rental business.

One of the things that I have enjoyed most about my role within the Group is the commitment of all of our businesses and staff to deliver outstanding service to our customers and much of capital investment is targeted to ensure that our service continues to be second to none.

The Board is extremely pleased with the results for 2013 and we are confident that the Group will continue to deliver on its strategy for 2014.

John Talbot
Executive Chairman
3rd March 2014

Strategic Review

THE ESTABLISHED NAME IN THE TEXTILE RENTAL AND DRYCLEANING SECTORS

During the year, the UK Government issued new guidelines requiring all companies to produce a strategic report, which must cover such matters as the Group's development and performance in the year and its position at the year end.

The Group Overview and Highlights, the Chairman's Statement, the Strategic Review, the Operating Review, the Financial Review, the Corporate Social Responsibility Statement and the Principal Risks and Uncertainties together comprise the Group's Strategic Report. As the Group is among the first to report under the new rules, which were only published in the latter part of the financial year hence much of the guidance is still under development, we expect these disclosures to develop as time goes on and welcome any comments.

Principal Activities and Business Overview

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

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

Textile Rental: Provision and laundering of workwear, roller towels, corporate apparel, dust mats, premium linen for the hotel, catering and hospitality markets, and direct sale of associated products. Throughout this Annual Report and Accounts, these services are collectively referred to as 'textile rental'.

Drycleaning: Provision of retail and commercial drycleaning and other associated support services.

Mission:

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

Vision:

Achieve and maintain market leadership in all sectors in which we have a major focus.

Values:

- To behave, and to be recognised, as a good citizen in the communities in which our businesses operate.
- To believe in the talents and energy of those who work in our businesses, to encourage them wherever possible to take responsibility and to give them the power to follow through on the decisions they take.

Our Business Model

For some time now, the Board's strategy has been to refocus the Group on our original core business of Textile Services, as well as to reduce net debt. The disposal of the Facilities Management division in August 2013 represented a major step in achieving this goal.

The Group's business model, which supports this strategy and aims to increase both profitability and shareholder value, focuses on delivering exceptional customer service across all of our businesses in order to improve customer satisfaction and loyalty, and in turn cementing the Group as No.1 in the markets in which we operate.

Key to this is our biggest asset, our employees, who are the face of our business. The investment we make in the training and development of our employees supports our business model and we seek the views and opinions of employees, at all levels, to continuously develop the way we operate such that we support our people and the operations of the Group.

In addition to pursuing organic growth across the Group we continue to actively pursue strategic acquisition opportunities within the Textile Rental arena to identify businesses which broaden our services and add value for Shareholders.

Key Performance Indicators (KPIs)

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

Strategic Report Approval

The Strategic Report, outlined on pages 2 to 17, incorporates the Group Overview and Highlights, the Chairman's Statement, the Strategic Review, the Operating Review, the Financial Review, the Corporate Social Responsibility Statement and the Principal Risks and Uncertainties, and has been approved by the Board.

By order of the Board

Tim Morris
Company Secretary
3rd March 2014

Targets

TO BE NO.1
IN THE MARKETS WE SERVE

TO IMPROVE
OUR EMPLOYEE SURVEY SCORE YEAR ON YEAR

TO IMPROVE
OUR CUSTOMER SURVEY SCORE YEAR ON YEAR

TO INCREASE
OUR PROFITABILITY AND DELIVER INCREASED SHAREHOLDER VALUE YEAR ON YEAR

Operating Review

Chris Sander

2013 HAS SEEN SOME SIGNIFICANT ACHIEVEMENTS

Within Textile Services are two business segments, Textile Rental, which is the largest business, and Drycleaning.

Textile Rental

The Textile Rental business performed very strongly in what is a highly competitive market environment.

As a business it 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 increased by £1.8 million to £136.2 million (2012: £134.4 million). This includes a full year benefit from the 2012 acquisition and the previously reported business decision to give notice to its largest catering customer, which reduced revenue by some £3.0 million in year (£4.2 million on an annualised basis). Adjusted operating profit increased by 6.8% to £18.9 million (2012: £17.7 million) with margins increasing from 13.2% to 13.9%.

Despite strong price competition throughout the year the Textile Rental business achieved improved levels of both sales to new customers and additional sales to the existing customer portfolio. Stalbridge achieved particularly strong new sales growth with much of the revenue relating to the termination of the largest catering customer replaced by the end of the year.

At the start of the year we set out our strategy for the Textile Rental business and this has been implemented successfully. The Apparelmaster business has focused on enhancing service delivery but also achieving further operational efficiencies. Stalbridge was tasked with focusing on providing a premium linen service with reduced throughput for customers requiring low margin work. Both businesses achieved improvements in their respective supply chains.

The Cannon acquisition, completed in March 2012, was fully integrated in the first half of the year although further benefits are being realised from improving the efficiency from the investments made in new plant and equipment in 2012 to support the acquisition. Following a year of higher investment in 2012 Apparelmaster reduced its capital investment programme in 2013. The level of investment in 2014 will increase as Apparelmaster plan to increase food garment processing capacity over the next 12 months.

Textile Rental stocks represent a significant investment for the business. Spend on such stock amounted to £19.1 million (2012: £21.0 million) and included replacement new stock for three of the top five customers on contract renewal.

Continued focus has been given to energy management processes, including proactive investment in energy saving capital equipment. Over the last two years, the reduction in the amount of energy used per kilogram of garments processed has more than offset the energy unit price increases suffered in the market.

Highlights

136.2m

Textile Rental revenue
Increased from £134.4m in 2012

18.9m

Textile Rental adjusted operating profit
Increased from £17.7m in 2012

57.4m

Drycleaning revenue
Decreased from £64.3m in 2012

1.6m

Drycleaning adjusted operating profit
Increased from £1.3m in 2012

Drycleaning

Our Drycleaning business operates across the UK through the highly recognised brands of Johnson Cleaners, our national retail drycleaning business, and Jeeves of Belgravia, our London-based luxury drycleaning business.

Having successfully executed a large scale restructuring programme in 2012, our Drycleaning business has made very positive progress in 2013.

At the close of the year there were 334 branches trading, compared to 351 in December 2012. Revenue was down to £57.4 million from the reduced portfolio (2012: £64.3 million) but adjusted operating profit improved significantly to £1.6 million (2012: £1.3 million).

The increase in adjusted operating profit was driven by a like for like sales growth of 2.5% across the estate, which represents a second successive year of positive like for like sales performance.

2013 saw some significant achievements for our Johnson Cleaners business with three major projects being completed:

Evolution, our store refurbishment programme, was delivered ahead of schedule, and upon completion provided the business with a fully rebranded green estate;

the rollout of the GreenEarth® cleaning programme was also completed ahead of schedule, thereby creating a fully environmentally friendly processing capability with the significant USP of GreenEarth® across the entirety of the portfolio; and

the completion of the above two major projects created the platform for a multi media advertising campaign which ran throughout October across TV, press, digital media and in store. The campaign achieved its desired objectives of customer growth, and increased brand awareness in our market place.

Having restructured the business and invested in both the physical portfolio and through the advertising campaign, Johnson Cleaners now has a platform upon which to provide further growth in future years in the drycleaning and laundry markets.

Chris Sander
Chief Executive Officer
3rd March 2014

Operating Review

GreenEarth® Cleaning

A BREAKTHROUGH FOR THE DRYCLEANING INDUSTRY

GreenEarth® is the solution the industry has been waiting for. 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.

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. 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.

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 (SiO2) 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.

Johnson Service Group has now installed GreenEarth® Cleaning systems in 100% of its drycleaning processing estate. 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 have converted to GreenEarth® cleaning.

The Benefits

CLEANING, PRODUCTION AND COST BENEFITS

PRODUCTIVITY AND EFFICIENCY, LOWER UTILITY COSTS/ CARBON FOOTPRINT.

COMPOSITION AND PROPERTIES

MODIFIED LIQUID SILICONE. CHEMICALLY INERT, CLEAR, ODORLESS LIQUID.

ENVIRONMENTAL AND SAFETY BENEFITS

NON TOXIC, NON IRRITANT TO SKIN, NON-SENSITIVE.

Financial Review

Yvonne Monaghan

ADJUSTED OPERATING PROFIT INCREASED 11.1% TO £17.0M

The Textile Rental business had a very successful year, increasing both revenue and adjusted operating profit. The Drycleaning business has continued to make progress with improved profitability from a reduced number of branches.

Overview

Details of the segmental results are given in note 1 on pages 58 to 60.

The sale of the Facilities Management (FM) division in August 2013 refocused the Group on Textile Services and reduced net debt to increase capacity for future expansion in Textile Rental.

The results of the FM division up to the date of disposal, along with the loss on disposal, have been recognised within discontinued operations, with 2012 results being restated accordingly.

The net exceptional cost of £0.6 million (2012: £25.5 million) comprises a £1.2 million charge in respect of the final cost of the restructuring of the Drycleaning business commenced in 2012 and a £0.6 million credit in relation to the actions taken on the defined benefit pension schemes.

Total finance costs, including notional interest on post employment benefits, was £3.6 million compared to £4.6 million in 2012 (as restated). Within this cost, finance costs in respect of bank borrowings, including normal facility fees and finance leases, amounted to £2.8 million (2012: £3.5 million), a significant reduction largely due to the reduction in borrowings following the disposal of the FM division.

Under the requirements of IAS19(R) notional interest is quantified in order to reflect the value of assets and liabilities of post employment benefits. The net of the interest income 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 post employment benefits. The notional interest is therefore highly dependant on the value of assets and liabilities at the previous year end and, as such, is subject to significant movements. The 2012 charge has been restated to reflect the IAS19(R) rule changes that were effective from 1st January 2013, such that the rate of return on assets is assumed to be equal to the discount rate applied to liabilities. As a result, for any defined benefit scheme which has a deficit the resultant notional interest will always be a charge. Under the revised standard, the revised charge for 2012 was £1.1 million, compared to a charge of £0.8 million in 2013. This is a non-cash charge and does not impact on scheme funding. The anticipated notional interest charge for 2014 is £0.2 million and reflects the significant reduction in the scheme deficit as at December 2013.

Taxation

The effective continuing tax rate excluding exceptional items and intangible amortisation and impairment (excluding software amortisation) was 22.6% (2012: 20.7%) and below the standard tax rate of 23.25% (2012: 24.5%) largely due to tax credits in relation to previous years.

The net continuing tax credit on intangible amortisation and impairment (excluding software amortisation) is £0.1 million (2012: £0.1 million credit) on the exceptional items was £0.2 million (2012: £5.7 million credit) and £0.3 million credit

"2013 CASH FLOW REFLECTS THE PROFITABILITY OF THE GROUP TOGETHER WITH STRONG WORKING CAPITAL MANAGEMENT"

13.4m

Adjusted profit before tax
Increased from £10.7m in 2012

3.8p

Adjusted fully diluted earnings per share
Increased from 3.4p in 2012

24.5m

Net debt
Reduced from £58.5m in 2012

(2012: £nil) relating to prior year taxation adjustments relating to exceptional items charged in 2012.

Dividend

Following on from the interim dividend of 0.40 pence per share (2012: 0.36 pence) a final dividend of 0.81 pence per share (2012: 0.74 pence) has been declared totalling 1.21 pence (2012: 1.10 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 3.1 times.

The cash cost of the full year dividend is £3.4 million, of which £1.0 million was paid in November 2013 in relation to the interim dividend.

Capital Expenditure

Total capital expenditure on property, plant and equipment and software totalled £5.0 million (2012: £5.4 million). Capital spend in the Drycleaning business has reduced as the shop refurbishment programme nears completion. Expenditure on the Textile Rental business was also lower ahead of a major investment in additional processing capacity planned for 2014.

Rental stock additions decreased from £21.4 million in 2012 to £19.5 million in 2013, reflective of advanced purchases in relation to new business wins together with the renewal of contracts with some of our major customers in the early part of 2013.

Cash Flow

Net cash flow generated from operating activities was £32.3 million (2012: £23.3 million). 2013 cash flow reflects the profitability of the Group together with strong working capital management.

The net cash receipt from the sale of the FM division significantly reduced net debt and gearing. Net debt reduced to £24.5 million (December 2012: £58.5 million). The acquisition of Bourne Services Group Limited together with the equity placing announced on 3rd March 2014 would have increased net debt to £34.0 million on a pro-forma basis.

Bank Facilities

The Group's bank facilities, which were due to expire in May 2015 have been replaced since the year end. The new facility comprises a Revolving Credit Facility (RCF) of £60.0 million running to May 2018 and a further £10.0 million RCF running to February 2015.

The new facilities now in place gives significant headroom both in terms of covenant compliance and availability to allow further investment to be made in the Textile Rental business.

Hedging arrangements over £20.0 million of the facility remain in place such that LIBOR is replaced by 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 from time to time. Interest charges include an average margin of 2.6%, for both 2012 and 2013. The margin is subject to a quarterly covenant test and is dependant upon the gearing ratio at quarter ends, and was initially 2.5% for the first two months of 2014. The initial blended margin of 1.93% under the new bank facility will be first tested at the half year.

The bank covenants within the facility agreement measure interest cover and gearing ratios and contain some restrictions on pension fund deficit recovery payments.

Defined Benefit Pension Scheme Liabilities

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

We are particularly pleased by the significant reduction in the gross deficit on the defined benefit pension scheme from £16.8 million to £3.0 million. This reduction is reflective of the various actions taken over the last few years.

The main action taken in 2013 was the merger of the Group's existing three schemes into one new scheme, and this was completed with effect from 6th April 2013. Existing pension obligations have been replicated within the new scheme and we are in the process of winding up the three original schemes which, when completed, will reduce future administration and asset management costs.

This exercise resulted in the payment of wind up lump sums to over 400 individuals and reduced net liabilities by £1.2 million.

Deficit recovery payments, or equivalent payments, of £1.9 million, in order to reduce the Schemes' deficit, were paid during 2013. Total deficit recovery payments, or equivalent payments, in respect of all defined benefit schemes are currently scheduled to amount to £2.1 million in 2014, although this may change following finalisation of the first valuation of the new Scheme by the Actuary. It is not expected that the deficit recovery payment will increase significantly.

Balance Sheet

Net assets of the Group have increased to £70.5 million (2012: £61.0 million) which reflects the pension scheme liability reduction. Subsequent to the year end, net assets will further increase following the introduction of new equity.

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 58 to 60 are growth in revenue, adjusted operating profit, earnings per share and return on capital employed. Non-financial KPIs include our employee and customer survey results.

Summary

2013 has been a year of significant change for the Group both in terms of balance sheet strength and focus. The acquisition and equity placing at the start of 2014 have further strengthened the Balance Sheet and will allow further growth as and when appropriate acquisitions are identified.

Yvonne Monaghan
Chief Financial Officer
3rd March 2014

Corporate Social Responsibility Statement

OUR DUTY TO SHAREHOLDERS

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

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

This report does not contain information about any policies of the Group in relation to human rights issues since it is not considered essential for an understanding of the development, performance or position of the Group's business activities.

Work Place

We recognise that our people are key to the success of the Group and we value the contribution of each and every one of our employees. We want to create an inspiring working environment where everyone is engaged and motivated.

Employment Policies

The employment policies of the Group embody the principles of equal opportunity and are tailored to meet the needs of its different businesses and the locations in which they operate.

The Group's employment policies and procedures are described in detail in its Staff Handbook, a copy of which is available to all employees. This Handbook takes account of relevant employment legislation and best practice. New policies, procedures and related training are developed and delivered as required.

Code of Ethics and Bribery

The Group has a written code on business ethics, which is reviewed regularly by the Board and 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. On joining the Group, whether by way of acquisition or otherwise, all employees are made aware of these standards 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.

The Group's anti-bribery policy sets out how employees must act to ensure that our zero tolerance approach to bribery and corruption is upheld.

Diversity

We are committed to equal opportunities and the creation of an entirely non-discriminatory working environment. The aim of our diversity policy is to ensure that no job applicant, or employee, receives less favourable treatment because of, amongst other matters, gender, marital status, race, age, sexual orientation, religion, belief or disability. All decisions are based on the merits of the individual concerned. The Group is dedicated to undertaking its business operations in a way which respects individual human rights, treats individuals with dignity and allows freedom of association.

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

Health and Wellbeing

In order to meet employees' needs for support both at work and at home the Group offers occupational health benefits across its Operating Companies.

Employee Communication

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.

Share Schemes

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.

Environment

We recognise our responsibilities to achieve good environmental practice and to continue to strive for improvement in areas of environmental impact. Our approach is to work through education, communication and direct action wherever possible.

Board Responsibility

The Board is aware of its responsibilities with regard to the environment, receives regular reports on all environmental matters and has nominated Chris Sander, Chief Executive Officer, as the Director responsible for such matters.

Environmental Risk Assessment

Potential areas of risk are identified through the Group's risk assessment programme and mitigated wherever possible. Key operating divisions undertake quantitative audits which enable a measure of environmental improvement to be made. The Operating Companies have achieved, or are working towards, ISO 14001:2004 Environmental Management System Certification.

Greenhouse Gas Emissions

The Group is constantly looking for new ways to reduce its carbon footprint and has put various initiatives in place, including the gradual rollout of passive low-energy LED lighting. Furthermore, cars available to the majority of employees as part of the Group's car scheme are currently subject to a CO_2 restriction of 130g/km.

Use of Solvents

Perchloroethylene, a petrochemical solvent, is traditionally used in the drycleaning process. We have worked hard, and successfully, to control many of the risks associated with the use of petrochemical solvents and, during 2013, completed the rollout across our entire estate of GreenEarth® Cleaning systems. GreenEarth® is an environmentally safe drycleaning process that uses liquid silicone, a gentle solution made from sand. When released to the environment, it safely breaks down into its three natural elements, sand, water and carbon dioxide.

Carbon Footprint

The Group is working towards reducing its carbon emissions, is currently participating in the Carbon Reduction Commitment (CRC) scheme and is also party to a Climate Change Agreement (CCA).

Community

The Group believes that the interests of responsible businesses need to be aligned to the interests of the local communities where they operate and, to that end, tries to give back to the community where it can and contributed to charitable causes and local groups during the year.

Health and Safety

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

Board Responsibility

The Board takes seriously its responsibilities with regard to health and safety and has nominated Chris Sander, Chief Executive Officer, as the Director responsible for such matters.

Health and safety matters are a permanent agenda item at all Group and Operating Company Board Meetings. A summary report outlining Operating 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.

Health and Safety Policies

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.

Safety Management Systems

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.

All Operating 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.

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 are measured against a defined set of likelihood and impact criteria. This is captured in consistent reporting formats, using the template below, 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 Risk

Adverse Macroeconomic Conditions	Defined Benefit Pension Liabilities	Interest Rate Fluctuations	Foreign Currency Fluctuations
The Group could be affected by a 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 supplies are sourced from overseas. 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 Operating Company 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. Further details of actions taken in the year are disclosed within note 23.	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 2013 all of the Group's bank borrowings were drawn based on one month LIBOR, although hedging products are in place such that in respect of £20.0 million of the facility, 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 2013, in view of the limited exposure to foreign currency trade at that time, there were no forward exchange contracts in place.

Risk Classifications

LIKLIHOOD \ IMPACT	HIGH	MEDIUM	LOW
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 Risk

Regulatory Risk

Liquidity Risk	Loss of a Processing Facility	Failure of Customers & 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. Appropriate bank facilities are in place through to May 2018.	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 there is not over reliance on any one individual. Furthermore, the Group has continued to develop succession planning as part of the development programmes for our people.	Health and Safety matters are given prominence at both an Operating Company 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

1. John Talbot
Executive Chairman (age 64)
John 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. As previously announced, John will retire from the Board on 1st May 2014.

2. Christopher Sander
Chief Executive Officer (age 55)
Chris was appointed as Chief Executive Officer on 3rd January 2014. He joined the Group in 1984 and has significant experience in the Textile Services industry. Chris was appointed Managing Director of the Textile Rental business on 1st January 2008, joined the Board on 9th September 2008 and assumed responsibility for the Drycleaning business as part of the combined Textile Services division at the time of the restructuring of Drycleaning in 2012. Chris is also a Director of both the UK and European Textile Services Association's.

3. Yvonne Monaghan
Chief Financial Officer (age 55)
Yvonne has significant experience in the Textile Services industry having joined the Group as Group Management Accountant in 1984 after qualifying as a Chartered Accountant with Deloitte Haskins and Sells. She was appointed as Company Secretary and Financial Controller in 1985 and joined the Board as Chief Financial Officer on 31st August 2007. Yvonne is also a Non-Executive Director of NWF Group PLC.

4. Paul Moody
Non-Executive Director (age 56)
Paul joined the Board as a Non-Executive Director on 10th March 2010. Prior to his retirement on 26th February 2013, Paul was 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. Paul is also a Board Director of Food Freshness Technology Holdings Limited. As previously announced, Paul will be appointed Non-Executive Chairman of the Group from 1st May 2014.

5. Michael Del Mar
Senior Independent Non-Executive Director (age 67)
Michael 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.

6. William (Bill) Shannon
Non-Executive Director (age 64)
Bill 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. Bill has significant PLC board experience, and is currently Non-Executive Chairman of St. Modwen Properties plc and Non-Executive Director of LSL Property Services plc having previously served as Non-Executive Chairman of Aegon UK plc and Non-Executive Director of Rank Group plc, Barratt Developments plc, and Matalan plc.

7. Tim Morris
Company Secretary (age 37)
Tim was appointed as Company Secretary on 1st January 2014, in addition to his existing role of Group Financial Controller. Having qualified as a Chartered Accountant with KPMG LLP in 2003, Tim joined the Group in 2005 as Group Financial Accountant. He also held the position of Finance Director at SGP Property & Facilities Management Limited prior to the Group disposing of that business in August 2013.

Directors' Report

The Directors have pleasure in presenting their annual report and the audited Consolidated and Parent Company financial statements for the year ended 31st December 2013.

The Corporate Governance Report on pages 22 to 26, and the Corporate Social Responsibility Report on pages 14 to 15 (with regard to information about the employment of disabled persons, employee involvement and share schemes) are also incorporated into this Report by reference.

Results and Dividends

The Group retained profit for the year after taxation amounted to £0.7 million (2012: £11.7 million loss).

The dividend comprises an interim dividend of 0.40 pence (2012: 0.36 pence) per Ordinary share and a proposed final dividend of 0.81 pence (2012: 0.74 pence) per Ordinary share. This total dividend of 1.21 pence (2012: 1.10 pence) per Ordinary share will, subject to the approval of Shareholders, amount to a distribution for the year of £3.4 million (2012: £2.8 million).

Share Capital

The authorised share capital of the Company at 31st December 2013 comprised of 383,025,739 Ordinary shares of 10 pence each (2012: 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 26 to the consolidated financial statements.

Acquisition and Disposal of Businesses

Details of acquisitions and disposals during the current and preceding year are given in notes 31 and 32 to the consolidated financial statements.

Events after the Reporting Period

New Bank Facility

On 21st February 2014 a new bank facility was signed with the Group's existing banks. See note 36 to the consolidated financial statements for further details.

Acquisition

On 2nd March 2014 the Group acquired the entire share capital of Bourne Services Group Limited and its wholly owned subsidiary Bourne Textile Services Limited for a consideration of £22.0 million on a debt free and cash free basis (including the acquisition of a freehold premises) and subject to adjustments for normalised working capital. See note 36 to the consolidated financial statements for further details.

Placing

The Company intends to place approximately 26.3 million shares with existing and new institutional investors, raising net proceeds of approximately £12.8 million. See note 36 to the consolidated financial statements for further details.

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

At the Annual General Meeting on 2nd May 2013 Shareholders authorised the Company to make market purchases of up to a maximum aggregate of 25,576,359 Ordinary shares. The minimum price allowed for such purchases is 10 pence and the maximum is 105% of the average of the middle market quotation of such shares for the five business days 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 2014 Annual General Meeting. Further details are given in the Notice of the Annual General Meeting on pages 104 to 107.

Major Interests in the Company's Share Capital

At 28th February 2014, this being the latest practicable date prior to publication of this document, the Company had been advised of the following interests, of a material nature, in its share capital:

	Shareholding (%)	Cumulative Shareholding (%)
Schroders PLC	27.66	27.66
Henderson Global Investors Limited	13.93	41.59
SFM UK Management LLP	6.83	48.42
Legal & General Investment Management Limited	5.63	54.05
Ruffer LLP	5.00	59.05
Other Shareholders	40.95	100.00

Directors

Details of the Directors of the Company are shown on page 18. They all held office throughout the year and up to the date of signing the financial statements.

Kevin Elliott also held office until his retirement from the Board on 7th August 2013.

Directors' Interests

Share Capital

The interests of the Directors who were in office at 31st December 2013 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 36 and 38. Details of the Company's interest in its own shares are disclosed in note 29 to the consolidated financial statements.

Contracts

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

Directors' 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.

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 (2012: £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 Auditors

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

Policy on Payment to Suppliers

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.

Half Yearly Reporting

As previously reported, the Company no longer publishes half yearly reports for individual circulation to Shareholders. Information that would normally be included in a half yearly report is made available on the Company's website at www.jsg.com.

2014 Annual General Meeting

The Company's AGM will be held at the Holiday Inn, Wood Lane, Runcorn, Cheshire WA7 3HA on Thursday 1st May 2014 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 and Accounts.

Corporate Governance

The Company's statement on corporate governance can be found in the Corporate Governance Report on pages 22 to 26 of these financial statements. The Corporate Governance Report forms part of this Directors' Report and is incorporated into it by 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 11. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review on pages 12 to 13. In addition, note 24 to the consolidated financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk.

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 and long term relationships with a number of customers and suppliers across many industries throughout the UK. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that there is not a substantial doubt that the Group should be able to operate within the level of its current facilities.

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.

By order of the Board

Tim Morris
Company Secretary
3rd March 2014
Johnson Service Group PLC Registered in England and Wales No.523335

Directors' Responsibilities Statement

The Directors are responsible for preparing the Annual Report, the Strategic Report, the Directors' Report (including the Corporate Governance 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 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 the Company and of the profit or loss of the Group and the Company for that period.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- 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 and, as regards the Group financial statements, Article 4 of the IAS Regulation. 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 also 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, whose names and functions are disclosed on page 108, confirms that at the date of this Report and to the best of their knowledge:

- the Group financial statements, which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and result of the Group;
- the Strategic Report includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces;
- 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.

The Directors are responsible for preparing the annual report in accordance with applicable law and regulations. Having taken advice from the Audit Committee, the Board considers the report and accounts, taken as a whole, to be fair, balanced and understandable and that it provides the information necessary for Shareholders to assess the Company's performance, business model and strategy.

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

On behalf of the Board

John Talbot
Executive Chairman
Yvonne Monaghan
Chief Financial Officer
3rd March 2014

Corporate Governance Report

Our Governance Structure

Compliance with the Code

The Company has complied with the material provisions of the Code throughout the year ended 31st December 2013, other than the provisions in relation to the following:

Provision Explanation

A.2.1 Division of responsibility of Chairman and Chief Executive

Since the 8th September 2008, John Talbot has held the role of Executive Chairman. Chris Sander was appointed Chief Executive Officer on 3rd January 2014. As previously announced John Talbot retires from the Board on 1st May 2014 and on the same date, Paul Moody will commence as Non-Executive Chairman. Whilst the Company did not comply with this provision throughout 2013, it will comply prospectively given the separate roles of Chairman and Chief Executive Officer.

E.1.1 Non-attendance by the Senior Non-Executive Independent Director (SID) at meetings with major Shareholders

The Executive Chairman, the Chief Financial Officer and more recently, the Chief Executive Officer 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 SID would not assist further in the dialogue with Shareholders. The SID 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 pages 44 to 45.

"We are committed to high standards of corporate governance which we consider are critical to business integrity and to maintaining investors' trust in us. We expect all our directors, employees and suppliers to act with honesty, integrity and fairness. Our business principles set out the standards we set ourselves to ensure we operate lawfully, with integrity and with respect for others".

The FRC issued a new UK Corporate Governance Code in 2012 (the 'Code'). The revised code applies to financial years beginning on or after 1st October 2012. UK premium listed companies are required to comply with the Code or, state the areas in which they do not comply.

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 is not 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 business integrity and to maintaining investors' trust. The Board expects all directors, employees and suppliers to act with honesty, integrity and fairness. Our business principles set out the standards we set ourselves to ensure that we operate both lawfully and with integrity.

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 currently consists of the Executive Chairman, two 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 page 18, all held office throughout 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, mission, vision, values and targets;
- 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;
- 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 Committees

The Committees of the Board are:

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

Both the Audit Committee and the Remuneration Committee consist wholly of the three Non-Executive Directors, whilst the Nomination Committee consists of the Executive Chairman and the three 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 108. Separate reports for each of these Committees are included in this Annual Report.

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, and up until the appointment of Chris Sander as Chief Executive Officer on 3rd January 2014 the roles of Chairman and Chief Executive have been combined.

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.

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

Induction, Training and Knowledge

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

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

Performance Evaluation

A performance evaluation of the Executive Chairman was conducted in respect of 2013 by the Non-Executive Directors, after taking into account the views of the Executive Directors. 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 2013. In addition, the Remuneration Committee regularly reviews executive director performance in connection with their performance objectives.

The Board conducted an internal Board evaluation during the year. This process was led by the Executive Chairman and each Director completed an in-depth questionnaire which covered, inter alia:

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

The completed questionnaires were reviewed on an individual basis by the Executive Chairman, who then had discussions with each director. The results of the review (including progress against the previous year's recommended actions) were summarised by the Executive Chairman and considered in detail by the Board. This year's review found that performance of the Board and its Committees continued to be effective in dealing with both day-to-day and ongoing strategic issues and that the Board and Committee structure ensured that the governance requirements of the business were met.

As a result of these reviews, it is considered that the performance of each director continues to be effective and that each director demonstrates sufficient commitment to their role.

Re-election of Directors

The Directors comply with the requirements of the Code and submit themselves for re-election every year, if they wish to continue serving and are considered by the Board to be eligible. Accordingly, the whole Board, with the exception of John Talbot who retires on 1st May 2014, will be proposed for re-election at this year's AGM.

Service Agreements

The service agreements of the Executive Directors and copies of the letters of appointment of the Non-Executive Directors are available for inspection during business hours on any weekday (excluding Saturdays, Sundays and public holidays) at the registered office of the Company and will be available for inspection for fifteen minutes prior to, and during, the AGM.

External Appointments

The Executive Directors may accept outside appointments provided that such appointments do not in any way prejudice their ability to perform their duties as executive directors of the Company. The commitments of each Executive Director are set out on page 18.

The role of Non-Executive Director requires a time commitment in the order of 15 days per annum plus additional time as necessary to properly discharge their duties. There is no restriction on outside appointments provided that they do not prevent the directors from discharging their responsibilities effectively.

Board Meetings and Attendance

The Board met formally five times during 2013 and, additionally, held a further seven unscheduled meetings, generally in relation to the disposal of the Facilities Management division.

Individual attendance at the meetings, including Audit Committee, Nomination Committee and Remuneration Committee attendance, is set out in the table above. Where n/a appears in the table, the Director is not a Committee member.

	Board (Scheduled)	Board (Unscheduled)	Audit Committee	Nomination Committee	Remuneration Committee (Scheduled)	Remuneration Committee (Unscheduled)
John Talbot	5	7	n/a	1	n/a	n/a
Chris Sander	5	7	n/a	n/a	n/a	n/a
Yvonne Monaghan	5	7	n/a	n/a	n/a	n/a
Michael Del Mar	4	4	3	1	3	3
Paul Moody	4	6	3	1	3	2
Bill Shannon	5	6	3	1	3	3
Number of Meetings	*5*	*7*	*3*	*1*	*3*	*3*

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 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 Board should present a fair, balanced and understandable assessment of the Company's position and prospects, maintaining sound risk management and internal control systems and managing an appropriate relationship with the Company's auditors. The Board has delegated these responsibilities to the Audit Committee.

The work undertaken by the Audit Committee, supported by the internal audit function, helps to enable the Board to make the below statements relating to internal control and the going concern statement on page 20.

Further information is detailed in the Audit Committee Report on pages 27 to 31.

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 principal risks that has been in place throughout the year ended 31st December 2013 and up to the date of approval of the financial statements. This process has been regularly reviewed by the Board. 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 Operating Companies and are 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.

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.

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.

Corporate Governance Report continued

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 pages 33 to 34.

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, Chief Financial Officer and latterly the Chief Executive Officer, to discuss business performance;
- hosting investor and analyst 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

Tim Morris
Company Secretary
3rd March 2014

Audit Committee Report

2013 has seen a number of regulatory changes which have reinforced the role of the Audit Committee (the "Committee"), on behalf of the Board, in ensuring that the Annual Report, taken as a whole, is fair, balanced and understandable.

This report sets out how the Committee has discharged its responsibilities in relation to the three areas highlighted in the revised UK Corporate Governance Code, being:

- addressing significant financial statement reporting issues;
- assessing external audit effectiveness; and
- appointing the external Auditors and safeguards on non-audit services.

Members of the Committee have continued to take an active role understanding certain aspects of the business and the risks and challenges it faces, including spending time with the operations teams in the field and also participating in key discussions on areas of financial judgement. These actions have allowed the Committee to have an even greater input, for example in the design of the internal audit programme, and to develop greater awareness of the day-to-day challenges that the business faces and the potential consequences of such challenges.

Set out below are details on the processes we have in place to safeguard the independence and objectivity of our relationship with the external Auditors and the role played by internal audit to ensure we have effective control and risk management processes.

Composition of the Committee

The Committee meets at least three times per year, and also meets in private with the external Auditors. The Committee was chaired during the year by myself, with the two other Non-Executive Directors both being members of the Committee. Membership of the Committee is, therefore, in accordance with the revised UK Corporate Governance Code.

During the year a formal evaluation of the Committee was conducted by means of a questionnaire being sent to members of the Committee. The responses were reviewed by myself 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.

By virtue of my former executive and current non-executive roles (full details of which are set out on page 18), together with the results of the questionnaire, the Board considers that I have current and relevant financial experience and also that all members of the Committee are independent.

Responsibilities of the Committee

The Committee is responsible for:

- ensuring that the interests of shareholders are protected in relation to financial reporting and internal control;
- monitoring the financial reporting process, the consolidation process and the integrity of the annual and interim financial statements;
- monitoring any formal announcements relating to the Company's financial performance;
- reviewing and challenging, as necessary, the judgements and actions of management in relation to the financial statements;
- monitoring, reviewing and concluding upon the system of internal control, including the work of internal audit;
- ensuring the maintenance of a control environment and the appropriate management of risk;
- recommendation of appointment of and liaison with the external Auditors;
- reviewing and setting the terms of engagement and the remuneration of 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;
- reviewing the Group's systems and controls for the prevention and detection of fraud or bribery; and
- reviewing 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.

The Committee reports to the Board on how we have discharged our responsibilities.

The full terms of reference are available on the Company's website, or on request to the Company Secretary.

What the Committee did in 2013

In 2013, the Committee discharged its responsibilities by:

- reviewing the Group's draft financial statements, preliminary announcements and interim results statement prior to Board approval and reviewing the external 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;
- considering the effectiveness and independence of the external audit or and recommending to the Board the re-appointment of PricewaterhouseCoopers LLP as external Auditors;
- considering and agreeing the annual internal audit plan;
- reviewing internal audit's progress and reports on its work during the year;
- considering the review of material business risks, including reviewing internal control processes used to

Audit Committee Report continued

identify and monitor principal risks and uncertainties;

- reviewing of Group Directors' expenses;
- monitoring of reporting and follow up of items reported on the employee hotline established in line with the Code of Ethics; and
- reviewing the Committee's composition and confirming that there is sufficient expertise and resource for us to fulfil our responsibilities effectively.

The Committee considered the 2013 Annual Report and Accounts in the context of whether they were fair, balanced and understandable and were able to report to the Board that the 2013 Annual Report and Accounts, when taken as a whole, were fair, balanced and understandable on the basis that the description of the business agrees with our own understanding, the risks reflect the issues that concern us, appropriate weight has been given to the 'good and bad' news, the discussion of performance properly reflects the 'story' of the year and that there is a clear and well-articulated link between all areas of disclosure.

Significant Issues Considered in Relation to the Financial Statements

During the year the Committee, management and the external Auditors considered and concluded on what the significant risks and issues were in relation to the financial statements and how these would be addressed.

Impairment Reviews

In performing impairment reviews, the pre-tax discount rate used within the recoverable amount calculations is a weighted average cost of capital (WACC) derived by using a capital asset pricing model (CAPM). The Committee considered whether the WACC reflected the specific risks relating to each cash generating unit (CGU) of the business.

After due consideration, the Committee were of the opinion that the WACC did reflect the specific risks relating to each CGU of the business and that no additional adjustments were required in respect of differing geographic risks, political risks, beta factors, acquisition premiums, debt margin, the cash flow forecasts or the long term growth rate.

Disclosure of Discontinued Operations

Following the disposal of the Facilities Management (FM) division in 2013, the Committee considered how best to present this within the 2013 Annual Report in order to enable users of the financial statements to evaluate the financial effects of the disposal on the Group's activities.

The Committee considered the overall presentation and disclosure objectives of IFRS 5, 'Non-current Assets Held for Sale and Discontinued Operations', and concluded that the FM division did constitute a separate major line of business, and that it had operations and cash flows that could be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group. The Committee concluded that the results should, therefore, be presented within Discontinued Operations.

Property and Environmental Provisions

The restructuring of the Drycleaning division in 2012 resulted in a provision of £16.6 million (after the effect of discounting) being recognised as at 31st December 2012. The closing provision as at 31st December 2013 totalled £11.0 million (after the effect of discounting). The Committee reviewed the additional costs recognised in the period, together with the costs charged against the provision in the year, and were comfortable all costs were reasonable.

Additionally, there are further provisions for onerous property leases held by the Group. The Committee considered the additional provisioning and utilisation of these provisions during the year, together with the remaining provision as at 31st December 2013, and concluded that they were adequate.

The Group continues to recognise provisions for remediation costs to be incurred in relation to environmental issues identified at a number of the Group's properties. The Committee considered the movement in the provision during the year together with the level of provision remaining as at the year end and concluded that they were adequate.

Income taxes

Significant judgement is required in determining the provision for income taxes as there are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Committee discussed the effective tax rate for the year and noted that it was lower than the standard rate of UK taxation, primarily as a result of adjustments made in respect of prior years. The Committee concluded that the judgements made in relation to taxation were reasonable.

Retirement Benefit Obligations

The valuation of pension scheme liabilities is 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 Committee reviewed the actuarial assumptions underpinning the valuation and were satisfied that all assumptions are within ranges considered generally acceptable given the size, demographic and duration of the Group scheme.

Going Concern

The Group has to comply with a number of financial covenants that relate to its financing structure. Reaching a conclusion on the reliability of the budgets prepared by management is considered important to the Committee to ensure that covenants will not be breached and the Group will remain a going concern.

The Committee therefore reviewed, challenged and concluded upon the Group's going concern review including giving due consideration to the appropriateness of key judgements, assumptions and estimates underlying the budgets that underpin the review and

a review of compliance with key financial covenants.

Assessment of External Audit Effectiveness

The Committee reviewed the external Auditors' performance and on-going independence, taking into account input from management, consideration of responses to questions from the Committee and the audit findings reported to the Committee.

Based on this information the Committee concluded that the external audit process was operating effectively and PricewaterhouseCoopers LLP continued to prove effective in its role as external Auditors.

Appointment of External Auditors and Approach to how Objectivity and Independence are Safeguarded

The Company has adopted a policy on the independence of Auditors which is consistent with the ethical standards published by the Audit Practices Board. A key issue for the Committee that may impair auditor independence, and the auditor's objective opinion on the Group's financial statements, is the engagement of the external auditors for the provision of non-audit services.

Non-Audit Services

The Committee has adopted a policy on the engagement of external auditors for the provision of non-audit services and reviews this annually. The policy is designed to ensure that such engagements do not result in the creation of a mutuality of interest between the auditors and the Group, that a transparent process and reporting structure is established to enable the Committee to monitor policy compliance and that unnecessary restrictions on the engagement of auditors for non-audit services is avoided where the provision of advice is commercially sensible and is more cost effective than other providers. The policy categorises the provision of non-audit services 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 total fees paid to the external Auditors during the year under review amounted to £1,299,000, of which £940,000 related to non-audit services. Of these non-audit services, fees of £834,000 related to one-off and non recurring services, largely in relation to the disposal of the Facilities Management division, and where, following a competitive tender process, it was considered by the Committee to be commercially sensible and more cost effective to use PricewaterhouseCoopers LLP than an alternative provider. Full details are set out in note 3.

Independence Safeguards

In accordance with best practice and professional standards, external Auditors are required to adhere to a rotation policy whereby the Senior Statutory Auditor (audit engagement partner) is rotated after five years. The current Senior Statutory Auditor was appointed in 2010. The external Auditors are also required to periodically assess whether, in their professional opinion, they are independent and those views are shared with the Committee. The Committee has authority to take independent advice as it determines necessary in order to resolve issues on auditor independence. No such advice was required during the year.

Independence assessment by the Committee

The Committee is satisfied that the independence of the external Auditors is not impaired due to the fact that the audit engagement partner rotation policy has been complied with; the level of fees paid for non-audit services was of a level that does not present any on-going threat to their independence and separate external firms are appointed for certain advisory services. In addition to the above, the Committee met with the external Auditors and with the Head of Internal Audit without the presence of management during the year and I have had regular contact with the audit engagement partner during the year.

Re-appointment of the External Auditors

The re-appointment of PricewaterhouseCoopers LLP as the Group's external Auditors was reviewed during the year. The Committee has assessed the performance, objectivity and independence of the external auditor which underpins its recommendation to the Board to propose to shareholders the re-appointment of PricewaterhouseCoopers LLP as auditors until the conclusion of the AGM in 2015. Full details are set out in the Notice of Annual General Meeting on pages 104 to 107. There are no contractual restrictions over choice of auditors.

Role of Internal Audit

Internal audit has a Group-wide remit and is independent of its business operations. It undertakes an on-going programme to provide assurance on the adequacy of internal control and risk management processes across the Group's operations. It is responsible for reviewing and reporting on the effectiveness of internal controls and risk management systems to the Committee and, ultimately, the Board. The Head of Internal Audit attends Committee meetings to present the findings of such reviews at regular intervals throughout the year and reports on internal audit's performance against the agreed annual internal audit plan, such plans being agreed during the year by the Committee.

Internal Control and Risk Management

The Board is ultimately responsible for the overall system of internal control for the Group and for reviewing its effectiveness. The Board has delegated day to day responsibility for this to the Committee. The Committee carries out a review, at least annually, covering all

Audit Committee Report continued

material controls including financial, operational and compliance controls and risk management systems. The system of internal control is designed to mitigate rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

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 2013 and up to the date of approval of the financial statements. The 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 key elements of the Group's on-going processes for the provision of effective internal control and risk management systems, in place throughout the year and at the date of this Report, include:

- regular Board meetings to consider matters reserved for directors' consideration;
- regular management reporting, providing a balanced assessment of key risks and controls;
- an annual Board review of corporate strategy, including a review of material business risks and uncertainties facing the business;
- established organisational structure with clearly defined lines of responsibility and levels of authority;
- an internal audit function which implements the annual internal audit plan and provides independent assurance to executive management, the Committee and the Board on the effectiveness of internal controls and risk management;
- documented policies and procedures;
- regular review by the Board of financial budgets, forecasts and covenants with performance reported to the Board monthly; and
- a detailed investment process for major projects, including capital investment coupled with a post investment appraisal analysis.

In reviewing the effectiveness of the system of internal control the Committee has:

- received six-monthly reports, compiled by the Head of Internal Audit following discussion with key senior managers, that set out the key risks facing the Group and indicate whether controls and risk management processes in each business unit have operated satisfactorily. These returns are reviewed in detail, challenged where appropriate and approved by the Committee for use in the Annual Report and Accounts;
- regularly reviewed the financial and accounting controls;
- reviewed the internal audit reports;
- monitored management's responsiveness to the findings and recommendations of the Head of Internal Audit; and
- met with the Head of Internal Audit, without management being present, to discuss internal audits remit and any issues arising from internal audits carried out.

No significant issues were identified. In respect of Group financial reporting, the finance department is responsible for preparing the Group financial statements using a well-established consolidation process and ensuring that accounting policies are in accordance with International Financial Reporting Standards. There is a detailed budgeting 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. All financial information published by the Group is subject to approval by the Committee.

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

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

The Board, with advice from the Committee, is satisfied that an effective system of internal controls and risk management processes are in place which enable the Company to identify, evaluate and manage key risks. These processes have been in place since the start of the financial year and up to the date of approval of the accounts. Further details of risk management frameworks and specific material risks and uncertainties facing the business can be found on pages 16 to 17.

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.

The Group is committed to conducting its business with the highest degree of integrity. This commitment includes a zero tolerance approach towards all forms of bribery, corruption, fraud and theft.

Prior to the above date, the Group conducted a preliminary risk assessment, adopted an appropriate policy and re-enforced its code of ethics. Appropriate Board approved procedures are now in place to prevent employees and other associated persons committing offences under the Act. Engaging in fraud, bribery or corruption is unlawful and any employee, director or officer found to

have breached the code of conduct will be liable to disciplinary action which may result in dismissal or other serious sanctions. Breaches of the code of conduct by third parties may result in immediate termination for breach of all contracts with the Group. These procedures are subject to regular monitoring and review.

Whistleblowing

The Group has in place a whistleblowing policy which encourages employees to report any malpractice or illegal facts or omissions or matters of similar concern by other employees or former employees, contractors, suppliers or advisers using internal mechanisms for reporting. The policy acts as a mechanism to report any ethical wrongdoing or malpractice or suspicion which may amount to ethical wrongdoing or malpractice. Examples of ethical wrongdoing or malpractice include bribery, corruption, fraud, dishonesty and illegal practices which may endanger employees or other parties. There have been no material instances of whistleblowing during the year under review.

William Shannon
Chairman, Audit Committee
3rd March 2014

Nomination Committee Report

Just as the Audit Committee is responsible for monitoring the performance and condition of the Group's financial assets, so the Nomination Committee (the "Committee") is responsible for monitoring the performance, appropriateness and future succession of the Company's executive and Board talent.

Appointments to the Board are recommended, as appropriate, by the Committee. Board appointments are subject to approval by the Board as a whole.

The Committee met once during 2013.

Composition

In compliance with the UK Corporate Governance Code, the majority of the members of the Committee were independent Non-Executive Directors. During the year, the Committee was chaired by myself with the Non-Executive Directors as members of the Committee.

Roles and Responsibilities

The principal responsibilities of the Committee are:

- 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 undertakes this responsibility proactively, recognising it is important to plan Board succession well in advance, and to ensure that the Company's Board and executive leadership skills are fully aligned to the Company's long-term strategy. The Committee therefore takes care to ensure that there is a continuous pipeline of high-performing and executive talent beneath Board level.

What the Committee did in 2013

The main focus of the Committee's work in 2013 included:

- given John Talbot's desire to retire from his role as Executive Chairman in the first half of 2014, selecting suitable candidates to succeed him in the separate roles of Chief Executive Officer and Non-Executive Chairman:
  - the Committee recommended to the Board the appointment of Chris Sander, previously Managing Director of the Textile Services Division, to the role of Chief Executive Officer. The Board approved the recommendation on 3rd January 2014 and Chris was appointed Chief Executive Officer with immediate effect; and
  - the Committee recommended to the Board the appointment of Paul Moody, currently a Non-Executive Director of the Group, to the role of Non-Executive Chairman. The Board approved the recommendation on 7th February 2014 and Paul will commence in his new role when John steps down on 1st May 2014.

  Paul and Chris will work closely with John in ensuring that the management transition is both smooth and calibrated, and that there is no disruption in the running of the business;
- reviewing the senior management structure and talent below Board level; and
- reviewing the Committee's terms of reference, and conducting the annual review of the Committee's performance.

Diversity

Whilst we pursue diversity, including gender diversity, throughout the business, and the Board endorses the aspirations of the Davies Review on Women on Boards, we are not committing to any specific targets. Instead, and when applicable, we will seek to use executive search firms who have signed up to the voluntary code of conduct setting out the seven key principles of best practice to abide by throughout the recruitment process and we will continue to follow a policy of appointing talented people at every level to deliver high performance. We will also ensure that our development in this area is consistent with our own strategic objectives and is enhancing in terms of Board effectiveness.

John Talbot
Chairman, Nomination Committee
3rd March 2014

Board Report on Remuneration

As an AIM listed company, the Company is not required to fully apply the Listing Rules of the Financial Conduct Authority, and hence is not required to present a Board Report on Remuneration in accordance with those rules. Nevertheless, the Directors consider it appropriate for the Company to provide Shareholders with information with respect to Executive remuneration.

The information presented within this Board Report on Remuneration has been prepared on a consistent basis with that in prior years, however, the changes to the Listing Rules in relation to the Board Report on Remuneration, implemented for years ending on or after 30th September 2013, have not been adopted by the Company for the year ending 31st December 2013.

Remuneration Committee

The Remuneration Committee (the "Committee") consists of the Non-Executive Directors: Michael Del Mar (Chairman), Paul Moody and Bill 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.

Periodically, the Committee engages PricewaterhouseCoopers LLP (PwC) to provide guidance on standard market practice with regard to executive remuneration. PwC has 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.

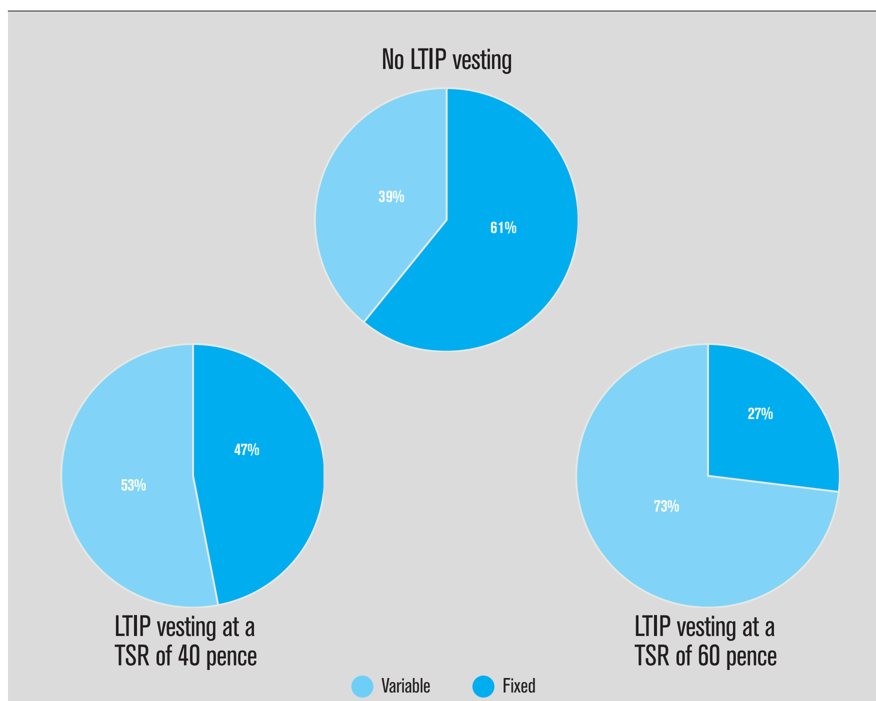
The Committee intends that base salary and total remuneration of Executive Directors should be in line with the market. Remuneration is benchmarked against rewards available for equivalent roles in a suitable comparator group with the aim of paying neither significantly above nor below the median for 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 strategic objectives, such that a significant portion of total remuneration is performance related, based on a mixture of internal targets linked to the Company's strategic business drivers (which can be easily measured, understood and accepted by both executives and Shareholders) and appropriate external comparator groups.

The Committee considers that the targets set for the different elements of performance related remuneration are both appropriate and demanding in the context of the business environment and the challenges with which the Group is faced.

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.

Balance of fixed and variable remuneration



Board Report on Remuneration continued

Components of Executive Remuneration

The current remuneration of Executive Directors comprises the following five components:

- basic salary;
- annual 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 who were in office at 31st December 2013, excluding the Executive Chairman, is shown in the charts above for varying levels of vesting of the 2009 Long-Term Incentive Plan (LTIP). Broadly, there is a 61:39 split between fixed and variable pay if none of the LTIP were to vest and a 29:73 split at maximum performance, showing the high proportion of performance-related pay that is 'at risk' in the total remuneration package.

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 2013;
- variable remuneration includes annual bonus (assumed at actual achievement for 2013 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 the Group's results and, in certain cases, the result of the relevant division for which they may be responsible. 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.

Taxable Benefits

Taxable benefits, which are not performance related, principally include the provision of a car, private medical insurance and reimbursement of expenses for the cancellation of holiday as a result of business requirements.

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 further performance conditions.

Awards (the "2011 Award") were granted to the Executive Chairman, the Executive Directors and certain Senior Management on 6th January 2011 with an exercise price of nil.

The performance conditions for the 2011 Award are 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 performance 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.

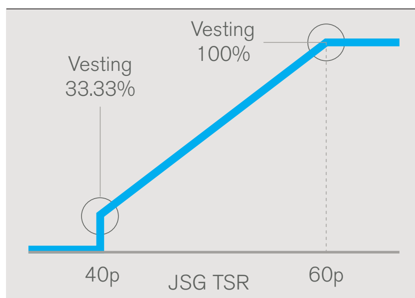
The 2011 Award will vest in two tranches:

- One third of the award will vest if at any time during the vesting period, the average TSR is equal to or exceeds 40 pence over any consecutive 30 day period (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.

Effect on vesting of the above performance conditions:



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.

On 7th January 2011, the Executive Directors (excluding the Executive Chairman) 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. Subject to meeting the performance conditions of the linked LTIP award, the Approved LTIP is ordinarily exercisable three years following the date of grant.

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 26 on page 83.

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

John 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 John Talbot is required to give six months' notice. As previously announced, John Talbot retires from the Board on 1st May 2014.

Chris Sander is employed under a service agreement dated 6th July 2004, which has no fixed expiry date and provides that the Company has to give twelve months' notice and Chris Sander is required to give six months' notice.

Yvonne 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 Yvonne Monaghan is required to give six months' notice.

Board Report on Remuneration continued

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 2013, the unexpired terms of the Non-Executive Directors letters of appointment were:

	Date of Letter of Appointment	Unexpired Term at 31st December 2013
Michael Del Mar (Note 1)	25th February 2013	5 months
Paul Moody	25th February 2013	2 years, 2 months
Bill Shannon	28th February 2012	1 year, 4 months

Note 1: On 26th February 2014, Michael Del Mar signed a new letter of appointment which extended the period of unexpired term as above by one year.

Interests in Share Capital

The interests of the Directors who were in office at 31st December 2013, together with the interests of their families, 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 2013 Ordinary shares of 10p each	31st December 2012 Ordinary shares of 10p each
Beneficial		
John Talbot	6,163,000	6,163,000
Chris Sander	238,655	232,000
Yvonne Monaghan	143,478	136,823
Michael Del Mar	200,000	200,000
Paul Moody	100,000	100,000
Bill Shannon	125,000	125,000
Non Beneficial		
Chris Sander, Yvonne Monaghan and others	588,452	588,452

There have been no changes in the Directors' interests in the shares of the Company during the period 31st December 2013 up until the time of signing this report.

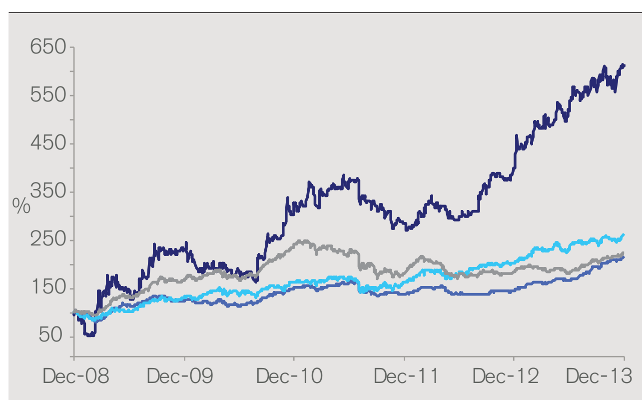
Performance Graph

Over the five years to December 2013 the Company has outperformed the FTSE AIM Industrial Goods and Services Index, the FTSE AIM All-Share Index and the FTSE Support Services Index with a total net shareholder return of 513% against a net total shareholder return of 117%, 126% and 164% respectively.

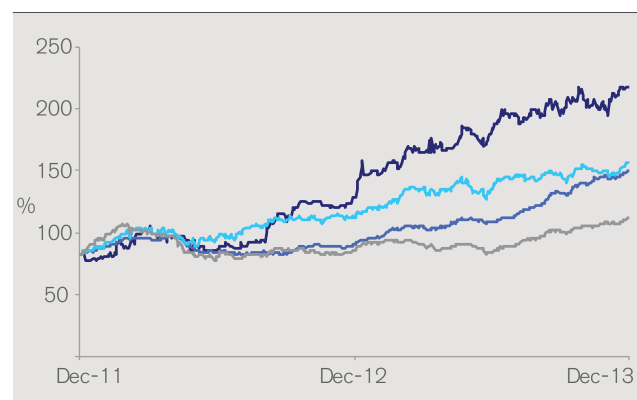
Over the two years to December 2013 the Company has outperformed the FTSE AIM Industrial Goods and Services Index, the FTSE AIM All-Share Index and the FTSE Support Services Index with a total net shareholder return of 113% against a net total shareholder return of 56%, 25% and 62% respectively.

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 AIM Industrial Goods & Services

Directors' Remuneration

	Note	Basic Salary/Fees 2013 £000	Bonus/ Allowance 2013 £000	Cash in Lieu of Pension 2013 £000	Taxable Benefits 2013 £000	Total 2013 £000	Total 2012 £000
Executive Directors							
John Talbot		275	–	–	–	275	250
Chris Sander	1	212	138	34	24	408	413
Yvonne Monaghan	1,2	219	143	39	35	436	454
Non-Executive Directors							
Michael Del Mar		35	–	–	–	35	35
Paul Moody		30	–	–	–	30	30
Bill Shannon		34	–	–	–	34	34
Former Directors							
Kevin Elliott	3,4,5	85	300	–	13	398	215
Paul Ogle	6	–	–	–	–	–	93
		890	581	73	72	1,616	1,524

Note 1: Following the implementation of the pensionable salary freeze as at 6th April 2010 for all then current active members of the Johnson Group Staff Pension Scheme, now the Johnson Group Defined Benefit Scheme, a defined benefit scheme, the pensionable salaries of Chris Sander and Yvonne Monaghan 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. In addition, Chris Sander and Yvonne Monaghan ceased to be members of the Staff Scheme on 31st March 2011 and 31st March 2012 respectively and instead received an equivalent cash amount in lieu of employer pension contributions. The figures included above within 'Cash in Lieu of Pension' reflect the cash amount paid to Chris Sander and Yvonne Monaghan.

Note 2: As set out within the Director biographies on page 18, Yvonne Monaghan is also a Non-Executive Director of NWF Group PLC. For the period 7th August 2013, being her start date with NWF Group PLC, to 31st December 2013 she received, and retained, fees of £17,000 for her services.

Note 3: Kevin Elliott resigned as an Executive Director on 7th August 2013. The figures included in 'Basic Salary / Fees' and 'Taxable Benefits' in the table above for 2013 reflect the amount paid up until the date of resignation.

Note 4: The Basic Salary figure included in the table above in respect of Kevin Elliott excludes two salary sacrifice arrangements. Under the first arrangement, which has been in place from the 1st January 2009, Kevin Elliott has sacrificed salary and instead receives an additional monthly employer contribution paid to his Self Invested Personal Pension (SIPP). For the period 1st January 2013 to 7th August 2013, the amount of salary sacrificed was £6,911 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 Kevin Elliott sacrificing £4,881 of annualised salary in return for additional holiday entitlement. Had these arrangements not been in place during the year, Kevin Elliott would have received additional salary of £9,758.

Note 5: On 6th January 2011, Kevin Elliott was granted a long-term cash bonus plan (the "Plan"), under the terms of which, a bonus would become payable if the Facilities Management division was sold or listed (or a comparable event occurred) before 31st December 2013. Further details of the Plan are set out in the 2012 Annual Report. In addition, and on the same date, Kevin Elliott was also granted 1,850,000 nil cost options over Ordinary shares in the Company under the 2009 Long-Term Incentive Plan (the 'LTIP'), further details of which are set out on page 34 of this Board Report on Remuneration. Immediately prior to the disposal of the Facilities Management division, Kevin Elliott waived all rights to, and released and discharged the Group from, all further entitlement to the Plan and the LTIP, other than in respect of one third of the LTIP award for which the performance criteria had already been achieved. In recognition of Kevin Elliott's contribution to the successful disposal of the Facilities Management division, a cash bonus of £300,000 was payable.

Note 6: Paul Ogle resigned as an Executive Director on 3rd July 2012. The figures included in the table above for 2012 reflects the amounts paid up until the date of resignation.

No Director waived any emoluments in respect of the years ended 31st December 2013 and 31st December 2012.

Board Report on Remuneration continued

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 2012	Options Granted During Year	Options Lapsed During Year	Options Cancelled During Year	Options Exercised During Year	At 31st December 2013	Option Price
John Talbot								
Scheme 1	6th January 2011	7,500,000	–	–	–	(2,500,000)	5,000,000	nil
Chris Sander								
Scheme 1	6th January 2011	2,000,000	–	–	–	(666,666)	1,333,334	nil
Scheme 2	7th January 2011	97,560	–	–	–	–	97,560	30.75p
Scheme 3	1st April 2010	6,655	–	–	–	(6,655)	–	18.00p
Scheme 4	1st October 2013	–	17,526	–	–	–	17,526	43.75p
Yvonne Monaghan								
Scheme 1	6th January 2011	2,500,000	–	–	–	(833,333)	1,666,667	nil
Scheme 2	7th January 2011	97,560	–	–	–	–	97,560	30.75p
Scheme 3	1st April 2010	6,655	–	–	–	(6,655)	–	18.00p
Scheme 4	1st October 2013	–	17,526	–	–	–	17,526	43.75p
Kevin Elliott								
Scheme 1	6th January 2011	1,850,000	–	(1,233,334)	–	(616,666)	–	nil
Scheme 2	7th January 2011	97,560	–	(97,560)	–	–	–	30.75p

Scheme 1 – 2009 Long-Term Incentive Plan (the "2009 LTIP")
Scheme 2 – 2009 Long-Term Incentive Plan Approved Section (the "2009 Approved LTIP")
Scheme 3 – Sharesave Plan ("SAYE Scheme")
Scheme 4 – Sharesave Plan ("SAYE Scheme")

Details of the 2009 LTIP, the 2009 Approved LTIP and the SAYE Scheme are given on pages 34 to 35 of the Board Report on Remuneration.

Director Gains

During the year, John Talbot, Chris Sander, Yvonne Monaghan and Kevin Elliott each exercised options over shares in the Company. Further details are provided in the table below:

Director	Scheme	Date of Exercise	No. of Options Exercised	Option price (p)	Sale Price (p)	Gross Gain (£)
John Talbot	Scheme 1	4th September 2013	2,500,000	nil	47.00p	1,175,000
Chris Sander	Scheme 1	4th September 2013	666,666	nil	47.00p	313,333
Chris Sander	Scheme 3	13th September 2013	6,655	18.00p	Note 1	2,188
Yvonne Monaghan	Scheme 1	4th September 2013	833,333	Nil	47.00p	391,667
Yvonne Monaghan	Scheme 3	13th September 2013	6,655	18.00p	Note 1	2,188
Kevin Elliott	Scheme 1	4th September 2013	616,666	Nil	47.00p	289,833

Note 1: Chris Sander and Yvonne Monaghan, each exercised options under the Company's saving related Share Option Scheme over 6,655 Ordinary Shares of 10 pence each at an exercise price of 18 pence per share. Both retained the shares. The mid market price on date of exercise was 50.88 pence.

Other Details

The mid market price of the Ordinary shares of 10p each on 31st December 2013 and 31st December 2012 was 53.63 pence and 35.75 pence respectively. During the year, the mid market price of the Ordinary shares of 10p each ranged between 35.75 pence and 53.63 pence (2012: 25.25 pence and 35.75 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 2013 to 3rd March 2014, this being the date of this report.

Pension Benefits of Executive Directors

Other than for John 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 23.

Defined Benefit Arrangements

Set out below are details of pension benefits to which each Executive Director, who served during the current year, is entitled to under the Johnson Group Defined Benefit Scheme (the "JGDBS"), which is of the defined benefit type. Prior to 6th April 2013 benefits were provided under the Johnson Group Staff Pension Scheme (the "Staff Scheme"). The Staff Scheme was merged into the JGDBS with effect from 6th April 2013. Reference below to "the Scheme" shall be taken to mean both the JGDBS and Staff Scheme.

	Accrued pension entitlement at December 2013 £000	Accrued pension entitlement at December 2012 £000
Yvonne Monaghan	46	45
Chris Sander	56	55

Note 1: The accrued pension entitlement shown is the amount that would be paid annually on retirement (at normal retirement age) based on service to the end of the relevant year. This pension is calculated based on the total period of pensionable service to the Company, both before and after becoming a Director.

Note 2: Yvonne Monaghan and Chris Sander left active pensionable service on 31st December 2011 and 31st March 2011 respectively. The accrued pension entitlement figures allow for revaluation in deferment since the date of leaving.

Benefit Structure

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

Yvonne Monaghan is a deferred member of the Scheme, and the following accrual rates have applied 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 up to and including 31st December 2011.

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.

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.

Yvonne Monaghan took a partial transfer of benefits on 31st March 2012.

Board Report on Remuneration continued

Chris Sander is a deferred member of the Scheme, and the following accrual rates have applied to pensionable service:

- 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;
- 1/80th of final pensionable salary for each year of pensionable service as on and from 1st April 2003 up to and including 31st March 2011.

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.

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.

Chris Sander took a partial transfer of benefits on 31st March 2012.

Pensionable Salary Freeze

Following the implementation of the pensionable salary freeze as at 6th April 2010 for all then active members of the Scheme, the pensionable salaries of Yvonne Monaghan and Chris 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. Under this arrangement, both Yvonne Monaghan and Chris 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	From 1 April 2011	From 1 January 2014
Yvonne Monaghan (Note 1)	14.0%	17.8%	17.8%
Chris Sander (Note 2)	14.0%	16.0%	17.8%

Note 1: From 1st January 2012, Yvonne Monaghan opted to become a deferred member of the Staff Scheme, and receive a monthly cash amount equal to 17.8% of her monthly salary.

Note 2: From 1st April 2011, Chris Sander opted to become a deferred member of the Staff Scheme, and receive a monthly cash amount equal to 16.0% of his monthly salary. From 1st January 2014, the monthly cash amount will increase to 17.8% of his monthly salary.

The amounts payable in the year to Yvonne Monaghan and Chris Sander under the above arrangements were £39,008 and £33,913 respectively (2012: £38,150 and £30,403 respectively).

Defined Contribution Arrangements

Prior to his retirement from the Board on 7th August 2013, Kevin Elliott was 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, Kevin 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, Kevin 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.

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, Remuneration Committee
3rd March 2014

Independent Auditors' Report for the Consolidated Financial Statements

Report on the Group financial statements

Our opinion

In our opinion the Group financial statements, defined below:

- give a true and fair view of the state of the Group's affairs as at 31st December 2013 and of the Group's profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006 and Article 4 of the IAS Regulation.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The Group financial statements, which are prepared by Johnson Service Group PLC, comprise:

- the Consolidated Balance Sheet as at 31st December 2013;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year then ended;
- the Consolidated Statement of Changes in Shareholders' Equity and Consolidated Statement of Cash Flows for the year then ended;
- the Statement of Significant Accounting Policies; and
- the Notes to the Consolidated Financial Statements, including other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union.

Certain disclosures required by the financial reporting framework have been presented elsewhere in the Annual Report and Accounts (the "Annual Report"), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). 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 Group'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 Group financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Overview of our audit approach

Materiality

We set certain thresholds for materiality. These helped us to determine the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the Group financial statements as a whole to be £850,000, being 5% of profit before interest, tax, amortisation of intangible assets (excluding software), exceptional items and discontinued operations ("adjusted operating profit"), which, in our view, is a relevant measure of the Group's underlying performance.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £50,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Overview of the scope of our audit

Following the disposal of the Facilities Management division during the year, the Group is now structured along two business lines being Textile Rental and Drycleaning. The Group financial statements are a consolidation of 18 reporting units, ten within the continuing business lines, and centralised functions, and eight within discontinued operations.

In establishing the overall approach to the Group audit, we determined the level and type of work that we needed to perform at each reporting unit to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group financial statements as a whole.

We determined that seven reporting units within the continuing business lines required an audit of their complete financial information, due to their size or risk characteristics. We performed audit procedures on the trading results and certain balances and transactions at the Group's discontinued operations. This, together with additional procedures performed at the Group level, gave us the evidence we needed for our opinion on the Group financial statements as a whole.

Areas of particular audit focus

In preparing the financial statements, the Directors made a number of subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We primarily focused our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

We considered the following areas to be those that required particular focus in the current year. This is not a complete list of all risks or areas of focus identified by our audit. We discussed these areas of focus with the Audit Committee. Their report on those matters that they considered to be significant issues in relation to the financial statements is set out on pages 28 to 29.

1. The disposal of the Facilities Management division

The Group disposed of the Facilities Management Division in August 2013. The disposal led to a £9.0m impairment charge being recognised when the division was classified as held for sale, and a profit on disposal of £1.1m.

We focused on this area because of the one off and material nature of the transaction.

How the scope of our audit addressed the area of focus

We read the terms of the sale agreement to check whether the disposal had been accounted for appropriately. We tested the provisions for impairment recognised, the sale proceeds, particularly the value recognised in respect of the deferred and contingent proceeds, and the associated costs of disposal to check that they were appropriately recognised and classified as part of the disposal.

We also evaluated the related note disclosures.

2. The restructure of the Drycleaning division

In 2012, the restructure of the Drycleaning division gave rise to an exceptional charge in the Income Statement of £22.7m. In 2013, an additional charge of £1.2m has been recognised, as explained in the financial statements, and the provision recognised in 2012 and 2013 continues to be utilised.

We focused on this area because it is material in the context of the financial statements and involves subjective judgements by the Directors, in particular estimates on future expected property costs.

How the scope of our audit addressed the area of focus

We tested the Directors' key assumptions and estimates in determining the required level of provision, including challenging the Directors' assumptions regarding forecast future costs and recoveries by comparing future estimated costs to historic costs and comparing provisions made in 2012 with amounts utilised in 2013.

We tested whether the costs charged to the provision were consistent with the purpose of the provision.

3. Goodwill and fixed asset impairment assessment

We focused on this area because the determination of whether or not an impairment charge for goodwill and/or fixed assets involves subjective judgements.

How the scope of our audit addressed the area of focus

No impairment charge has been recognised by the Directors in the year however changes in assumptions and forecasts used in supporting the value of the assets could give rise to a material impairment.

We evaluated the Directors' future cash flow forecasts, and the process by which they were drawn up, including comparing them to the latest Board approved budgets, and testing the underlying calculations. We challenged:

- the revenue and cost forecasts;
- the key assumptions for long term growth rates in the forecasts by comparing them to historical results, economic and industry forecasts; and

Independent Auditors' Report for the Consolidated Financial Statements continued

- the discount rate by assessing the cost of capital for the Company and comparable organisations.

We also performed sensitivity analysis around the key drivers of the cash flow forecasts. Having ascertained the extent of change in those assumptions that either individually or collectively would be required for the goodwill or fixed assets to be impaired, we considered the likelihood of such a movement in those key assumptions arising.

4. Fraud in revenue recognition
ISAs (UK & Ireland) presume there is a risk of fraud in revenue recognition because of the pressure management may feel to achieve the planned results.

How the scope of our audit addressed the area of focus
Our testing of revenue transactions, to assess whether a service had been provided or a sale had occurred, focused on understanding whether cash had been received and whether evidence existed to support the completion of the service or sales agreed to be provided.

Where revenue was recorded through manual journal entries we checked whether a sale had occurred in the financial year to support this recognition.

5. Risk of management override of internal controls
ISAs (UK & Ireland) require that we consider this.

How the scope of our audit addressed the area of focus
We tested key reconciliations and manual journal entries. We considered whether there was evidence of bias by the Directors in determining the significant accounting estimates and judgements relevant to the financial statements. We also assessed the overall control environment of the Group, including the arrangements for staff to report inappropriate actions, and held discussions with senior management.

Going Concern
The Directors have voluntarily complied with Listing Rule 9.8.6(R)(3) and provided a statement in relation to going concern, set out on page 20, required for companies with a premium listing on the London Stock Exchange.

The Directors have requested that we review the voluntary statement on going concern as if the parent company were a premium listed company. We have nothing to report having performed our review.

As noted in the Directors' statement, the Directors have concluded that it is appropriate to prepare the Group's financial statements using the going concern basis of accounting. The going concern basis presumes that the Group has adequate resources to remain in operation, and that the Directors intend it to do so, for at least one year from the date the financial statements were signed. As part of our audit we have concluded that the Directors' use of the going concern basis is appropriate.

However, because not all future events or conditions can be predicted, these statements are not a guarantee as to the Group's ability to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the Group financial statements are prepared is consistent with the Group financial statements.

Other matters on which we are required to report by exception
Adequacy of information and explanations received
Under the Companies Act 2006 we are required to report to you if, in our opinion we have not received all the information and explanations we require for our audit. We have no exceptions to report arising from this responsibility.

Directors' remuneration
Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

Corporate Governance Statement
The Directors have chosen to voluntarily comply with the Code as if the Company were a premium listed company. On page 21 of the Annual Report, as required by the Code Provision C.1.1, the Directors state that they consider the Annual Report taken as a whole to be fair, balanced and understandable and provides the information necessary for members to assess the Group's performance, business model and strategy. On pages 28 to 29, as required by C.3.8 of the Code, the Audit Committee has set out the significant issues that it considered in relation to the financial statements, and how they were addressed. Under ISAs (UK & Ireland) we are required to report to you if, in our opinion:

- the statement given by the Directors is materially inconsistent with our knowledge of the Group acquired in the course of performing our audit; or
- the section of the Annual Report describing the work of the Audit Committee does not appropriately address matters communicated by us to the Audit Committee.

We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Group's financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Group acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Matter on which we have agreed to report by exception

The Parent Company's voluntary Corporate Governance Statement includes details of the parent company's compliance with the UK Corporate Governance Code. The Directors have requested that we review the parts of the Corporate Governance Statement relating to the Parent Company's compliance with the nine provisions of the UK Corporate Governance Code specified for auditor review by the Listing Rules of the Financial Conduct Authority as if the Parent Company were a premium listed company. We have nothing to report having performed our review.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 21, the Directors are responsible for the preparation of the Group 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 Group financial statements in accordance with applicable law and ISAs (UK & 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.

Other matter

We have reported separately on the Parent Company financial statements of Johnson Service Group PLC for the year ended 31st December 2013.

Nicholas Boden (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Manchester
3rd March 2014

Consolidated Income Statement

	Note	Year ended 31 December 2013 £m	Year ended 31 December 2012 (restated)* £m
Revenue from continuing operations	1	193.6	198.7
Operating profit/(loss)		15.8	(10.7)
Operating profit before intangible amortisation and impairment (excluding software amortisation) and exceptional items	1	17.0	15.3
Amortisation and impairment of intangible assets (excluding software amortisation)		(0.6)	(0.5)
Exceptional items	6		
– Restructuring and other costs		(1.2)	(24.8)
– Costs in relation to business acquisition activity		–	(0.4)
– Pension credits/(costs)		0.6	(0.3)
Operating profit/(loss)	1	15.8	(10.7)
Finance cost		(2.8)	(3.5)
Notional interest		(0.8)	(1.1)
Total finance cost	7	(3.6)	(4.6)
Profit/(loss) before taxation		12.2	(15.3)
Taxation (charge)/credit**	9	(2.4)	3.6
Profit/(loss) for the year from continuing operations		9.8	(11.7)
Loss/result for the year from discontinued operations	32	(9.1)	–
Profit/(loss) for the year attributable to equity holders		0.7	(11.7)
Earnings per share	11		
Basic earnings per share			
From continuing operations		3.8p	(4.6p)
From discontinued operations		(3.6p)	–
From continuing and discontinued operations		0.2p	(4.6p)
Fully diluted earnings per share			
From continuing operations		3.6p	(4.6p)
From discontinued operations		(3.4p)	–
From continuing and discontinued operations		0.2p	(4.6p)
Adjusted basic earnings per share			
From continuing operations		4.0p	3.4p
From discontinued operations		0.6p	1.3p
From continuing and discontinued operations		4.6p	4.7p
Adjusted fully diluted earnings per share			
From continuing operations		3.8p	3.4p
From discontinued operations		0.5p	1.3p
From continuing and discontinued operations		4.3p	4.7p

The notes on pages 58 to 89 are an integral part of these financial statements.

* The 2012 Income Statement has been restated to reflect (a) the revisions to IAS19, and (b) the disposal of the facilities management division which was completed on 7th August 2013. See note 37 for further information.

** Including £0.1 million credit (2012: £0.1 million credit) relating to intangibles amortisation and impairment (excluding software amortisation), £0.1 million credit (2012: £5.7 million credit) in relation to exceptional items and £0.3 million credit (2012: £nil) relating to prior year taxation adjustments relating to exceptional items charged in 2012.

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2013 £m	Year ended 31 December 2012 (restated)* £m
Profit/(loss) for the year		0.7	(11.7)
Items that will not be reclassified subsequently to profit or loss			
Remeasurement gain on post employment benefits	23	11.7	1.3
Taxation in respect of remeasurement gain		(2.3)	(0.4)
Change in deferred tax due to change in tax rate		(0.6)	(0.4)
Items that may be reclassified subsequently to profit or loss			
Cash flow hedges (net of taxation) – fair value gain/(loss)		0.1	(0.6)
– transfers to interest		0.7	0.6
Other comprehensive income for the year		9.6	0.5
Total comprehensive income/(loss) for the year		10.3	(11.2)

* See note 37 for further information.

Consolidated Statement of Changes in Shareholders' Equity

	Share Capital £m	Share Premium £m	Merger Reserve £m	Capital Redemption Reserve £m	Hedge Reserve £m	Retained Earnings £m	Total Equity £m
Balance at 1st January 2012	25.4	13.8	1.6	0.6	(1.1)	33.4	73.7
Loss for the year (restated)*	–	–	–	–	–	(11.7)	(11.7)
Other comprehensive income for the year (restated)*	–	–	–	–	–	0.5	0.5
Total comprehensive loss for the year	–	–	–	–	–	(11.2)	(11.2)
Share options (value of employee services)	–	–	–	–	–	0.8	0.8
Issue of share capital	0.2	0.1	–	–	–	–	0.3
Dividend paid	–	–	–	–	–	(2.6)	(2.6)
Transactions with Shareholders recognised directly to Shareholders' funds	0.2	0.1	–	–	–	(1.8)	(1.5)
Balance at 31st December 2012	25.6	13.9	1.6	0.6	(1.1)	20.4	61.0
Balance at 1st January 2013	25.6	13.9	1.6	0.6	(1.1)	20.4	61.0
Profit for the year	–	–	–	–	–	0.7	0.7
Other comprehensive income for the year	–	–	–	–	0.8	8.8	9.6
Total comprehensive income for the year	–	–	–	–	0.8	9.5	10.3
Share options (value of employee services)	–	–	–	–	–	0.5	0.5
Purchase of shares by EBT**	–	–	–	–	–	(0.4)	(0.4)
Current tax on share options	–	–	–	–	–	0.2	0.2
Deferred tax on share options	–	–	–	–	–	1.0	1.0
Issue of share capital	0.6	0.2	–	–	–	–	0.8
Dividend paid	–	–	–	–	–	(2.9)	(2.9)
Transactions with Shareholders recognised directly to Shareholders' funds	0.6	0.2	–	–	–	(1.6)	(0.8)
Balance at 31st December 2013	26.2	14.1	1.6	0.6	(0.3)	28.3	70.5

* See note 37 for further information.

** The Group has an Employee Benefit Trust (EBT), to administer share plans and to acquire shares, using funds contributed by the Group, to meet commitments to employee share schemes. At 31st December 2013, the EBT held 31,000 shares (2012: 1,286,531).

Consolidated Balance Sheet

	Note	As at 31 December 2013 £m	As at 31 December 2012 £m
Assets			
Non-current assets			
Goodwill	12	52.4	84.2
Intangible assets	13	3.0	10.1
Property, plant and equipment	14	36.0	38.3
Textile rental items	15	26.0	26.9
Trade and other receivables	17	1.8	0.6
Deferred income tax assets	21	4.5	9.5
		123.7	169.6
Current assets			
Inventories	16	2.0	2.3
Trade and other receivables	17	30.4	43.2
Cash and cash equivalents		3.4	1.5
		35.8	47.0
Liabilities			
Current liabilities			
Trade and other payables	18	37.6	50.1
Current income tax liabilities		0.3	0.7
Borrowings	20	0.8	10.0
Provisions	22	4.2	8.7
		42.9	69.5
Net current liabilities		(7.1)	(22.5)
Non-current liabilities			
Retirement benefit obligations	23	4.3	18.2
Deferred income tax liabilities	21	–	0.2
Other non-current liabilities	19	0.9	1.9
Borrowings	20	27.1	48.7
Derivative financial liabilities	24	0.3	1.4
Provisions	22	13.5	15.7
		46.1	86.1
Net assets		70.5	61.0
Equity			
Capital and reserves attributable to the Company's Shareholders			
Share capital	26	26.2	25.6
Share premium	28	14.1	13.9
Merger reserve		1.6	1.6
Capital redemption reserve		0.6	0.6
Hedge reserve		(0.3)	(1.1)
Retained earnings		28.3	20.4
Total Shareholders' funds		70.5	61.0

The notes on pages 58 to 89 are an integral part of these financial statements.

The financial statements on pages 46 to 89 were approved by the Board of Directors on 3rd March 2014 and signed on its behalf by:

Yvonne Monaghan
Chief Financial Officer

Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2013 £m	Year ended 31 December 2012 £m
Cash flows from operating activities			
Profit/(loss) for the year		0.7	(11.7)
Adjustments for:			
Income tax charge/(credit) – continuing operations	9	2.4	(3.6)
– discontinued operations	32	0.3	(5.7)
Finance income and expense – continuing operations	7	3.6	4.6
– discontinued operations	32	0.7	–
Depreciation		24.9	27.3
Amortisation		2.0	3.1
Decrease in inventories		0.2	0.6
Decrease/(increase) in trade and other receivables		2.5	(6.3)
Increase in trade and other payables		0.5	4.0
Loss/(profit) on sale of property, plant and equipment		0.2	(0.2)
(Profit)/loss on disposal of business	32	(1.1)	4.0
Impairment of assets held for resale	32	9.0	–
Acquisition fees charged to income statement		–	0.7
Deficit recovery payments to defined benefit pension schemes		(1.9)	(1.9)
Share-based payments		0.5	0.8
Retirement benefit obligations		(1.1)	0.1
(Decrease)/increase in provisions		(6.8)	12.4
Cash generated from operations		36.6	28.2
Interest paid		(3.0)	(4.5)
Taxation paid		(1.3)	(0.4)
Net cash flows generated from operating activities		32.3	23.3
Cash flows from investing activities			
Acquisition of business (net of cash acquired)	31	–	(7.2)
Proceeds from sale of business (net of cash disposed of)	32	26.7	1.5
Purchase of property, plant and equipment		(4.8)	(5.0)
Proceeds from sale of property, plant and equipment		0.4	0.4
Purchase of intangible assets		(0.2)	(0.4)
Purchase of textile rental items		(19.1)	(21.0)
Proceeds received in respect of special charges		2.2	2.4
Net cash generated from/(used in) investing activities		5.2	(29.3)
Cash flows from financing activities			
Proceeds from borrowings		12.0	18.5
Repayments of borrowings		(43.0)	(14.5)
Capital element of finance leases		(0.7)	(0.4)
Purchase of own shares by EBT		(0.4)	–
Net proceeds from issue of Ordinary shares		0.8	0.3
Dividends paid to Company Shareholders		(2.9)	(2.6)
Net cash (used in)/generated from financing activities		(34.2)	1.3
Net increase/(decrease) in cash and cash equivalents		3.3	(4.7)
Cash and cash equivalents at beginning of period		0.1	4.8
Cash and cash equivalents at end of period	33	3.4	0.1

The notes on pages 58 to 89 are an integral part of these financial statements.

Cash and cash equivalents at the end of the period include cash of £3.4 million and an overdraft of £nil (2012: £1.5 million and £1.4 million respectively).

Statement of Significant Accounting Policies

Johnson Service Group PLC ('the Company') and its subsidiaries (together "the Group") provide Textile Services to both business and the consumer. The two services are textile rental and laundry and retail drycleaning.

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

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

The Group consolidated financial statements were authorised for issue by the Board on 3rd March 2014.

Basis of preparation

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

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU), IFRS Interpretations Committee (IFRS IC) 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'.

The prior year Income Statement, Consolidated Statement of Comprehensive Income and the Consolidated Statement of Changes in Equity have been restated to reclassify the results of the Facilities Management division as a discontinued operation and for changes to IAS19 regarding accounting for pension costs. The impact of these changes are shown in note 37.

Changes in accounting policy and disclosures

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

The following standards have been adopted by the Group for the first time for the financial year beginning on 1st January 2013 and have a material impact on the Group:

IAS 1, 'Financial statement presentation'
The amendments to this standard are regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

IAS 19, 'Employee benefits'
This standard was revised in June 2011. The changes to the Group's accounting policies are as follows: to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability. See note 23 for the impact on the financial statements.

IFRS 13, 'Fair value measurement',
This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs.

(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 after 1st January 2014 but have not been early adopted by the Group or Company:

IAS 36, 'Impairment of assets'
The amendments to this standard are on the recoverable amount disclosures for non-financial assets. This amendment removes certain disclosures of the recoverable amounts of cash generated units (CGUs) which had been included in IAS 36 by the issue of IFRS 13.

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1st January 2013, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group.

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 53. 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 23). 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 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, 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.

Statement of Significant Accounting Policies continued

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:

Rendering of services

Revenue is recognised on a per item basis for delivery of laundered textiles for hotels, restaurants and events. Revenue for the supply and laundering of workwear is recognised on a regular basis in accordance with the terms of the contract. Drycleaning revenue is recognised at the time items are processed.

Sale of goods

Revenue is recognised when goods are sold from retail outlets or delivered to customers.

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

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, one off gains or losses relating to pension liabilities and expenses incurred in relation to business acquisitions.

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 immediately in operating costs in the Income Statement. Interest cost on plan liabilities and interest income on plan assets are recognised in finance costs. Curtailment gains arising from amendments to the terms of a defined benefit plan such that a significant element of future service by current employees will no longer qualify for benefits, or will only qualify for reduced benefits, are recognised in operating costs in the Income Statement. Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the Consolidated Statement of Comprehensive Income in the period in which they arose.

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'. Remeasurement gains and 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 it is 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. 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.

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 - 10 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.

Statement of Significant Accounting Policies continued

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 put in use as management intended.

Up until 31st December 2012, property, plant and equipment bought through acquisition of other businesses were accounted for as if they had been owned by the Group since new. From 1st January 2013, the Group's policy was amended such that for future acquisitions, the fair value of assets acquired will be the deemed cost of those assets.

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 and are stated at invoiced cost. Depreciation is calculated on a straight line basis over the estimated lives of the items in circulation, which range from two to five years. Up until 31st December 2012, issued rental items bought through acquisition of other businesses were accounted for as if they had been owned by the Group since new. From 1st January 2013, the Group's policy was amended such that for future acquisitions, the fair value of issued rental stock acquired will be the deemed cost of those assets.

Charges are levied in respect of lost or damaged items or where a customer terminates the service before the end of the contracted period. Such charges are referred to as 'special charges'. Where proceeds are received in respect of these special charges the amounts received are deducted from the carrying value of those items.

Where 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.

A provision for impairment of trade receivables 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 receivables. 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, where material, at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Income Statement within 'administrative costs'. When a trade receivable is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'administrative costs' in the Income Statement.

Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand. Up until disposal of the Facilities Management division, this included 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 Statement of Cashflows, 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 and up until disposal of the Facilities Management division, 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.

Statement of Significant Accounting Policies continued

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 Benefit Trust (EBT) 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.

The following accounting policies only relate to the Facilities Management division which was disposed of on 7th August 2013

Revenue recognition

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 contracts, 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.

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 to pre-contract costs are recognised as an intangible 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.

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 16 to 17. Note 24 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 Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Groups 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 16 to 17. Note 24 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-2' are accepted. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored. Sales to retail customers are generally settled in cash or using major credit cards.

Note 24 provides both numerical and narrative disclosures regarding credit risk.

(c) Liquidity risk

Prudent liquidity risk management involves maintaining sufficient cash reserves and maintaining the availability of funding through an adequate amount of committed credit facilities. Due to the dynamic nature of the underlying businesses Group Treasury maintains flexibility in funding by maintaining availability under committed credit lines.

Management monitors rolling forecasts of the Groups liquidity reserve (comprising an undrawn borrowing facility (note 20) and cash and cash equivalents (note 24)) on the basis of expected cash flow.

2 Capital risk management

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

Further details are provided in note 24.

Notes to the Consolidated Financial Statements

1 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 2013.

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.

The exceptional items have been included within the appropriate business segment as shown on pages 59 to 60.

Textile Rental

Supply and laundering of workwear garments, premium linen to the hotel, catering and corporate hospitality markets and the sale of ancillary items.

- Johnsons Apparelmaster Limited
- Stalbridge Linen Services

Drycleaning

With over 330 branches nationwide, provides drycleaning, laundry and ironing services, carpet cleaning, upholstery cleaning, wedding dress cleaning and suede & leather cleaning.

- Johnson Cleaners UK Limited
- Jeeves of Belgravia Limited
- Jeeves International Limited

All Other Segments

Comprising of central and head office costs.

- Johnson Service Group PLC
- Johnson Group Properties PLC
- Semara Estates Limited

1 Segment analysis continued

Year ended 31st December 2013	Textile Rental £m	Drycleaning £m	All Other Segments £m	Total £m
Revenue				
Continuing	136.2	57.4	–	193.6
Discontinued (note 32)				29.0
Total revenue				222.6
Result				
Operating profit before intangible amortisation and impairment (excluding software amortisation) and exceptional items	18.9	1.6	(3.5)	17.0
Amortisation and impairment of intangible assets (excluding software amortisation)	(0.6)	–	–	(0.6)
Exceptional items:				
– Restructuring and other costs	–	(1.2)	–	(1.2)
– Pension credit	–	–	0.6	0.6
Operating profit/(loss)	18.3	0.4	(2.9)	15.8
Finance cost (including notional interest)				(3.6)
Profit before taxation				12.2
Taxation				(2.4)
Profit for the period – continuing operations				9.8
Loss for the period – discontinued operations (note 32)				(9.1)
Profit for the period				0.7

	Discontinued Operations £m	Textile Rental £m	Drycleaning £m	All Other Segments £m	Total £m
Other information					
Non-current asset additions					
– Property, plant and equipment	0.1	4.7	1.4	–	6.2
– Textile rental items	–	19.5	–	–	19.5
– Intangible software	0.2	–	–	–	0.2
Depreciation and amortisation expense					
– Property, plant and equipment	0.2	4.2	2.1	0.2	6.7
– Textile rental items	–	18.2	–	–	18.2
– Intangible software	0.2	–	–	–	0.2
– Customer contracts	0.6	1.2	–	–	1.8
Balance sheet information					
Segment assets	2.2	116.4	22.4	10.6	151.6
Unallocated assets: Deferred income tax assets					4.5
Cash and cash equivalents					3.4
Total assets					159.5
Segment liabilities	(5.0)	(31.1)	(19.4)	(3.6)	(59.1)
Unallocated liabilities: Deferred income tax liabilities					–
Bank borrowings					(25.0)
Income tax liabilities					(0.3)
Derivative financial liabilities					(0.3)
Retirement benefit obligations					(4.3)
Total liabilities					(89.0)
Return on Capital Employed		42.9%	22.1%		

Notes to the Consolidated Financial Statements continued

1 Segment analysis continued

Year ended 31st December 2012 (restated)	Textile Rental £m	Drycleaning £m	All Other Segments £m	Total £m
Revenue				
Continuing	134.4	64.3	–	198.7
Discontinued (note 32)				60.0
Total revenue				258.7
Result				
Operating profit before intangible amortisation and impairment (excluding software amortisation) and exceptional items	17.7	1.3	(3.7)	15.3
Amortisation and impairment of intangible assets (excluding software amortisation)	(0.5)	–	–	(0.5)
Exceptional items:				
– Restructuring and other costs	(2.1)	(22.7)		(24.8)
– Costs in relation to business acquisition activity	(0.4)			(0.4)
– Pension costs	–	–	(0.3)	(0.3)
Operating profit/(loss)	14.7	(21.4)	(4.0)	(10.7)
Finance cost (including notional interest)				(4.6)
Loss before taxation				(15.3)
Taxation				3.6
Loss for the period – continuing operations				(11.7)
Result for the period – discontinued operations (note 32)				–
Loss for the period				(11.7)

	Discontinued Operations £m	Textile Rental £m	Drycleaning £m	All Other Segments £m	Total £m
Other information					
Non-current asset additions					
– Property, plant and equipment	0.5	4.6	1.0	–	6.1
– Textile rental items	–	21.4	–	–	21.4
– Intangible software	0.3	–	–	–	0.3
Depreciation and amortisation expense					
– Property, plant and equipment	0.4	3.9	6.1	0.2	10.6
– Textile rental items	–	16.7	–	–	16.7
– Intangible software	0.2	–	0.1	–	0.3
– Customer contracts	2.3	0.5	–	–	2.8
Balance sheet information					
Segment assets	50.9	119.8	24.0	10.9	205.6
Unallocated assets: Deferred income tax assets					9.5
Cash and cash equivalents					1.5
Total assets					216.6
Segment liabilities	(17.7)	(29.9)	(25.8)	(4.9)	(78.3)
Unallocated liabilities: Deferred income tax liabilities					(0.2)
Bank borrowings					(56.8)
Income tax liabilities					(0.7)
Derivative financial liabilities					(1.4)
Retirement benefit obligations					(18.2)
Total liabilities					(155.6)
Return on Capital Employed		38.2%	16.6%		

2 Expenses by function

	Continuing 2013 £m	Discontinued 2013 £m	Total 2013 £m	Continuing 2012 (restated) £m	Discontinued 2012 (restated) £m	Total 2012 (restated) £m
Revenue						
Rendering of services	189.0	29.0	218.0	193.3	51.6	244.9
Sale of goods	4.6	–	4.6	5.4	8.4	13.8
Total revenue	193.6	29.0	222.6	198.7	60.0	258.7
Costs recharged to customers	–	(2.5)	(2.5)	–	(6.8)	(6.8)
Cost of sales	(127.6)	(20.6)	(148.2)	(134.0)	(41.6)	(175.6)
Administrative costs	(25.6)	(3.6)	(29.2)	(26.1)	(6.3)	(32.4)
Distribution costs	(23.4)	–	(23.4)	(23.3)	(0.8)	(24.1)
Operating profit before intangible amortisation and impairment (excluding software amortisation) and exceptional items	17.0	2.3	19.3	15.3	4.5	19.8
Amortisation and impairment of intangible assets (excluding software amortisation)	(0.6)	(1.2)	(1.8)	(0.5)	(2.3)	(2.8)
Exceptional items	(0.6)	(1.3)	(1.9)	(25.5)	(3.9)	(29.4)
Operating profit/(loss)	15.8	(0.2)	15.6	(10.7)	(1.7)	(12.4)

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

	Continuing 2013 £m	Discontinued 2013 £m	Total 2013 £m	Continuing 2012 (restated) £m	Discontinued 2012 (restated) £m	Total 2012 (restated) £m
Employee benefit expense (Note 4)	86.2	7.9	94.1	92.7	17.6	110.3
Costs recharged to customers	–	2.5	2.5	–	6.8	6.8
Auditors' remuneration (Note 3)	1.3	–	1.3	0.6	–	0.6
Amortisation of intangible assets:						
Software	–	0.2	0.2	0.1	0.2	0.3
Customer contracts	0.6	1.2	1.8	0.5	2.3	2.8
Depreciation and impairment of tangible fixed assets:						
Property, plant and equipment held under finance agreements	0.7	–	0.7	0.8	–	0.8
Owned property, plant and equipment	5.8	0.2	6.0	9.4	0.4	9.8
Textile rental items	18.2	–	18.2	16.7	–	16.7
Operating leases:						
Land and buildings	13.5	0.8	14.3	15.3	1.3	16.6
Sublet rental income	(1.7)	(0.3)	(2.0)	(1.9)	(0.5)	(2.4)
Plant and equipment	2.9	0.1	3.0	3.2	0.3	3.5

3 Auditors' remuneration

	2013 £m	2012 £m
Auditors' remuneration		
Fees payable to the Company's auditors for the audit of the Parent Company and consolidated financial statements	0.1	0.1
Fees payable to the Company's auditors for other services:		
– Audit of the Company's subsidiaries pursuant to legislation	0.2	0.2
– Services relating to taxation	0.2	0.2
– All other services	0.8	0.1
	1.3	0.6

Included within the above is an amount of £nil (2012: £17,000) in respect of fees payable to the Company's auditors for services relating to the audit of the Company's pension schemes.

Included within the above is an amount of £0.8 million (2012: £nil) in respect of fees payable to the Company's auditors for services relating to the disposal of the Facilities Management division.

Notes to the Consolidated Financial Statements continued

4 Employee benefit expense

Continuing	2013 £m	2012 (restated) £m
Staff costs during the year were as follows:		
Wages and salaries	76.1	79.8
Social security costs	6.7	6.4
Redundancy costs	0.7	3.5
Cost of employee share schemes (Note 27)	0.5	0.8
Private healthcare costs	0.5	0.5
Pension costs – defined benefit plans (Note 23)	0.5	0.5
Pension costs – defined contribution plans (Note 23)	1.2	1.2
Total	86.2	92.7

Employee benefit expenses relating to discontinued operations were £7.9 million (2012: £17.6 million).

Redundancy costs of £0.6 million (2012: £3.5 million) have been included within exceptional costs.

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

Continuing	2013	2012 (restated)
Textile Rental	2,667	2,722
Drycleaning	1,903	2,186
All other segments	18	19
Total	4,588	4,927

The monthly average number of persons (including Executive Directors) employed by the Group relating to discontinued operations was 537 (2012: 664).

5 Directors' emoluments

Detailed disclosures that form part of these financial statements are given in the Board Report on Remuneration on pages 33 to 41.

6 Exceptional items

	2013 £m	2012 (restated) £m
Restructuring costs – Textile Rental	–	(2.1)
– Drycleaning	(1.2)	(22.7)
	(1.2)	(24.8)
Costs in relation to business acquisition activity	–	(0.4)
Pension credits/(costs)	0.6	(0.3)
Total exceptional items	(0.6)	(25.5)

Exceptional items in relation to discontinued operations have been included within the result from discontinued operations (see note 32).

Current year exceptional items

Restructuring costs – Drycleaning

On 4th July 2012 the Group announced a review of the Drycleaning business and the following recommendations of this review were implemented:

- The combination of Drycleaning and Textile Rental into a single Textile Services division. Benefits include a unified branding strategy, significant cost savings and greater co-operation on sales opportunities.
- The closure of approximately 100 underperforming branches by the year end reducing the number of branches and achieving a corresponding reduction in back office and field teams and a reduced requirement for the warehousing and distribution of consumables.
- A significant acceleration of dilapidation provisions which increases flexibility on lease renewal.

6 Exceptional items continued

The total estimated charge to the Income Statement for the planned restructuring and property provisions relating to the Drycleaning business amounted to an aggregate £23.9 million; of this amount £22.7 million was charged in 2012, with the remaining £1.2 million charged during 2013.

Pension credits and costs

During the period, the Group merged the existing three defined benefit pension schemes into a single new defined benefit scheme, the Johnson Group Defined Benefit Scheme (JGDBS). As part of the merger, members with small benefits were offered the option of taking their benefits as a 'winding up lump sum'. The resulting settlement gain (net of fees) has been recognised as an exceptional credit of £0.6 million.

Prior year exceptional items

Restructuring costs – Textile Rental

Following the acquisition of the business and specified garment, linen, mat and towel contracts and related assets of Cannon Textile Care (Cannon), the Textile Rental division reorganised its management and support structures such that they were better aligned to the combined business needs going forward. Furthermore, redundancy costs were recognised in the period to reflect the planned closure at certain of the Cannon sites acquired as a result of the majority of trade being transferred to existing plants within the division.

Although these costs were directly as a result of the acquisition they have not been classified as 'costs in relation to business acquisition activity' as they more closely fit the definition of 'restructuring costs'.

Restructuring costs – Drycleaning

As detailed above, on 4th July 2012 the Group announced a review of the Drycleaning business. During 2012 the exceptional charge was £22.7 million. Of this amount £3.5 million was non-cash and only £2.1 million was an additional cash requirement relating to the restructuring cost, as the balance was already contractually committed cash spend (including rent, rates, insurance and dilapidations) irrespective of the restructuring plan.

The taxation credit in respect of the £22.7 million exceptional cost above was £5.0 million.

Costs in relation to business acquisition activity

Fees totaling £0.4 million were incurred in relation to the acquisition of the business and specified garment, linen, mat and towel contracts and related assets of Cannon Textile Care.

Pension costs

During the period an enhanced partial or full transfer value exercise was offered to those members of the Johnson Group Staff Pension Scheme whose scheme pension was in excess of the minimum income requirement. 23 members were offered the enhancement; three accepted, resulting in an exceptional cost of £0.3 million (including fees) which was recognised as a settlement loss.

7 Finance cost

	2013 £m	2012 (restated) £m
Finance cost:		
– Interest payable on bank loans and overdrafts	(2.2)	(2.9)
– Amortisation of bank loan issue costs	(0.5)	(0.5)
– Interest payable on obligations under finance leases	(0.1)	(0.1)
Total finance costs before notional interest on post employment benefits	(2.8)	(3.5)
Notional interest on post employment benefits:		
– Interest cost on net pension scheme liability	(0.7)	(1.0)
– Private healthcare	(0.1)	(0.1)
	(0.8)	(1.1)
Total finance cost	(3.6)	(4.6)

In addition an exceptional interest cost of £0.7 million (2012: £nil) has been charged to discontinued operations (see note 32).

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

The prior year Consolidated Income Statement has been restated to reflect this change.

Notional interest is a non-cash item and does not impact on scheme funding.

Notes to the Consolidated Financial Statements continued

8 Adjusted profit before and after taxation

	2013 £m	2012 (restated) £m
Profit/(loss) before taxation from continuing activities	12.2	(15.3)
Intangibles amortisation and impairment (excluding software amortisation)	0.6	0.5
Restructuring and other costs	1.2	24.8
Costs in relation to business acquisition activity	–	0.4
Pension (credits)/costs	(0.6)	0.3
Adjusted profit before taxation attributable to continuing operations	13.4	10.7
Taxation on adjusted profit	(2.9)	(2.2)
Adjusted profit after taxation attributable to continuing operations	10.5	8.5

9 Taxation

	2013 £m	2012 (restated) £m
Current tax		
UK corporation tax charge for the year	1.4	0.3
Adjustment in relation to previous years	(0.1)	(0.7)
Current tax charge/(credit) for the year	1.3	(0.4)
Deferred tax		
Origination and reversal of temporary differences	1.5	(3.2)
Changes in statutory tax rate	0.3	–
Adjustment in relation to previous years	(0.7)	–
Deferred tax charge/(credit) for the year	1.1	(3.2)
Total charge/(credit) for taxation included in the Income Statement for continuing operations	2.4	(3.6)

The tax charge for the period is lower (2012: credit is lower) than the standard rate of Corporation Tax in the UK of 23.25% (2012: 24.50%). The differences are explained below:

	2013 £m	2012 (restated) £m
Profit/(loss) before taxation per the Income Statement	12.2	(15.3)
Profit/(loss) before taxation multiplied by the standard rate of Corporation Tax in the UK of 23.25% (2012: 24.50%)	2.8	(3.7)
Factors affecting taxation charge for the year:		
Tax effect of expenses not deductible for tax purposes	0.2	0.8
Changes in statutory tax rate	0.2	–
Adjustments to tax in respect of prior periods	(0.8)	(0.7)
Total charge/(credit) for taxation included in the Income Statement for continuing operations	2.4	(3.6)

Taxation in relation to intangible amortisation and impairment (excluding software amortisation) has reduced the charge by £0.1 million (2012: £0.1 million credit). Taxation on the exceptional items in the current year has reduced the charge for taxation relating to continuing operations by £0.1 million (2012: increased the credit by £5.7 million). Prior year taxation adjustments relating to exceptional items charged in 2012 has increased the credit for taxation by £0.3 million.

The income tax expense for the year is based on the effective United Kingdom statutory rate of Corporation Tax for the period of 23.25% (2012: 24.5%). The rate of Corporation Tax in the UK reduced from 24% to 23% on 1st April 2013 and will reduce to 21% on 1st April 2014 and 20% on 1st April 2015. The movements in tax rates has led to changes in deferred tax balances resulting in a charge to the Income Statement of £0.2 million and a charge to reserves of £0.4 million.

During the year £0.2 million of current taxation and £1.0 million of deferred taxation have been recognised directly in Shareholders' funds.

10 Dividends

Dividends per share	2013	2012
Final dividend proposed	0.81p	–
Interim dividend paid	0.40p	0.36p
Final dividend paid	–	0.74p

Shareholders' funds utilised	2013 £m	2012 £m
Final dividend proposed	2.4	–
Interim dividend paid	1.0	0.9
Final dividend paid	–	1.9

The Directors propose the payment of a final dividend in respect of the year ended 31st December 2013 of 0.81 pence per share. This will utilise Shareholders' funds of £2.4 million and will be paid, subject to Shareholder approval, on 16th May 2014 to Shareholders on the register of members on 22nd April 2014. The trustee of the EBT has waived the entitlement to receive dividends on the Ordinary shares held by the Trust. In accordance with IAS 10 there is no payable recognised at 31st December 2013 in respect of this proposed dividend.

11 Earnings per share

	2013 £m	2012 (restated) £m
Profit /(loss) for the financial year from continuing operations attributable to Shareholders	9.8	(11.7)
Loss for the financial year from discontinued operations attributable to Shareholders	(9.1)	–
Intangible amortisation and impairment from continuing operations (net of taxation)	0.5	0.4
Intangible amortisation and impairment from discontinued operations (net of taxation)	0.9	1.8
Exceptional costs from continuing operations (net of taxation)	0.2	19.8
Exceptional costs from discontinued operations (net of taxation)	9.2	1.7
Exceptional finance costs from discontinued operations (net of taxation)	0.5	–
Adjusted profit attributable to Shareholders relating to continuing operations	10.5	8.5
Adjusted profit attributable to Shareholders relating to discontinued operations	1.5	3.5
Adjusted profit attributable to Shareholders	12.0	12.0
Weighted average number of Ordinary shares	258,032,874	254,039,462
Dilutive potential Ordinary shares*	16,455,525	18,404,814
Fully diluted number of Ordinary shares	274,488,399	272,444,276
Basic earnings per share		
From continuing operations	3.8p	(4.6p)
From discontinued operations	(3.6p)	–
From continuing and discontinued operations	0.2p	(4.6p)
Adjustment for intangibles amortisation and impairment (continuing operations)	0.2p	0.2p
Adjustment for intangibles amortisation and impairment (discontinued operations)	0.4p	0.7p
Adjustment for exceptional items (continuing operations)	–	7.8p
Adjustment for exceptional items (discontinued operations)	3.6p	0.6p
Adjustment for exceptional finance costs (discontinued operations)	0.2p	–
Adjusted basic earnings per share (continuing operations)	4.0p	3.4p
Adjusted basic earnings per share (discontinued operations)	0.6p	1.3p
Adjusted basic earnings per share from continuing and discontinued operations	4.6p	4.7p

* Includes outstanding share options granted to employees and, in 2012, warrants issued to the Company's banks.

Notes to the Consolidated Financial Statements continued

11 Earnings per share continued

	2013 £m	2012 (restated) £m
Diluted earnings per share		
From continuing operations	3.6p	(4.6p)
From discontinued operations	(3.4p)	–
From continuing and discontinued operations	0.2p	(4.6p)
Adjustment for intangible amortisation and impairment (continuing operations)	0.2p	0.2p
Adjustment for intangible amortisation and impairment (discontinued operations)	0.3p	0.7p
Adjustment for exceptional items (continuing operations)	–	7.8p
Adjustment for exceptional items (discontinued operations)	3.4p	0.6p
Adjustment for exceptional finance costs (discontinued operations)	0.2p	–
Adjusted diluted earnings per share (continuing operations)	3.8p	3.4p
Adjusted diluted earnings per share (discontinued operations)	0.5p	1.3p
Adjusted diluted earnings per share from continuing and discontinued operations	4.3p	4.7p

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

Adjusted earnings per share figures are given to exclude the effects of intangible 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, in 2012, 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 when, in respect of the profit or loss from continuing operations, their conversion to Ordinary shares would decrease earnings per share or increase loss per share from continuing operations. For the year ended 31st December 2013, 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. For the year ended 31st December 2012, potential Ordinary shares are anti-dilutive, as their inclusion in the diluted earnings per share calculation would reduce the loss from continuing operations, and hence have been excluded.

The Company intends to place approximately 26.3 million shares with existing and new institutional investors, raising net proceeds of approximately £12.8 million. See note 36 for further details. There were no other 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 Goodwill

	2013 £m	2012 £m
Cost		
Brought forward	92.3	95.7
Additions	–	0.5
Transfer to assets held for resale (see note 32)	(38.3)	–
Disposals	–	(3.9)
Carried forward	54.0	92.3
Accumulated impairment losses		
Brought forward	8.1	8.1
Transfer to assets held for resale (see note 32)	(6.5)	–
Carried forward	1.6	8.1
Carrying amount		
Opening	84.2	87.6
Closing	52.4	84.2

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.

12 Goodwill continued

Impairment tests for goodwill

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

	2013 £m	2012 £m
Textile Rental	43.3	43.3
Drycleaning	9.1	9.1
Facilities Management	–	31.8
	52.4	84.2

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, covering three years, that are approved by the Board. Income and costs within the budget are derived on a detailed, 'bottom up' basis – all income streams and cost lines are considered and appropriate growth, or decline, rates are assumed for each, all of which are then reviewed and challenged, firstly by senior management and ultimately by the Board. Income and cost growth forecasts are risk adjusted to reflect the specific risks facing each CGU and take account of the markets in which they operate. 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 that would affect the forecast cashflows.

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

Growth rate (after budget period): 2.5%
Market risk premium: 6.0%

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

The pre-tax discount rate used within the recoverable amount calculations was 6.87% (2012: 7.41%) and is based upon the weighted average cost of capital reflecting the specific principal risks and uncertainties applicable to each CGU. The discount rate takes into account, amongst other things, the risk free rate of return, the cost of equity, the market risk premium (which is used in deriving the cost of equity) and the cost of debt. The same discount rate has been used for each CGU as the principal risks and uncertainties associated with the Group, as highlighted on pages 16 to 17 of this report as being those risks with the highest likelihood or impact, would also impact each CGU in a similar manner. The Board acknowledge that there are additional factors that could impact the risk profile of each CGU given the difference in operations, customer base and trading performance over recent years. These additional factors were considered by way of a sensitivity analysis performed as part of the annual impairment tests. It was apparent from the sensitivity analysis that the discount rate would need to increase by more than 100%, which the Board considered unlikely to happen, before any impairment would arise and, as a result of this, the Board determined that attempting to estimate separate discount rates for each CGU was not necessary given the considerable headroom available.

Having completed the 2013 annual impairment review, the Group has recognised no impairment (2012: £nil). The level of impairment recognised is predominantly dependent upon judgements used in arriving at 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 headroom may change if different growth rate assumptions or a different pre-tax discount rate were used in the cash flow projections. Where the value-in-use calculations suggest an impairment, the Board would consider alternative use values prior to realising any impairment. Alternative use values may include, inter alia, net proceeds from an outright sale.

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. If the pre-tax discount rate is increased by 2 percentage points, or growth rates (after the budget period) are reduced to nil, all CGU's still have significant headroom.

Notes to the Consolidated Financial Statements continued

13 Intangible assets

	Capitalised Software £m	Customer contracts £m	Total £m
Cost			
At 31st December 2011	2.6	26.6	29.2
Additions	0.2	0.5	0.7
Business acquisitions	0.1	4.7	4.8
Disposals	(0.2)	–	(0.2)
Disposal of subsidiary	(0.2)	–	(0.2)
At 31st December 2012	2.5	31.8	34.3
Additions	0.2	–	0.2
Disposals	(0.1)	–	(0.1)
Transferred to assets held for resale (see note 32)	(2.1)	(20.6)	(22.7)
At 31st December 2013	0.5	11.2	11.7
Accumulated amortisation			
At 31st December 2011	1.9	19.5	21.4
Charged during the year	0.3	2.8	3.1
Disposals	(0.2)	–	(0.2)
Disposal of subsidiary (see note 32)	(0.1)	–	(0.1)
At 31st December 2012	1.9	22.3	24.2
Charged during the year	0.2	1.8	2.0
Disposals	(0.1)	–	(0.1)
Transferred to assets held for resale (see note 32)	(1.5)	(15.9)	(17.4)
At 31st December 2013	0.5	8.2	8.7
Carrying amount			
At 31st December 2011	0.7	7.1	7.8
At 31st December 2012	0.6	9.5	10.1
At 31st December 2013	–	3.0	3.0

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

Other intangible assets comprise brands and customer contracts and relationships, as a result of a business combination. For assets resulting from a business combination fair value is calculated based upon historical and prospective information and financial data specific to each business combination, with an appropriate discount factor applied.

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 – 10 years). The longest estimated useful life remaining at 31st December 2013 is 7 years.

14 Property, plant and equipment

	Properties				
	Freehold £m	Long Leasehold £m	Short Leasehold £m	Plant and Equipment £m	Total £m
Cost					
At 31st December 2011	10.9	5.1	2.4	98.5	116.9
Additions	–	–	0.7	5.4	6.1
Business acquisitions	–	–	–	2.3	2.3
Disposals	(0.1)	–	(0.1)	(14.3)	(14.5)
Business disposed of during the year	–	–	–	(0.5)	(0.5)
At 31st December 2012	10.8	5.1	3.0	91.4	110.3
Additions	–	–	–	6.2	6.2
Disposals	–	(0.3)	–	(14.6)	(14.9)
Transfer	0.4	–	–	(0.4)	–
Transferred to assets held for resale (note 32)	–	–	–	(3.9)	(3.9)
At 31st December 2013	11.2	4.8	3.0	78.7	97.7
Accumulated depreciation and impairment					
At 31st December 2011	4.3	1.7	1.9	66.2	74.1
Charged during the year	0.2	0.1	0.1	10.2	10.6
Business acquisitions	–	–	–	2.0	2.0
Eliminated on disposals	–	–	(0.1)	(14.2)	(14.3)
Business disposed of during the year	–	–	–	(0.4)	(0.4)
At 31st December 2012	4.5	1.8	1.9	63.8	72.0
Charged during the year	0.1	–	0.1	6.5	6.7
Eliminated on disposals	–	(0.1)	–	(14.2)	(14.3)
Transfer	0.2	–	–	(0.2)	–
Transferred to assets held for resale (note 32)	–	–	–	(2.7)	(2.7)
At 31st December 2013	4.8	1.7	2.0	53.2	61.7
Carrying amount					
At 31st December 2011	6.6	3.4	0.5	32.3	42.8
At 31st December 2012	6.3	3.3	1.1	27.6	38.3
At 31st December 2013	6.4	3.1	1.0	25.5	36.0

The value of assets under construction at 31st December 2013 was £0.2 million (2012: £nil).

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

	2013 £m	2012 £m
Plant and equipment	2.9	2.3

Notes to the Consolidated Financial Statements continued

15 Textile rental items

	2013 £m	2012 £m
Cost		
Brought forward	46.8	39.4
Additions	19.5	21.4
Business acquisition	–	2.7
Disposals	(15.9)	(11.9)
Special charges	(4.4)	(4.8)
Carried forward	46.0	46.8
Accumulated depreciation		
Brought forward	19.9	16.2
Charged during the year	18.2	16.7
Business acquisition	–	1.3
Disposals	(15.9)	(11.9)
Special charges	(2.2)	(2.4)
Carried forward	20.0	19.9
Carrying amount		
Opening	26.9	23.2
Closing	26.0	26.9

16 Inventories

	2013 £m	2012 £m
New textile rental items	0.7	0.8
Goods for resale	0.4	0.6
Raw materials and stores	0.9	0.9
	2.0	2.3

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

	2013 £m	2012 £m
Opening inventories	2.3	4.3
Purchases	26.2	37.3
Business disposed of during the year	–	(1.5)
Amounts transferred to textile rental items	(19.5)	(21.4)
Amounts transferred to cost of sales	(7.0)	(16.5)
Amounts written off during the year	(0.1)	–
Provision utilised during the year	0.1	0.1
	2.0	2.3

17 Trade and other receivables

	2013 £m	2012 £m
Amounts falling due within one year:		
Trade receivables	22.1	30.7
Less: provision for impairment of receivables	(1.7)	(1.6)
Trade receivables – net	20.4	29.1
Other receivables	4.2	5.2
Prepayments	2.1	5.6
Accrued income	3.7	3.3
	30.4	43.2
Amounts falling due after more than one year:		
Other receivables	1.8	0.6
	32.2	43.8

During the period, the Group recognised a bad debt provision expense relating to continuing operations of £0.8 million (2012: £0.9 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:

	2013			2012		
	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	30.7	(1.1)	29.6	37.4	(0.9)	36.5
– 3 to 6 months past due	0.6	(0.1)	0.5	1.5	(0.3)	1.2
– 6 to 12 months past due	0.1	(0.1)	–	0.5	–	0.5
– Over 12 months past due	0.4	(0.4)	–	0.4	(0.4)	–
	31.8	(1.7)	30.1	39.8	(1.6)	38.2

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 trade and other receivable balances at the balance sheet date are denominated in Sterling (2012: Sterling), and held at amortised cost. Given the short term nature there is deemed to be no difference between this and their 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:

	2013 £m	2012 £m
At 1st January	(1.6)	(1.8)
Provisions for receivables impairment	(1.0)	(0.9)
Amounts unused reversed	0.2	–
Receivables written off during the year as uncollectable	0.7	1.1
At 31st December	(1.7)	(1.6)

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. The Group does not hold any collateral as security.

Notes to the Consolidated Financial Statements continued

18 Trade and other payables

	2013 £m	2012 £m
Trade payables	10.7	13.5
Other payables	2.7	1.9
Other taxation and social security liabilities	5.9	8.4
Deferred income	1.3	2.0
Accruals	17.0	24.3
	37.6	50.1

All trade and other payables balances at the balance sheet date are denominated in Sterling (2012: Sterling), and are held at amortised cost. Given their short term nature there is deemed to be no difference between this and their fair value.

19 Other non-current liabilities

	2013 £m	2012 £m
Deferred income	0.1	–
Accruals	0.8	1.9
	0.9	1.9

20 Borrowings

	2013 £m	2012 £m
Current		
Overdraft	–	1.4
Bank loans	–	8.1
Obligations under finance lease agreements	0.8	0.5
	0.8	10.0
Non-current		
Bank loans	25.0	47.3
Obligations under finance lease agreements	2.1	1.4
	27.1	48.7
	27.9	58.7
The maturity of non-current bank loans is as follows:		
– Between one and two years	25.0	6.0
– Between two and five years	–	41.5
– Unamortised issue costs of bank loans	–	(0.2)
	25.0	47.3

At the 31st December 2013 the bank loan was drawn under the £50.0 million facility dated 7th August 2013. Available facilities at 31st December 2013 were £50.0 million (2012: available facility of £77.0 million).

Following the sale of the Facilities Management division, the bank facility was amended and restated on the 7th August 2013. Under the facility, bank loans were secured and were drawn down under a committed facility comprising a non-amortising Term Loan of £25.0 million and a Revolving Credit Facility (RCF), including an overdraft facility, of £25.0 million, all of which were due to expire on 31st May 2015.

Individual tranches were 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 ranged from 2.5% to 3.0%.

Amounts drawn under the revolving credit facility have been classified as due in less than one year and were £nil as at 31st December 2013.

The secured bank loans are stated net of unamortised issue costs of £nil (2012: £0.6 million).

On 21st February 2014 a new bank facility was signed with the existing banks and the £50.0 million facility was fully repaid and cancelled on 25th February 2014. The new secured facility comprises a £60.0 million RCF, including an overdraft, which runs to May 2018, together with an additional £10.0 million short term facility expiring 20th February 2015.

Under the new bank facility 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 applicable margin which ranges from 1.5% to 2.25%.

20 Borrowings continued

Finance leases

Obligations under finance lease agreements are as follows:

	2013 £m	2012 £m
Not more than one year		
Minimum lease payments	0.9	0.6
Interest element	(0.1)	(0.1)
Present value of minimum lease payments	0.8	0.5
Between one and five years		
Minimum lease payments	2.2	1.5
Interest element	(0.1)	(0.1)
Present value of minimum lease payments	2.1	1.4

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

21 Deferred taxation

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Deferred Income Tax Assets		Deferred Income Tax Liabilities	
Recognised deferred tax assets and liabilities	2013 £m	2012 £m	2013 £m	2012 £m
Deferred tax balances in respect of:				
Depreciation in excess of capital allowances	2.4	4.1	–	–
Employee Share Schemes	1.0	0.5	–	–
Retirement benefit obligations	0.9	4.2	–	–
Separately identifiable intangible assets	–	–	–	(0.2)
Derivative financial liabilities	0.1	0.3	–	–
Other short term timing differences	0.1	0.4	–	–
	4.5	9.5	–	(0.2)

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 has been formally agreed with HM Revenue & Customs; however 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 2013 £1.4 million of these losses have been utilised, leaving future tax losses available of £22.3 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 £2.6 million (assuming a corporation tax rate of 20%), 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 2013, £0.4 million of these tax losses have been utilised (2012: £nil), resulting in a reduction in the tax expense by £0.1 million half of which has been paid to the vendor.

Notes to the Consolidated Financial Statements continued

21 Deferred taxation continued

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

	Depreciation in excess of 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 2011	(0.6)	0.1	5.0	0.3	1.4	(0.8)	5.4
Credit/(charge) to income	4.7	0.4	(0.3)	(0.1)	(1.0)	0.6	4.3
(Charge)/credit to equity	–	–	(0.5)	0.1	–	–	(0.4)
At 31st December 2012	4.1	0.5	4.2	0.3	0.4	(0.2)	9.3
(Charge)/credit to income	(0.4)	(0.5)	(0.4)	–	(0.3)	0.2	(1.4)
Deferred tax assets disposed of	(1.3)	–	–	–	–	–	(1.3)
Credit/(charge) to equity	–	1.0	(2.9)	(0.2)	–	–	(2.1)
At 31st December 2013	2.4	1.0	0.9	0.1	0.1	–	4.5

The deferred income tax charge to income in 2013 includes a charge of £0.3 million in respect of discontinued activities (2012: £1.1 million credit).

The rate of corporation tax in the UK reduced from 24% to 23% on 1st April 2013 and will reduce to 21% on 1st April 2014 and to 20% from 1st April 2015. The effect of these changes on the Income Statement in the year is a charge of £0.3 million and has resulted in a charge to reserves of £0.6 million.

22 Provisions

	Property £m	Self Insurance £m	Total £m
At 31st December 2011	11.4	1.0	12.4
Additional provision in the year	18.6	0.2	18.8
Provision discount unwind	0.1	–	0.1
Utilised during the year	(6.0)	(0.1)	(6.1)
Disposal of business	(0.5)	–	(0.5)
Released during the year	–	(0.3)	(0.3)
At 31st December 2012	23.6	0.8	24.4
Additional provision in the year	0.4	–	0.4
Provision discount unwind	0.1	–	0.1
Utilised during the year	(7.0)	(0.1)	(7.1)
Released during the year	(0.1)	–	(0.1)
At 31st December 2013	17.0	0.7	17.7

	2013 £m	2012 £m
Analysis of total provisions		
Current	4.2	8.7
Non-current	13.5	15.7
	17.7	24.4

Property

The property provision relates to onerous leases, expected lease dilapidation costs and the estimated clean up costs of property where an environmental problem has been identified and costs to rectify can be reliably measured. 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.

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.

23 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.

Pensions – defined contribution

The JSG Pension Plan is a contract-based defined contribution scheme. The total cost of employer contributions for the year was £1.3 million of which £0.1 million relates to discontinued operations (2012: £1.5 million of which £0.3 million relates to discontinued operations).

The SGP Property Services Group Pension Plan is a defined contribution scheme. The cost of employer contributions for the year was £0.1 million (2012: £0.1 million). This scheme left the Group with the disposal of the Facilities Management division.

Pensions – defined benefit

During the year the Company has established a new pension scheme, the Johnson Group Defined Benefit Scheme ("JGDBS") and has transferred the assets and liabilities of the Johnson Group Staff Pension Scheme, the Semara Augmented Pension Scheme and the WML Final Salary Pension Scheme to this new scheme, effective 6th April 2013.

	Date of Last Full Valuation
Johnson Group Defined Benefit Scheme	–
Johnson Group Staff Pension Scheme	5th April 2010
Semara Augmented Pension Plan	5th April 2010
WML Final Salary Pension Scheme	5th April 2011

The first full actuarial valuation of the JGDBS as at 5th October 2013 is currently being undertaken.

The full actuarial valuations of the pension schemes disclosed above have been updated to 31st December 2013 by an independent qualified Actuary.

Johnson Group Defined Benefit Scheme ("JGDBS")

The updated actuarial valuation at 31st December 2013 showed a deficit of £3.0 million. During the period from 6th April 2013, employer contributions in respect of current service cost to the scheme were 9.4% of Pensionable Salaries.

During the period from 6th April 2013, deficit recovery payments of £0.4 million were made to the Scheme. Further deficit recovery payment contributions of £2.1 million are expected to be made in 2014, subject to any changes made following finalisation of the Scheme valuation as at 6th October 2013.

Johnson Group Staff Pension Scheme ("Staff Scheme")

During the year the assets and liabilities of the Staff Scheme have been transferred to JGDBS. In the period to 5th April 2013 employer contributions were 9.4% of Pensionable Salaries. In addition deficit recovery payments of £1.3 million (2012: £1.6 million) were made during the year. As this scheme is now closed and in the process of being wound up no further payments to the scheme are expected.

Semara Augmented Pension Plan ("SAPP Scheme")

During the year the assets and liabilities of the SAPP Scheme have been transferred to JGDBS. From April 2011 there were no longer any active members of this scheme. No deficit recovery payments were paid during 2013 (2012: nil). As this scheme is now closed and in the process of being wound up no further payments to the scheme are expected.

WML Final Salary Pension Scheme ("WML Scheme")

During the year the assets and liabilities of the WML Scheme have been transferred to JGDBS. The last remaining active member left the WML scheme on 31st December 2012. Deficit recovery payments of £0.2 million (2012: £1.3 million) were made during the year. As this scheme is now closed and in the process of being wound up no further payments to the scheme are expected.

Actuarial assumptions

Considerations when calculating the IAS 19(R) liability

IAS19(R) 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.

Notes to the Consolidated Financial Statements continued

23 Retirement benefits continued

A summary of relevant considerations is set out below:

Assumption for valuing pension liabilities	*Comments on prescribed conditions*
Discount rate (pre and post retirement)	Based on yields on "high quality" corporate bonds of appropriate duration and currency, or a suitable proxy. Our approach is to value sample pensioner and non-pensioner cash flows with different durations using a yield curve approach and to calculate the single equivalent discount rate for each set of cash flows
Retail Price inflation (RPI)	Based on the yield differential between index-linked bonds and fixed-interest bonds of appropriate duration and of a similar credit standing (for example, using spot yields derived from the inflation yield curve published by the Bank of England) with the allowance for an inflation premium to reflect market conditions
Consumer Price Inflation (CPI)	Based on the RPI assumption with an adjustment to reflect the historic differences between the RPI and CPI indices
Salary inflation	Assumed to be zero following the Pensionable Salary freeze introduced with effect from 6th April 2010
Pension increases	Based on 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)	Based on assumptions that lead to a best estimate of future cash flows

Considerations when calculating the IAS19(R) expected return on Scheme assets

Under IAS19(R), the expected rate of return on scheme assets (interest income), is deemed to be the same as the rate used to discount the Scheme liabilities.

Assumptions used

	2013	2012
Retail price inflation	3.30%	2.80%
Consumer price inflation	2.30%	1.80%
Rate of increase in pensionable salaries	0.00%	0.00%
Rate of increase of pensions in payment (5.0% RPI linked)	3.20%	2.70%
Rate of increase of pensions in payment (2.5% RPI linked)	2.15%	1.90%
Rate of increase of pensions in payment (2.5% CPI linked)	1.85%	1.60%
Rate of increase of pensions in deferment (Staff Scheme)	n/a	1.90%
Rate of increase of pensions in deferment (SAPP Scheme)	n/a	n/a
Rate of increase of pensions in deferment (WML Scheme)	n/a	n/a
Rate of increase of pensions in deferment (JGDBS Scheme)	2.15%	n/a
Rate used to discount scheme liabilities	4.60%	4.50%

Life expectancy at age 65 for current male pensioners is assumed to be 21.1 years (2012: 21.1 years). Life expectancy at age 65 for future male pensioners is assumed to be 21.5 years (2012: 21.5 years). "S1NXA CMI 2010 with a 0.5% long term trend rate" has been used to derive this mortality rate (2012: "S1NXA CMI 2010 with a 0.5% long term trend rate" used).

It is assumed that 100% of non-retired members of defined benefit pension schemes will commute 25% of their pension at retirement (2012: 100% of members will commute 25% of pension).

It has been assumed that 33% (2012: 33%) of future pensioners at retirement will take up the pension increase exchange offer.

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.

23 Retirement benefits continued

Sensitivity of key assumptions

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

Item	Approximate impact on IAS19(R) valuation
Increase/reduce discount rate by 0.1%	– £3.0 million/+ £3.0 million
Increase/reduce price inflation assumption by 0.1%	+ £1.1 million/– £1.1 million
Increase/reduction in asset returns by 5%	– £4.6 million/+ £4.6 million

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the pension liability recognised within the Balance Sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the previous period.

Private healthcare

The Group operates an unfunded defined benefit private healthcare scheme for eligible retirees. At 31st December 2013, the deficit of the scheme was £1.3 million (2012: £1.4 million). The Company accounted for a current service cost of £nil and a notional interest cost of £0.1 million in the Income Statement (2012: £nil and £0.1 million respectively) and expects this to remain unchanged in 2014.

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 amounts charged to the Income Statement are set out below:

	2013 £m	2012 (restated) £m
Current service cost – charged to administrative expenses	0.5	0.5
Settlement gain (net of associated expenses) – (credited)/charged as an exceptional item	(0.6)	0.2
Net interest on defined benefit liability	0.8	1.1
Total amounts charged to the Income Statement	0.7	1.8

Current service costs, past service costs and past service gains are charged to the Income Statement in arriving at operating profit before exceptional items, except where stated.

The settlement gain (net of associated expenses) has arisen as a result of the winding up of the three original pension schemes. Members with small benefits were offered the option of taking their benefits as a 'winding up lump sum'. The difference between the payments of £3.9 million and the liabilities extinguished of £5.1 million has been reflected in the Income Statement net of £0.6 million fees.

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

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

	2013 £m	2012 (restated) £m
Return on scheme assets excluding interest income	14.8	8.4
Remeasurement gains arising from changes in demographic assumptions	–	0.9
Remeasurement losses arising from changes in financial assumptions	(3.1)	(8.4)
Experience gains on liabilities	–	0.4
Total amounts recognised in the Statement of Comprehensive Income	11.7	1.3

Notes to the Consolidated Financial Statements continued

23 Retirement benefits continued

Amounts recognised in the Balance Sheet are as follows:

	2013 £m	2012 (restated) £m
Present value of funded obligations	(188.0)	(191.1)
Fair value of scheme assets	185.0	174.3
Net defined benefit pension obligations	(3.0)	(16.8)
Post retirement healthcare obligation	(1.3)	(1.4)
Net retirement benefit obligations	(4.3)	(18.2)

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

	2013 £m	2012 (restated) £m
Fair value of scheme assets at beginning of the year	174.3	167.4
Interest income	7.5	7.9
Return on scheme assets (excluding interest income)	14.8	8.4
Employer contributions (including benefits paid and reimbursed)	2.2	2.4
Members' contributions	0.3	0.3
Assets distributed on settlements	(3.9)	(1.7)
Benefits paid	(10.2)	(10.4)
Fair value of scheme assets at the end of the year	185.0	174.3

Movements in the defined benefit obligations are as follows:

	2013 £m	2012 (restated) £m
Fair value of scheme liabilities at beginning of the year	(192.5)	(187.6)
Current service cost	(0.5)	(0.5)
Members' contributions	(0.3)	(0.3)
Interest expense	(8.3)	(9.0)
Remeasurement losses from changes in demographic assumptions	–	0.9
Remeasurement gains from changes in financial assumptions	(3.1)	(8.4)
Experience losses on liabilities	–	0.4
Liabilities extinguished on settlements	5.1	1.5
Utilisation of healthcare provision	0.1	0.1
Benefits paid	10.2	10.4
Fair value of scheme liabilities at the end of the year	(189.3)	(192.5)

The major categories of scheme assets are as follows:

	2013			2012		
	Quoted Market Price Active Market £m	No Quoted Market Price Active Market £m	Total Scheme £m	Quoted Market Price Active Market £m	No Quoted Market Price Active Market £m	Total Schemes £m
Equities	92.2	–	92.2	81.6	–	81.6
Bonds	33.1	24.6	57.7	34.8	26.9	61.7
Alternative return seeking assets	4.8	28.1	32.9	5.8	24.2	30.0
Cash and cash equivalents	2.2	–	2.2	1.0	–	1.0
Total market value of assets	132.3	52.7	185.0	123.2	51.1	174.3

24 Financial instruments

Policies and strategies

Details of the Group's policies and strategies in relation to financial instruments are given on pages 56 to 57.

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 17 Financial assets and liabilities are stated at either amortised cost or fair value. Where stated at amortised cost, this is not materially different to the fair value unless otherwise stated due to their short term nature.

Financial assets

	2013 £m	2012 £m
Cash at bank and in hand		
– Sterling	3.4	1.5
– Euros	–	–
– US Dollars	–	–
At 31st December	3.4	1.5

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

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

	Rating	2013 £m	2012 £m
Cash at bank and in hand (excluding lifecycle funds)			
– Royal Bank of Scotland	A-2	3.4	0.2
		3.4	0.2
Cash at bank and in hand (Lifecycle funds)			
– Royal Bank of Scotland	A-2	–	0.3
– Barclays	A-1	–	1.0
		–	1.3
Total cash and cash equivalents		3.4	1.5

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-2' indicates the obligor's capacity to meet its financial commitment on the obligation is satisfactory. A short-term obligation rated 'A-1 indicates the obligor's capacity to meet its financial commitment on the obligation is strong and is rated in the highest Standard and Poor category.

Cash balances held with the Royal Bank of Scotland are used for working capital purposes or, before the disposal of the Facilities Management division, to fund Lifecycle expenditure. Given the A-2 rating of Royal Bank of Scotland, the Directors do not consider deposits at this institution to be at risk.

Since the disposal of the Facilities Management division no cash balances have been held with Barclays. Prior to that cash balances at Barclays were used for either working capital purposes or to fund lifecycle expenditure.

Cash balances in respect of lifecycle funds could only be used to fund certain specific contractual obligations under certain Facilities Management contracts and were not part of the Group's cross guarantee arrangement.

	2013			2012		
	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	–	–	–	1.4	–	1.4
Bank loans	25.0	1.1	26.1	55.4	4.4	59.8
Finance leases	2.9	0.2	3.1	1.9	0.2	2.1
Provisions	17.7	0.5	18.2	24.4	0.6	25.0
Derivative financial instruments	0.3	–	0.3	1.4	–	1.4
	45.9	1.8	47.7	84.5	5.2	89.7

Notes to the Consolidated Financial Statements continued

24 Financial instruments continued

Liquidity risk

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

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

	Overdrafts £m	Bank Loans £m	Finance Leases £m	Provisions £m	Derivative Financial Instruments £m	Total £m
As at 31st December 2013						
Due within one year	–	0.8	0.9	4.3	0.1	6.1
Due within one to two years	–	25.3	0.9	3.8	0.2	30.2
Due within two to five years	–	–	0.6	8.6	–	9.2
Due after more than five years	–	–	0.7	1.5	–	2.2
	–	26.1	3.1	18.2	0.3	47.7
As at 31st December 2012						
Due within one year	1.4	10.2	0.6	8.9	0.4	21.5
Due within one to two years	–	7.5	0.6	5.2	0.4	13.7
Due within two to five years	–	42.1	0.9	8.5	0.6	52.1
Due after more than five years	–	–	–	2.4	–	2.4
	1.4	59.8	2.1	25.0	1.4	89.7

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 31st December 2013				
Sterling	22.9	16.4	6.6	45.9
As at 31st December 2012				
Sterling	41.9	34.8	7.8	84.5

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.

Fixed rate financial liabilities

At 31st December 2013 the Group's fixed rate financial liabilities relate to bank borrowings that are covered by interest rate swaps and assets held under finance leases (2012: Interest rate swap and assets held under finance leases).

For assets held under finance leases the average interest rate incurred is 4.2% (2012: 4.5%) and the weighted average period remaining is 45 months (2012: 47 months).

The Group has entered into a number of interest rate swaps the effect of which is to classify £20.0 million (2012: £40.0 million) of the Group's borrowings as fixed rate. The details of current outstanding swaps are as follows:

- Interest rate swaps classifying £20.0 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 2013 will be continuously released to the Income Statement within finance costs until the end of the hedged period.

On the 7th August 2013 the Group cancelled £20.0 million of its then £40.0 million hedging arrangement for a cash payment of £0.6 million. This has been included in the result for discontinued operations (see note 32).

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 27 months (2012: 22 months).

24 Financial instruments continued

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 100 basis points (2012: 75 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 100 basis points (2012: 75 basis points).

Fair values of financial liabilities

Bank loans are drawn down and interest set for no more than a six month period (2012: six month period). In view of this the fair value of bank loans is not materially different from the book value. The fair value of other financial liabilities was not materially different from the book value.

The Group recognises financial instruments that are held at fair value. Financial instruments have been classified as Level 1, Level 2 or Level 3 dependant on the valuation method applied in determining their fair value.

The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The only financial instruments held at fair value by the Group relate to interest rate swaps on a portion of the Group's long term borrowings.

For both the year ended 31st December 2013 and 31st December 2012 the liabilities arising from these instruments have been classified as Level 2. The fair value of these instruments at each of the periods was:

	Fair Value 2013 £m	Fair Value 2012 £m
Derivative financial instruments held to manage the interest rate profile: – Interest rate products	(0.3)	(1.4)

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

All financial instruments are Level 2 financial instruments for all periods and there have been no transfers between either Level 1 and 2 or Level 2 and 3 in any period.

The fair value of the following financial assets and liabilities approximate to their carrying amount:

- Trade receivables and other receivables
- Cash and cash equivalents
- Trade and other payables

Valuation techniques used to derive Level 2 fair values

Level 2 trading and hedging derivatives comprise interest rate swaps. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves. The effects of discounting are generally insignificant for Level 2 derivatives.

Group's valuation processes

The Group's finance function that performs the valuations of financial instruments as required for financial reporting purposes, including Level 3 fair values (as required). This team reports directly to the chief financial officer (CFO). Discussions of valuation processes and results are held between the CFO and the team at least once every six months, in line with the Group's reporting dates.

Foreign currency risk

The Group purchases such a small proportion in currencies other than Sterling that there is no reasonable change in exchanges rates that would have a material effect on the Group.

Capital Risk Management

The Group's objectives when managing its capital structure are to safeguard the Group's ability to continue as a going concern, to provide appropriate returns to shareholders and benefits to other stakeholders.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or take other steps to increase share capital and reduce or increase debt facilities.

The Group manages its capital structure using a number of measures and taking into account future strategic plans. Such measures include its interest cover and gearing ratios which are included in its banking covenants. The Group remains compliant with its banking covenants.

Notes to the Consolidated Financial Statements continued

25 Contingent liabilities

The Group operates from a number of sites across the UK. Some of the sites have operated as laundry sites for many years and historic environmental liabilities may exist. Such liabilities are considered remote and hence are not expected to give rise to any significant loss.

The Group has granted its Bankers and Trustee of the Pension Scheme security over the assets of the Group. The priority of security is as follows: for the first £56.0 million the Bankers and Trustee rank pari passu; for the next £62.0 million in excess of £56.0 million the Bankers have priority and for anything over £118.0 million the Bankers and Trustee rank pari passu.

During the period of ownership of the Facilities Management division the Company had given guarantees over the performance of contracts entered into by the division. As part of the disposal of the division the purchaser has agreed to pursue the release or transfer of obligations under the Parent Company guarantees and this is in process. The Sale and Purchase agreement contains an indemnity from the purchaser to cover any loss in the event a claim is made prior to release. In the period until release the purchaser is to make a payment of £0.2 million per annum, reduced pro rata as guarantees are released. Such liabilities are not expected to give rise to any significant loss.

As a condition of the sale of the Facilities Management division in August 2013, the Group has put in place indemnities, to the purchaser, in relation to any future amounts payable in respect of contingent consideration related to the Nickleby acquisition completed in February 2012. As set out in the 2012 Annual Report and Accounts the maximum amount payable under the terms of the indemnity could be up to £5.0 million. The Directors believe the risk of settlement at the maximum level to be remote.

26 Called-up share capital

Authorised	2013 £m	2012 £m
383,025,739 (2012: 383,025,739) Ordinary shares of 10p each	38.3	38.3

Issued and Fully Paid	2013 Shares	2013 £m	2012 Shares	2012 £m
Ordinary shares of 10p each:				
At start of period	255,749,805	25.6	253,968,810	25.4
New shares issued	6,576,646	0.6	1,780,995	0.2
At end of period	262,326,451	26.2	255,749,805	25.6

The Company intends to place approximately 26.3 million shares with existing and new institutional investors, raising net proceeds of approximately £12.8 million, of which £2.6 million will be credited to share capital. See note 36 for further details.

Issue of Ordinary shares of 10p each

During the year, 3,977,800 Ordinary shares of 10 pence each were allotted to the EBT at nominal value to be used in relation to employee share option exercises. The total nominal value received was £397,780. The EBT already held 1,286,531 Ordinary shares of 10 pence each which together with 3,977,800 newly allotted Ordinary shares of 10 pence each were part used to satisfy the exercise of 5,233,331 LTIP options.

Additionally, 2,382,369 SAYE options were exercised with a total nominal value of £238,237.

In addition, 216,477 warrants were exercised in the year with a nominal value of £21,648 (2012: no warrants were exercised).

During the year, a total of 7,615,700 (2012: 1,780,995) share options were exercised which, together with the 216,477 warrants, resulted in a total nominal value of £657,700 (2012: £178,100).

The total proceeds received on allotment in respect of all of the above transactions were £0.8 million (2012: £0.3 million).

26 Called-up share capital continued

Potential issues of Ordinary shares of 10p each

As at the balance sheet date, certain senior executives hold options in respect of potential issues of Ordinary shares of 10 pence each granted pursuant to the 2009 Long-Term Incentive Plan (the '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 30.75 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 43.75 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.

The number of shares subject to option under each scheme which were outstanding at 31st December 2013, 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
LTIP	6th January 2011	9,682,835	note 1	nil
Approved LTIP	7th January 2011	1,365,840	note 2	30.75p
		11,048,675		
SAYE	6th October 2008	353,835	1st December 2013	16.00p
SAYE	1st April 2010	486,860	1st June 2015	18.00p
SAYE	6th October 2011	1,079,106	1st December 2014	28.50p
SAYE	6th October 2011	493,378	1st December 2016	28.50p
SAYE	1st October 2013	1,527,345	1st December 2016	43.75p
SAYE	1st October 2013	440,760	1st December 2018	43.75p
		4,381,284		
		15,429,959		

Note 1: Details of the performance conditions attached to the LTIP are set out within the Board Report on Remuneration. The performance condition attached to one third of the original award was achieved during 2013 and the award vested on 4th September 2013. 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 results for the year ending 31st December 2013.

Note 2: Subject to meeting the performance conditions of the linked LTIP award, the Approved LTIP is ordinarily exerciseable three years following the date of grant.

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 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:

	2013	2012
Exercisable at beginning of period	216,477	216,477
Exercised during the period	(216,477)	–
Exercisable at end of period	–	216,477

27 Share based payments

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's 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.

Notes to the Consolidated Financial Statements continued

27 Share based payments continued

SAYE Schemes

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.

	2013		2012	
	Number of Options	Weighted Average Exercise Price (p)	Number of Options	Weighted Average Exercise Price (p)
Executive schemes				
Outstanding at beginning of the period	18,189,964	4p	18,189,964	4p
Granted during the period	–	–	–	–
Exercised during the period	(5,233,331)	–	–	–
Lapsed during the period	(1,907,958)	20p	–	–
Outstanding at the end of the period	11,048,675	4p	18,189,964	4p
Exercisable at the end of the period	139,500	–	82,884	318p
SAYE schemes				
Outstanding at beginning of the period	5,460,409	23p	8,061,116	23p
Granted during the period	1,994,024	44p	–	–
Exercised during the period	(2,382,369)	17p	(1,780,995)	16p
Lapsed during the period	(690,780)	36p	(819,712)	40p
Outstanding at the end of the period	4,381,284	33p	5,460,409	23p
Exercisable at the end of the period	353,835	16p	41,090	246p

The aggregate gain made by Directors on the exercise of share options during the period was £2,174,209 (2012: £19,000). Further details are disclosed within the Board Report on Remuneration on page 38.

The average share price of Johnson Service Group PLC during the period was 46.63 pence (2012: 29.78 pence).

For options outstanding at 31st December 2013, the exercise date and the exercise price are disclosed within Note 26.

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 2013	Options Granted During 2012
Weighted average share price (pence)	49	–
Weighted average exercise price (pence)	44	–
Weighted average fair value (pence)	10	–
Expected volatility (%)	26.7	–
Expected life (years)	3.7	–
Risk free interest rate (%)	1.1	–
Expected dividend yield (%)	2.5	–

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 £0.5 million (2012: £0.8 million) in relation to equity-settled share based payment transactions.

28 Share premium

	2013 £m	2012 £m
Balance brought forward	13.9	13.8
Received on allotment of shares	0.2	0.1
Balance carried forward	14.1	13.9

The Company intends to place 26.3 million shares with existing and new institutional investors, raising net proceeds of approximately £12.8 million, of which £10.2 million will be credited to share premium. See note 36 for further details.

29 Own shares

	2013 £m	2012 £m
Balance brought forward and carried forward	–	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 EBT, to satisfy options under the Group's share option schemes (see Note 27).

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

	2013	2012
Number of shares held	31,000	1,286,531
Market value £m	–	0.3

30 Reconciliation of movements in Shareholders' funds

	2013 £m	2012 (restated) £m
Profit/(loss) for the period	0.7	(11.7)
Dividends	(2.9)	(2.6)
	(2.2)	(14.3)
Other recognised gains and losses relating to the year:		
Issue of share capital	0.8	0.3
Share options (value of employee services)	0.5	0.8
Purchase of shares by EBT	(0.4)	–
Remeasurement gains (net of taxation)	9.4	0.9
Change in deferred tax due to change in tax rate	(0.6)	(0.4)
Current tax on share options	0.2	–
Deferred tax on share options	1.0	–
Cash flow hedges movement (net of taxation)	0.8	–
Net addition/(reduction) to Shareholders' funds	9.5	(12.7)
Opening Shareholders' funds	61.0	73.7
Closing Shareholders' funds	70.5	61.0

31 Business combinations

There have been no acquisitions during the year. On the 2nd March 2014 the Group acquired the entire share capital of Bourne Services Group Limited. Further details are provided in note 36, 'Events after the reporting period'.

On 14th February 2012 the Group acquired the business and specified assets of Nickleby & Co Limited. There have been no changes to the fair value of assets and liabilities acquired as shown in the 2012 Annual Report and Accounts. This business was included in the Facilities Management division sold on 7th August 2013 (see note 32).

On 31st March 2012 the Group acquired the Cannon Textile Care business and specified assets from OCS Group Limited. There have been no changes to the fair value of assets and liabilities acquired as shown in the 2012 Annual Report and Accounts.

32 Disposals and discontinued operations

On 30th June 2013 the assets and liabilities of the Facilities Management division were classed as a disposal group and, as a result, the value of the assets held for resale was impaired by £9.0 million. On the 7th August 2013 the Facilities Management division was disposed of for a total consideration of £37.7 million (including £1.5 million of deferred and contingent consideration), of which £36.2 million was received at completion, resulting in profit on disposal of £1.1 million. The assets and related liabilities disposed of are shown in the table below.

The deferred and contingent consideration of £1.5 million is the Group's best estimate of the consideration to be received which could increase to a maximum of £2.2 million. Of the £2.2 million, £0.3 million is expected to be received during 2014 and £0.8 million during 2015 with the remaining £1.1 million being dependant on the future utilisation of deferred tax balances by the purchaser.

Notes to the Consolidated Financial Statements continued

32 Disposals and discontinued operations continued

	Carrying value as at 30 June 2013 £m	Impairment £m	Carrying value under IFRS5 as at 30 June 2013 £m	Movement £m	Carrying value under IFRS5 as at 7 August 2013 £m
Assets disposed of:					
Goodwill	31.8	(9.0)	22.8	–	22.8
Intangible assets – excluding software	4.7	–	4.7	–	4.7
Intangible assets – software	0.6	–	0.6	–	0.6
Tangible fixed assets	1.2	–	1.2	–	1.2
Trade and other receivables	10.5	–	10.5	–	10.5
Deferred Tax assets	1.6	–	1.6	(0.3)	1.3
Cash and cash equivalents – relating to lifecycle funds	1.6	–	1.6	0.6	2.2
Cash and cash equivalents – not relating to lifecycle funds	5.5	–	5.5	(0.1)	5.4
Trade and other payables	(14.4)	–	(14.4)	0.4	(14.0)
Current tax liability	(0.3)	–	(0.3)	–	(0.3)
	42.8	(9.0)	33.8	0.6	34.4
Consideration					37.7
Related costs					(2.2)
Profit on disposal					1.1

In 2013 the results for the Facilities Management division together with the exceptional finance costs of £0.1 million of unamortised fees written off on the early prepayment of bank loans and £0.6 million relating to the cost of settling interest rate hedge arrangements as a result of the disposal have been classed as discontinued operations.

In 2012 discontinued operations include:

- the results of the Facilities Management division;
- the results of Alex Reid Limited, which was disposed of in December 2012 together with the related loss on disposal;
- provisions relating to future lease commitments on properties previously used in operations that are now discontinued;
- taxation in respect of the above items; and
- taxation relating to the refund of the de-grouping tax charge paid in respect of the disposal of the Corporatewear division in 2008

The total loss relating to discontinued operations is as follows:

	2013 £m	2012 (restated) £m
Revenue from discontinued operations	29.0	60.0
Operating profit before intangible amortisation and impairment (excluding software amortisation) and exceptional items	2.3	4.5
Amortisation and impairment of intangible assets (excluding software amortisation)	(1.2)	(2.3)
Exceptional items	(1.3)	(3.9)
Loss before interest and taxation from discontinued operations	(0.2)	(1.7)
Exceptional finance costs	(0.7)	–
Taxation	(0.3)	5.7
(Loss)/profit for the period	(1.2)	4.0
Pre-tax profit/(loss) on disposal	1.1	(4.0)
Impairment of assets held for resale	(9.0)	–
Loss on disposal	(7.9)	(4.0)
Retained (loss)/result from discontinued operations	(9.1)	–

32 Disposals and discontinued operations continued

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

	2013 £m	2012 £m
Proceeds from disposal	36.2	2.1
Payment of costs relating to disposals	(1.9)	(0.1)
Cash disposed of	(7.6)	(0.5)
Net proceeds from sale of business	26.7	1.5
Net cash generated from operating activities	2.1	3.2
Interest paid	(0.6)	–
Net cash used in business acquisition activity	–	(1.3)
Tax payment	–	(0.4)
Net cash flow	28.2	3.0

Proceeds from disposal in 2013 relate to Facilities Management division (2012: Alex Reid).

33 Analysis of net debt

Net debt is calculated as total borrowings less cash and cash equivalents (excluding lifecycle funds prior to Facilities Management disposal on 7th August 2013), 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.

December 2013	At 1st January 2013 £m	Cash Flow £m	Other Non-cash Changes £m	At 31st December 2013 £m
Cash and cash equivalents (per Consolidated Statement of Cash Flows)	0.1	3.3	–	3.4
Less: lifecycle funds	(1.3)	1.3	–	–
Cash and cash equivalents (excluding lifecycle funds)	(1.2)	4.6	–	3.4
Debt due within one year	(8.1)	8.5	(0.4)	–
Debt due after more than one year	(47.3)	22.5	(0.2)	(25.0)
Finance leases	(1.9)	0.7	(1.7)	(2.9)
	(58.5)	36.3	(2.3)	(24.5)

December 2012	At 1st January 2012 £m	Cash Flow £m	Other Non-cash Changes £m	At 31st December 2012 £m
Cash and cash equivalents (per Consolidated Statement of Cash Flows)	4.8	(4.7)	–	0.1
Less: lifecycle funds	(1.3)	–	–	(1.3)
Cash and cash equivalents (excluding lifecycle funds)	3.5	(4.7)	–	(1.2)
Debt due within one year	(1.5)	(4.0)	(2.6)	(8.1)
Debt due after more than one year	(50.5)	–	3.2	(47.3)
Finance leases	(1.2)	0.4	(1.1)	(1.9)
	(49.7)	(8.3)	(0.5)	(58.5)

34 Reconciliation of net cash flow to movement in net debt

	2013 £m	2012 £m
Increase/(decrease) in cash in year (per Consolidated Statement of Cash Flows)	3.3	(4.7)
Movement in lifecycle funds	1.3	–
Increase/(decrease) in cash excluding lifecycle funds	4.6	(4.7)
Cash outflow/(inflow) on change in debt and lease financing	31.7	(3.6)
Change in net debt resulting from cash flows	36.3	(8.3)
Movement in unamortised issue costs of bank facility	(0.6)	0.6
New finance leases	(1.7)	(1.1)
Movement in net debt in year	34.0	(8.8)
Opening net debt	(58.5)	(49.7)
Closing net debt	(24.5)	(58.5)

Notes to the Consolidated Financial Statements continued

35 Financial commitments

Capital expenditure

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

	2013 £m	2012 £m
Property, plant and equipment	1.0	1.7

Revenue expenditure

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

	2013 £m	2012 £m
Land and buildings		
– within one year	11.5	13.0
– between two and five years	28.9	34.1
– in five years or more	23.0	31.2
	63.4	78.3
Plant and machinery		
– within one year	2.2	2.6
– between two and five years	2.9	3.3
	5.1	5.9

The total of future minimum sublease payments to be received under non-cancellable leases at the balance sheet date is £3.0 million (2012: £3.5 million).

36 Events after the reporting period

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

New bank facility

On 21st February 2014 a new bank facility was signed with the existing banks. The first drawdown of the new facility took place on 25th February 2014 and was used to repay the existing borrowings. The new facility consists of a £60.0 million Revolving Credit Facility (RCF) which expires in May 2018 and a £10.0 million RCF which expires on 20th February 2015. Under the new facility individual tranches are drawn down in Sterling, for periods of up to 6 months at LIBOR rates of interest prevailing at the time of drawdown, plus applicable margin which ranges from 1.5% to 2.25%.

Acquisition

On 2nd March 2014 the Group acquired the entire share capital of Bourne Services Group Limited and its wholly owned subsidiary Bourne Textile Services Limited (together "Bourne") for a consideration of £22.0 million on a debt free and cash free basis (including the acquisition of a freehold premises) and subject to adjustments for normalised working capital.

Bourne's operations are focused on the hotel linen market and it currently supplies some 350 hotels servicing approximately 28,000 bedrooms. Bourne operates from purpose built freehold premises which cover 4 acres and has a total of 90,000 sq ft of production capacity and is located in Bourne, Lincolnshire. Bourne services hotel customers in the Midlands, South Yorkshire, East Anglia, North London and the Home Counties.

Bourne is complementary to the Group's current Textile Rental services offered by Johnsons Apparelmaster (workwear) and Stalbridge (premium hotel, catering and corporate hospitality linen) and is in line with the Group's strategy to broaden the range of services available. The provision of hotel linen is a growing sector of the textile services market. The Bourne business has a history of annual growth and a reputation for operational excellence in the industry. With the exception of the vendor who retired on completion, the existing Bourne management team will remain with the business.

Bourne's revenue and profit before taxation for the year ended 28th February 2013 were £15.4 million and £2.4 million respectively. Bourne's attributable net assets, excluding cash balances, at the same date amounted to £8.9 million. Net Assets at completion include £5.3 million depreciated cost in respect of the freehold building and specialist fit out costs. It is anticipated that the fair value of the building will be £1.0 million to £2.0 million lower than currently recorded. Due to the short period of ownership a full post acquisition fair value exercise has yet to be completed.

Placing

The Company intends to place approximately 26.3 million Ordinary shares (the "Placing Shares") with existing and new institutional investors, raising net proceeds of approximately £12.8 million.

36 Events after the reporting period continued

The Placing Shares, when issued, will represent approximately 10.0 per cent of the Company's existing issued share capital. The placing price of 51 pence per share represents an approximate discount of 1.9 per cent. to the closing mid-market price of 52 pence per Ordinary share on 28th February 2014.

Investec Bank plc is acting as financial adviser and sole bookrunner in respect of the Placing.

The Placing Shares will, when issued, be credited as fully paid and will rank pari passu in all respects with the existing Ordinary shares, including the right to receive all dividends and other distributions declared, made or paid in respect of such shares after the date of issue of the Placing Shares. The issue of the Placing Shares is to be effected by way of a cashbox placing and will be made on a non-pre-emptive basis.

The Placing is conditional upon, amongst other things, Admission becoming effective and the Placing Agreement between the Company and Investec becoming unconditional and not being terminated, in accordance with its terms.

Application has been made to the London Stock Exchange for the Placing Shares to be admitted to trading on AIM. Admission is expected to be effective on 6th March 2014 and dealings in the Placing Shares will commence at that time. Following the admission to trading of the Placing Shares, the Company will have 288,793,343 Ordinary Shares in issue.

37 Prior period restatement

The Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the year to 31st December 2012 have been restated as a result of the following:

- the results of the Facilities Management division being treated as a discontinued operation; and
- changes in accounting for pension costs as a result of changes in IAS 19.

None of these changes impact the overall comprehensive income, net assets or cash flows of the Group. The impact of these changes on the Consolidated Income Statement and Consolidated Statement of Comprehensive Income are shown below:

	As originally reported £m	Facilities Management adjustment £m	Pension adjustment IAS19(R) £m	Restated £m
Year to December 2012				
Consolidated Income Statement				
Revenue	251.0	(52.3)	–	198.7
Costs recharged to customers	(6.8)	6.8	–	–
Revenue excluding costs recharged to customers	244.2	(45.5)	–	198.7
Operating costs	(224.4)	41.0	–	(183.4)
Operating profit before intangible amortisation and impairment (excluding software amortisation) and exceptional items	19.8	(4.5)	–	15.3
Amortisation and impairment of intangibles assets (excluding software amortisation)	(2.8)	2.3	–	(0.5)
Exceptional items	(27.7)	2.2	–	(25.5)
Operating loss	(10.7)	–	–	(10.7)
Net finance cost	(3.5)	–	(1.1)	(4.6)
Loss before tax from continuing operations	(14.2)	–	(1.1)	(15.3)
Taxation	5.6	(2.3)	0.3	3.6
Loss from continuing operations	(8.6)	(2.3)	(0.8)	(11.7)
Loss from discontinued operations	(2.3)	2.3	–	–
Loss for the year attributable to equity holders	(10.9)	–	(0.8)	(11.7)
Year to December 2012				
Consolidated Statement of Comprehensive Income				
Loss for the year	(10.9)	–	(0.8)	(11.7)
Remeasurement gain	0.2	–	1.1	1.3
Taxation in respect of remeasurement gain	(0.1)	–	(0.3)	(0.4)
Other items within comprehensive income (net)	(0.4)	–	–	(0.4)
Other comprehensive (loss)/income for the year	(0.3)	–	0.8	0.5
Total comprehensive loss for the year	(11.2)	–	–	(11.2)

Independent Auditors' Report for the Company Financial Statements

Report on the Company financial statements

Our opinion

In our opinion the Company financial statements, defined below:

- give a true and fair view of the state of the Company's affairs as at 31st December 2013 and of its cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have audited

The Company financial statements, which are prepared by Johnson Service Group PLC, comprise:

- the Company Balance Sheet as at 31st December 2013;
- the Company Statement of Comprehensive Income, the Company Statement of Changes in Shareholders' Equity and Company Statement of Cash Flows for the year then ended;
- the Accounting Policies to the Company Financial Statements; and
- the Notes to the Company Financial Statements, which include other explanatory information.

The financial reporting framework that has been applied in their preparation comprises applicable law and IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006.

In applying the financial reporting framework, the Directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

Certain disclosures required by the financial reporting framework have been presented elsewhere in the, Annual Report and Accounts (the "Annual Report"), rather than in the notes to the financial statements. These are cross-referenced from the financial statements and are identified as audited.

What an audit of financial statements involves

We conducted our audit in accordance with International Standards on Auditing (UK & Ireland) ("ISAs (UK & Ireland)"). 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 Company financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion:

- The information given in the Strategic Report and the Directors' Report for the financial year for which the Company financial statements are prepared is consistent with the Company financial statements.

Other matters on which we are required to report by exception

Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law have not been made. We have no exceptions to report arising from this responsibility.

Other information in the Annual Report

Under ISAs (UK & Ireland), we are required to report to you if, in our opinion, information in the Annual Report is:

- materially inconsistent with the information in the audited Company financial statements; or
- apparently materially incorrect based on, or materially inconsistent with, our knowledge of the Company acquired in the course of performing our audit; or
- is otherwise misleading.

We have no exceptions to report arising from this responsibility.

Responsibilities for the financial statements and the audit

Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 21, the Directors are responsible for the preparation of the Company 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 Company financial statements in accordance with applicable law and ISAs (UK & 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.

Other Matter

We have reported separately on the Group financial statements of Johnson Service Group PLC for the year ended 31st December 2013.

Nicholas Boden (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

Manchester
3rd March 2014

Company Balance Sheet

	Note	As at 31 December 2013 £m	As at 31 December 2012 £m
Assets			
Non-current assets			
Property, plant and equipment	2	0.1	0.1
Trade and other receivables	5	45.7	58.5
Deferred income tax assets	3	2.1	5.5
Investments	4	470.0	496.9
		517.9	561.0
Current assets			
Trade and other receivables	5	2.4	1.8
Current income tax assets		1.3	1.4
Cash and cash equivalents		0.5	–
		4.2	3.2
Liabilities			
Current liabilities			
Trade and other payables	6	4.8	2.6
Borrowings	7	–	13.9
		4.8	16.5
Net current liabilities		(0.6)	(13.3)
Non-current liabilities			
Retirement benefit obligations	8	4.3	19.7
Other non-current liabilities	9	408.6	398.3
Borrowings	7	25.0	47.3
Derivative financial liabilities	10	0.3	1.4
		438.2	466.7
Net assets		79.1	81.0
Equity			
Capital and reserves attributable to the Company's Shareholders			
Share capital	12	26.2	25.6
Share premium	13	14.1	13.9
Merger reserve		3.5	3.5
Capital redemption reserve		0.6	0.6
Hedge reserve		(0.3)	(1.1)
Capital reserve		–	11.3
Retained earnings		35.0	27.2
Total Shareholders funds		79.1	81.0

The financial statements on pages 92 to 102 were approved by the Board of Directors on 3rd March 2014 and signed on its behalf by:

Yvonne Monaghan
Chief Financial Officer

Company Statement of Comprehensive Income

	Year ended 31 December 2013 £m	Year ended 31 December 2012* (restated) £m
(Loss)/profit for the year	(10.5)	9.4
Items that will not be reclassified subsequently to profit or loss		
Remeasurement gain on post employment benefits	11.7	0.6
Taxation in respect of remeasurement gain	(2.3)	(0.2)
Change in deferred tax due to change in tax rate	(0.6)	(0.4)
Items that may be reclassified subsequently to profit or loss		
Cash flow hedges (net of taxation) – fair value losses	0.1	(0.6)
– transfers to interest	0.7	0.6
Other comprehensive income for the year	9.6	–
Total comprehensive (loss)/income for the year	(0.9)	9.4

* See note 19 for further information.

Company Statement of Changes in Shareholders' Equity

	Share Capital £m	Share Premium £m	Merger Reserve £m	Capital Redemption Reserve £m	Hedge Reserve £m	Capital Reserve £m	Retained Earnings £m	Total Equity £m
Balance at 1st January 2012	25.4	13.8	3.5	0.6	(1.1)	11.3	19.6	73.1
Profit for the year	–	–	–	–	–	–	9.4	9.4
Other comprehensive income	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	–	–	–	9.4	9.4
Share options (value of employee services)	–	–	–	–	–	–	0.8	0.8
Issue of share capital	0.2	0.1	–	–	–	–	–	0.3
Dividends paid	–	–	–	–	–	–	(2.6)	(2.6)
Transactions with Shareholders recognised directly to Shareholders' funds	0.2	0.1	–	–	–	–	(1.8)	(1.5)
Balance at 31st December 2012	25.6	13.9	3.5	0.6	(1.1)	11.3	27.2	81.0
Balance at 1st January 2013	25.6	13.9	3.5	0.6	(1.1)	11.3	27.2	81.0
Loss for the year	–	–	–	–	–	–	(10.5)	(10.5)
Other comprehensive income	–	–	–	–	0.8	–	8.8	9.6
Total comprehensive loss for the year	–	–	–	–	0.8	–	(1.7)	(0.9)
Share options (value of employee services)	–	–	–	–	–	–	0.5	0.5
Purchase of shares by EBT	–	–	–	–	–	–	(0.4)	(0.4)
Reserve transfer	–	–	–	–	–	(11.3)	11.3	–
Current tax on share options	–	–	–	–	–	–	0.1	0.1
Deferred tax on share options	–	–	–	–	–	–	0.9	0.9
Issue of share capital	0.6	0.2	–	–	–	–	–	0.8
Dividends paid	–	–	–	–	–	–	(2.9)	(2.9)
Transactions with Shareholders recognised directly to Shareholders' funds	0.6	0.2	–	–	–	(11.3)	9.5	(1.0)
Balance at 31st December 2013	26.2	14.1	3.5	0.6	(0.3)	–	35.0	79.1

Following a review during the year the capital reserve has been reclassified to retained earnings.

All of the retained earnings reserve is distributable as at 31st December 2013 subject to the offset of the hedge reserve (2012: all distributable subject to the offset of the hedge reserve).

Company Statement of Cash Flows

	Note	Year ended 31 December 2013 £m	Year ended 31 December 2012 (restated) £m
Cash flows from operating activities			
(Loss)/profit for the year		(10.5)	9.4
Adjustments for:			
Income tax		(1.1)	(2.2)
Finance income and expense		5.1	5.2
Dividend income		(8.0)	(21.9)
(Increase)/decrease in trade and other receivables		(0.9)	1.0
Increase in trade and other payables		2.1	0.2
Decrease/(increase) in amounts due from subsidiary companies		0.1	(0.1)
Investment write down		–	2.3
Loss on disposal of investments		11.3	3.5
Deficit recovery payments to defined benefit pension schemes		(1.9)	(1.6)
Share-based payments		0.3	0.6
Retirement benefit obligations		(2.6)	–
Cash used in operations		(6.1)	(3.6)
Interest paid		(3.3)	(4.7)
Taxation paid		(1.3)	(0.4)
Net cash flows used in operating activities		(10.7)	(8.7)
Cash flows from investing activities			
Proceeds from sale of subsidiary		34.3	2.0
Dividends received		8.0	21.2
Interest received		1.2	1.8
Loans advanced to subsidiary companies		(12.8)	(49.2)
Net cash generated from/(used in) investing activities		30.7	(24.2)
Cash flows from financing activities			
Loans received from subsidiary companies		19.4	24.6
Proceeds from borrowings		12.0	18.5
Repayments of borrowings		(43.0)	(14.5)
Net proceeds from issue of Ordinary shares		0.8	0.3
Dividends paid to Company Shareholders		(2.9)	(2.6)
Net cash (used in)/generated from financing activities		(13.7)	26.3
Net increase/(decrease) in cash and cash equivalents		6.3	(6.6)
Cash and cash equivalents at beginning of period		(5.8)	0.8
Cash and cash equivalents at end of period	15	0.5	(5.8)

Cash and cash equivalents at the end of the period include cash of £0.5 million and an overdraft of £nil (2012: £nil and £5.8 million respectively).

Accounting Policies to the Company Financial Statements

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

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

The Company financial statements were authorised for issue by the Board on 3rd March 2014.

Basis of preparation

The principal accounting policies applied in the preparation of the Company Financial Statements are the same as those used in the Consolidated Financial Statements as set out on pages 50 to 57 with the addition of the policies set out below. These policies have been consistently applied to the information presented, unless otherwise stated.

Investments

Investments in Group Undertakings are recorded at cost, which is the fair value of the consideration paid. Investments are tested 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.

Share based compensation

The Company operates a number of equity-settled, share-based compensation plans. The economic cost of awarding shares and share options to employees is recognised as an expense in the employing company's Income Statement equivalent to the fair value of the benefit awarded. The fair value is determined by reference to option pricing models, principally Binomial and Monte Carlo models. The fair value of the award is recognised in the employing company's Income Statement over the vesting period of the award. The grant by the Company of options over its equity instruments to the employees of subsidiary undertakings is treated as a capital contribution. The fair value of employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to the investment in that subsidiary undertaking, with a corresponding credit to equity in the Company's accounts.

Notes to the Company Financial Statements

1 Company income statement

As permitted by Section 408(3) of the Companies Act 2006, the Income Statement of the Parent Company is not presented with these financial statements. The retained loss of the Parent Company is shown in note 14. Details of dividends paid are included in note 10 of the Consolidated Financial Statements on page 65.

2 Property, plant and equipment

	Plant And Equipment £m
Cost	
At 31st December 2011, 2012 & 2013	0.3
Accumulated depreciation and impairment	
At 31st December 2011, 2012 & 2013	0.2
Carrying amount	
At 31st December 2011, 2012 & 2013	0.1

There were £nil assets under construction at 31st December 2013 (2012: £nil).

3 Deferred tax

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

Deferred tax balances in respect of:	2013 £m	2012 £m
Depreciation in excess of capital allowances	0.2	0.3
Retirement benefit obligations	0.6	4.5
Derivative financial instruments	0.1	0.3
Employee share schemes	0.9	0.4
Other short term timing differences	–	–
	2.1	5.5

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

	Depreciation in excess of Capital Allowances £m	Employee Share Schemes £m	Retirement Benefit Obligations £m	Derivative Financial Instruments £m	Other Short Term Timing Differences £m	Total £m
At 31st December 2011	0.4	–	5.2	0.3	0.3	6.2
(Charge)/credit to income	(0.1)	0.4	(0.4)	(0.1)	(0.3)	(0.5)
(Charge)/credit to equity	–	–	(0.3)	0.1	–	(0.2)
At 31st December 2012	0.3	0.4	4.5	0.3	–	5.5
(Charge)/credit to income	(0.1)	(0.4)	(0.7)	–	–	(1.2)
Credit/(charge) to equity	–	0.9	(2.9)	(0.2)	–	(2.2)
At 31st December 2013	0.2	0.9	0.9	0.1	–	2.1

The rate of corporation tax in the UK reduced from 24% to 23% on 1st April 2013 and will reduce to 21% on 1st April 2014 and to 20% from 1st April 2015. The effect of these changes on the Income Statement has not been material, but has resulted in a charge to reserves of £0.6 million.

4 Investments

Investment in subsidiary undertakings	2013 £m	2012 £m
Cost		
Brought forward	507.0	537.2
Movement relating to share options	(0.2)	0.2
Transfer of subsidiaries	–	(24.3)
Disposal of subsidiaries	(26.7)	(6.1)
Carried forward	480.1	507.0
Accumulated impairment		
Brought forward	10.1	36.0
Impairment	–	2.3
Transfer of subsidiaries	–	(24.3)
Disposal of subsidiaries	–	(3.9)
Carried forward	10.1	10.1
Carrying amount		
Opening	496.9	501.2
Closing	470.0	496.9

Particulars of principal subsidiary undertakings are shown in Note 21.

During the year the Company sold its investment in Johnson Workplace Management Limited, the parent company of the Facilities Management division.

During 2012 the Company disposed of its investment in Alex Reid Limited. In addition certain non-trading subsidiaries were sold to other Group companies. Following a review of the Company's investments its investment in Jeeves of Belgravia was impaired.

5 Trade and other receivables

	2013 £m	2012 £m
Amounts falling due within one year:		
Receivables from subsidiaries	–	0.1
Other receivables	2.3	1.5
Prepayments	0.1	0.2
	2.4	1.8
Amounts falling due after more than one year:		
Receivables from subsidiaries	45.7	58.5
	48.1	60.3

Amounts owed by subsidiaries due within one year relate to invoiced services and are due according to the invoice terms.

Amounts owed by subsidiaries due after more than one year, are unsecured and have no fixed date of repayment.

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 yet due or impaired.

All receivable balances at the balance sheet date are denominated in Sterling (2012: Sterling), and are held at amortised cost. Given the short term nature there is deemed to be no difference between this and their fair value.

Notes to the Company Financial Statements continued

6 Trade and other payables

	2013 £m	2012 £m
Trade payables	0.2	0.3
Other payables	2.1	–
Other taxation and social security liabilities	0.8	0.4
Accruals	1.7	1.9
	4.8	2.6

All trade and other payables balances at the balance sheet date are denominated in Sterling (2012: Sterling), and are held at amortised cost. Given the short term nature there is deemed to be no difference between this and their fair value.

7 Borrowings

	2013 £m	2012 £m
Current		
Overdraft	–	5.8
Bank loans	–	8.1
	–	13.9
Non-current		
Bank loans	25.0	47.3
	25.0	47.3
	25.0	61.2
The maturity of non-current bank loans is as follows:		
– Between one and two years	25.0	6.0
– Between two and five years	–	41.5
– Unamortised issue costs of bank loans	–	(0.2)
	25.0	47.3

All Group bank loans are held by the Company. Full details of Group facilities are provided in note 20 of the Consolidated Financial Statements.

The Group has a £5.0 million overdraft facility; however certain cash balances in certain Group bank accounts can be offset with overdrawn balances in those bank accounts. Any individual Company may not be more than £10.0 million overdrawn.

8 Retirement benefits

Details of the Group's pension schemes are provided in note 23 of the Consolidated Financial Statements.

As at the 31st December 2013 the entire Group liabilities under defined benefit schemes relate to the Company.

As at the 31st December 2012 the Company's defined benefit liabilities related to the Johnson Group Staff Pension Scheme, the Semara Augmented Pension Scheme and the Private Healthcare Scheme.

During the year the Company's cost of defined contribution pension schemes was £0.1 million (2012: £0.1 million).

9 Other non-current liabilities

	2013 £m	2012 £m
Payables to subsidiaries	408.6	398.3
	408.6	398.3

Amounts payable to subsidiaries are unsecured and have no fixed date of repayment.

10 Derivative financial liabilities

Details of derivative financial liabilities are shown in note 24 of the Consolidated Financial Statements. All of the Group's derivative financial liabilities are held by the Company.

11 Contingent liabilities

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

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 the sale and leaseback transaction in June 2006. The guaranteed amount began 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.

During the period of ownership of the Facilities Management division the Company had given guarantees over the performance of contracts entered into by the division. As part of the disposal of the division the purchaser has agreed to pursue the release or transfer of obligations under the Parent Company guarantees and this is in process. The Sale and Purchase agreement contains an indemnity from the purchaser to cover any loss in the event a claim is made prior to release. In the period until release the purchaser is to make a payment of £0.2 million per annum, reduced pro rata as guarantees are released. Such liabilities are not expected to give rise to any significant loss.

As a condition of the sale of the Facilities Management division in August 2013, the Group has put in place indemnities, to the buyer, in relation to any future amounts payable in respect of contingent consideration related to the Nickleby acquisition completed in February 2012. As set out in the 2012 Annual Report and Accounts the maximum amount payable under the terms of the indemnity could be up to £5.0 million. The Directors believe the risk of settlement at the maximum level to be remote.

12 Called-up share capital

	2013 £m	2012 £m
Authorised		
383,025,739 (2012: 383,025,739) Ordinary shares of 10p each	38.3	38.3

	Shares	2013 £m	Shares	2012 £m
Issued and Fully Paid				
Ordinary shares of 10p each:				
At start of period	255,749,805	25.6	253,968,810	25.4
New shares issued	6,576,646	0.6	1,780,995	0.2
At end of period	262,326,451	26.2	255,749,805	25.6

Issue of Ordinary shares of 10p each

During the year, 3,977,800 Ordinary shares of 10 pence each were allotted to the EBT at nominal value to be used in relation to employee share option exercises. The total nominal value received was £397,780. The EBT already held 1,286,531 Ordinary shares of 10 pence each which together with 3,977,800 newly allotted Ordinary shares of 10 pence each were part used to satisfy the exercise of 5,233,331 LTIP options.

Additionally, 2,382,369 SAYE options were exercised with a total nominal value of £238,237.

In addition, 216,477 warrants were exercised in the year with a nominal value of £21,648 (2012: no warrants were exercised).

During the year, a total of 7,615,700 (2012: 1,780,995) share options were exercised which, together with the 216,477 warrants, resulted in a total nominal value of £657,700 (2012: £178,100).

The total proceeds received on allotment in respect of all of the above transactions were £0.8 million (2012: £0.3 million).

Further details relating to potential ordinary shares are included in note 26 of the Consolidated Financial Statements.

13 Share premium

	2013 £m	2012 £m
Balance brought forward	13.9	13.8
Received on allotment of shares	0.2	0.1
Balance carried forward	14.1	13.9

Notes to the Company Financial Statements continued

14 Reconciliation of movements in Shareholders' funds

	2013 £m	2012 £m
(Loss)/profit for the period	(10.5)	9.4
Dividends	(2.9)	(2.6)
	(13.4)	6.8
Other recognised gains and losses relating to the year:		
Issue of share capital	0.8	0.3
Share Option (value of employee services)	0.5	0.8
Purchase of shares by EBT	(0.4)	–
Remeasurement gains (net of taxation)	9.4	0.4
Change in deferred tax due to change in tax rate	(0.6)	(0.4)
Current tax on share options	0.1	–
Deferred tax on share options	0.9	–
Cash flow hedges movement	0.8	–
Net (reduction)/addition to Shareholders' funds	(1.9)	7.9
Opening Shareholders' funds	81.0	73.1
Closing Shareholders' funds	79.1	81.0

15 Analysis of net debt

Net debt is calculated as total borrowings less cash and cash equivalents, less unamortised facility fees. Non-cash changes represent the effects of the recognition and subsequent amortisation of issue costs relating to the bank facility and changing maturity profiles.

DECEMBER 2013	At 1st January 2013 £m	Cash Flow £m	Other Non-cash Changes £m	At 31st December 2013 £m
Cash and cash equivalents (per Company Statement of Cash Flows)	(5.8)	6.3	–	0.5
Debt due within one year	(8.1)	8.5	(0.4)	–
Debt due after more than one year	(47.3)	22.5	(0.2)	(25.0)
	(61.2)	37.3	(0.6)	(24.5)

DECEMBER 2012	At 1st January 2012 £m	Cash Flow £m	Other Non-cash Changes £m	At 31st December 2012 £m
Cash and cash equivalents (per Company Statement of Cash Flows)	0.8	(6.6)	–	(5.8)
Debt due within one year	(1.5)	(4.0)	(2.6)	(8.1)
Debt due after more than one year	(50.5)	–	3.2	(47.3)
	(51.2)	(10.6)	0.6	(61.2)

16 Reconciliation of net cash flow to movement in net debt

	2013 £m	2012 £m
Increase/(decrease) in cash in year (per Company Statement of Cash Flows)	6.3	(6.6)
Cash outflow on change in debt and lease financing	31.0	(4.0)
Change in net debt resulting from cash flows	37.3	(10.6)
Movement in unamortised issue costs of bank loans	(0.6)	0.6
Movement in net debt in year	36.7	(10.0)
Opening net debt	(61.2)	(51.2)
Closing net debt	(24.5)	(61.2)

17 Financial commitments

Capital expenditure

As at 31st December 2013 the Company had no contracts placed for future capital expenditure that were not provided for in the financial statements (2012: £nil).

Revenue expenditure

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

	2013 £m	2012 £m
Land and buildings		
– within one year	0.1	0.1
– between two and five years	0.1	0.2
	0.2	0.3
Plant and machinery		
– within one year	0.1	0.1
	0.1	0.1

18 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:

	2013 £m	2012 £m
Dividends received	8.0	21.9
Interest received	1.2	2.1
Interest paid	(2.2)	(3.0)
	7.0	21.0

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.

19 Prior period restatement

The Company Statement of Comprehensive Income for the year to December 2012 has been restated as a result of changes in accounting for pension costs as a result of changes to IAS 19. The impact of these changes are shown below.

	As originally reported £m	Pension adjustment IAS19(R) £m	Restated £m
Year to December 2012			
Company Statement of Comprehensive Income			
Profit for the year	10.2	(0.8)	9.4
Re-measurement (loss) / gain	(0.5)	1.1	0.6
Taxation in respect of re-measurement gain	0.1	(0.3)	(0.2)
Other items within comprehensive income (net)	(0.4)	–	(0.4)
Other comprehensive income for the year	(0.8)	0.8	–
Total comprehensive income for the year	9.4	–	9.4

Notes to the Company Financial Statements continued

20 Events after the reporting period

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

New Bank Facility

On 21st February 2014 a new bank facility was signed with the existing banks. See note 36 of the Consolidated Financial Statements for further details.

Acquisition

On 2nd March 2014 the Group acquired the entire share capital of Bourne Services Group Limited and its wholly owned subsidiary Bourne Textile Services Limited for a consideration of £22.0 million on a debt free and cash free basis (including the acquisition of a freehold premises) and subject to adjustments for normalised working capital. See note 36 of the Consolidated Financial Statements for further details.

Placing

The Company intends to place approximately 26.3 million shares with existing and new institutional investors, raising net proceeds of approximately £12.8 million. See note 36 of the Consolidated Financial Statements for further details.

21 Principal subsidiaries

Principal subsidiary companies at the balance sheet date were as follows:

	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
Johnson Group Properties PLC	Property
Johnson Investment Limited	Holding Company
Semara Estates Limited *	Property

On 2nd March 2014 the Company acquired Bourne Services Group Limited as disclosed in note 20 above.

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.

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

Financial Calender

Results for the year	Announced in March 2014
Results for the half year	Announced in September 2014

Annual General Meeting	To be held on 1st May 2014
Dividend payment dates	
Interim 2013	8th November 2013
Proposed Final 2013	16th May 2014
Interim 2014	November 2014

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 Holiday Inn, Wood Lane, Runcorn, Cheshire WA7 3HA on Thursday 1st May 2014 at 11am to transact the business set out in the Resolutions below.

Resolutions 1 to 11 (inclusive) will be proposed as Ordinary Resolutions and Resolutions 12 to 13 (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 2013 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 33 to 41 of the 2013 Annual Report.
3. To confirm the payment of the interim dividend of 0.40 pence per Ordinary Share and to declare a final dividend of 0.81 pence per Ordinary Share for the year ended 31st December 2013.
4. To re-elect Mr. P. Moody who retires in accordance with Section B.7.1 of the UK Corporate Governance Code and whom, being eligible, offers himself for re-election as a Director.
5. To re-elect Mr. C. Sander who retires in accordance with Section B.7.1 of the UK Corporate Governance Code and whom, being eligible, offers himself for re-election as a Director.
6. To re-elect Mrs. Y. Monaghan who retires in accordance with Section B.7.1 of the UK Corporate Governance Code and whom, being eligible, offers herself for re-election as a Director.
7. To re-elect Mr. M. Del Mar who retires in accordance with Section B.7.1 of the UK Corporate Governance Code and whom, being eligible, offers himself for re-election as a Director.
8. To re-elect Mr. W. Shannon who retires in accordance with Section B.7.1 of the UK Corporate Governance Code and whom, being eligible, offers himself for re-election as a Director.
9. To re-appoint PricewaterhouseCoopers LLP as Auditors to the Company until the conclusion of the next general meeting at which accounts are laid before the Company.
10. To authorise the Audit Committee to determine the remuneration of the Auditors.

Special Business

11. 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 £8,751,313.

    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 2015, 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)."

12. To consider and, if thought fit, pass the following resolution which will be proposed as an Special Resolution:

    "That, subject to and conditional upon the passing of the Ordinary Resolution numbered 11 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 11 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 11 in this notice of Annual General Meeting up to an aggregate nominal amount of £1,312,697 (representing approximately 5% of the Company's share capital as at 28th February 2014).

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 2015, 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."

13. 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 26,253,940;

(ii) the minimum price which may be paid for an Ordinary Share is 10p exclusive of attributable expenses payable by the Company (if any); and

(iii) the maximum price which may be paid for an Ordinary Share is an amount equal to not more than 105% of the average of the middle market quotations for the Ordinary Shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made exclusive of attributable expenses payable by the Company (if any).

The authority hereby conferred shall, unless previously revoked or varied, expire at the conclusion of the next Annual General Meeting of the Company held after the passing of this Resolution or, if earlier, on 1st July 2015 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

Tim Morris,
Company Secretary

Abbots Park
Monks Way
Preston Brook
Cheshire WA7 3GH
3rd March 2014

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 Asset Services, 34 Beckenham Road, Beckenham, BR3 4ZF 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 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:

   (i) the Register of Directors' interests kept by the Company under Section 809 of the Companies Act 2006;

   (ii) copies of all service contracts between the Directors and the Company together with other appropriate documentation; and

   (iii) copies of the terms and conditions of appointment of the Non-Executive Directors.

4. The Company specifies that only those Shareholders registered in the Register of Members of the Company as at 6.00pm on 29th April 2014, 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 29th April 2014 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 28th February 2014 (being the last business day prior to publication of this notice) the Company's issued share capital consists of 262,539,403 Ordinary Shares carrying one vote each. The total voting rights in the Company as at 28th February 2014 are, therefore, 262,539,403.

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 following notes give an explanation of the proposed resolutions.

Resolutions 1 to 11 inclusive are proposed as Ordinary resolutions. This means that for each of those resolutions to be passed, more than half of the votes cast must be in favour of the resolution. Resolutions 12 to 13 inclusive are proposed as Special resolutions. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

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 so 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 2013, as set out on pages 33 to 41 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 Industrial goods and Services Index, 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 0.81 pence per Ordinary Share is recommended by the Directors for payment to Shareholders who are on the Register at the close of business on 22nd April 2014. If approved, the date of payment of the final dividend will be 16th May 2014. An interim dividend of 0.40 pence per Ordinary share was paid on 8th November 2013.

Re-election of Directors (Resolutions 4 to 8 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 AGM 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 page 18 of the 2013 Annual Report and are also available for viewing on the Company's website (www.jsg.com).

Reappointment of the Auditors (Resolution 9)
The Company is required to appoint the auditors at each general meeting at which accounts are presented, to hold office until the end of the next such meeting. Resolution 9, which is recommended by the Audit Committee, proposes the reappointment of the Company's existing auditors, PricewaterhouseCoopers LLP.

Remuneration of the Auditors (Resolution 10)
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 11)
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 2015 or, if earlier, the close of business on 1st July 2015.

If passed, the authority will be limited to an aggregate nominal value of £8,751,313 of Ordinary Shares which represents approximately one third of the Ordinary share capital in issue as at 28th February 2014 (being the latest practicable date prior to publication of this Notice).

Other than in respect of allotting Ordinary Shares in order to satisfy employee share schemes, the Directors have no present intention of exercising this authority. However, it is considered prudent to maintain the flexibility that this authority provides. The Company's Directors intend to renew this authority annually.

Renewal of Disapplication Pre-emption Rights (Resolution 12)
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 12 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 £1,312,697 (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 28th February 2014 (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 2015 or, if earlier, the close of business on 1st July 2015. The Company's Directors intend to renew this authority annually.

Renewal of Company's authority to purchase Ordinary Shares (Resolution 13)
In certain circumstances it may be advantageous for the Company to purchase its own shares and Resolution 13 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 25,576,359 of its Ordinary Shares at the AGM held on 2nd May 2013 (being equal to approximately 10 per cent of the Company's issued Ordinary share capital as at 4th March 2013, the latest practicable date prior to the publication of the notice for the AGM held on 2nd May 2013). 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 26,253,940 Ordinary Shares, representing approximately 10 per cent of the Company's issued Ordinary share capital as at the 28th February 2014, 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 28th February 2014 (being the latest practicable date prior to publication of this Notice) was 15,217,007. The proportion of issued share capital that they represented at that time was 5.8 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 6.4 per cent. Once held in treasury, the Company is not entitled to exercise any rights, including the right to attend and vote at meetings in respect of shares. Further, no dividend or other distribution of the Company's assets may be made to the Company in respect of the treasury shares.

The Directors have no present intention of purchasing Ordinary Shares in the market. The authority given under this Resolution will lapse, unless renewed, at the conclusion of the next AGM of the Company in 2015, or, if earlier, the close of business on 1st July 2015. 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

Christopher Sander
Chief Executive Officer
Director responsible for Health, Safety and the Environment

Yvonne May Monaghan BSc (Hons), FCA
Chief Financial Officer

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 & Group Financial Controller

Timothy James Morris BA (Hons), FCA

Registered Office

Johnson House
Abbots Park
Monks Way
Preston Brook
Cheshire
WA7 3GH

Advisors

Nominated Advisor, Financial Advisor and Stockbrokers

Investec Investment Banking
2 Gresham Street, London EC2V 7QP

Bankers

Lloyds Bank plc
40 Spring Gardens, Manchester M2 1EN

The Royal Bank of Scotland plc
10th Floor, The Plaza, 100 Old Hall Street, Liverpool L3 9QJ

Santander UK plc
298 Deansgate, Manchester M3 4HH

Lawyers

Hill Dickinson LLP
No1 St Paul's Square, Liverpool L3 9SJ

Registrar and Transfer Office

Capita Asset Services
34 Beckenham Road, Beckenham BR3 4ZF

Independent Auditor

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.jsg.com.

This will link you to the service offered by the Company's Registrar. If you decide not to register an email address with the Registrar, you will continue to receive all 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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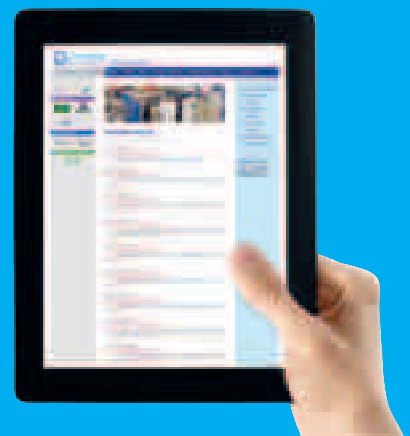
www.isszamrey.com

This annual report is printed using vegetable inks on paper from an ISO 14001 certified manufacturer, and is made with ECF pulp sourced from carefully managed and renewed forests.



jsg.com

If you have any queries regarding electronic communications, please contact the Company's registrar, Capita Asset Services, 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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