Annual Report and Accounts 2010

JOHNSON
SERVICE GROUP PLC

The established name in the Textile Rental, Drycleaning and Facilities Management sectors.

Our Business Divisions

Textile Rental

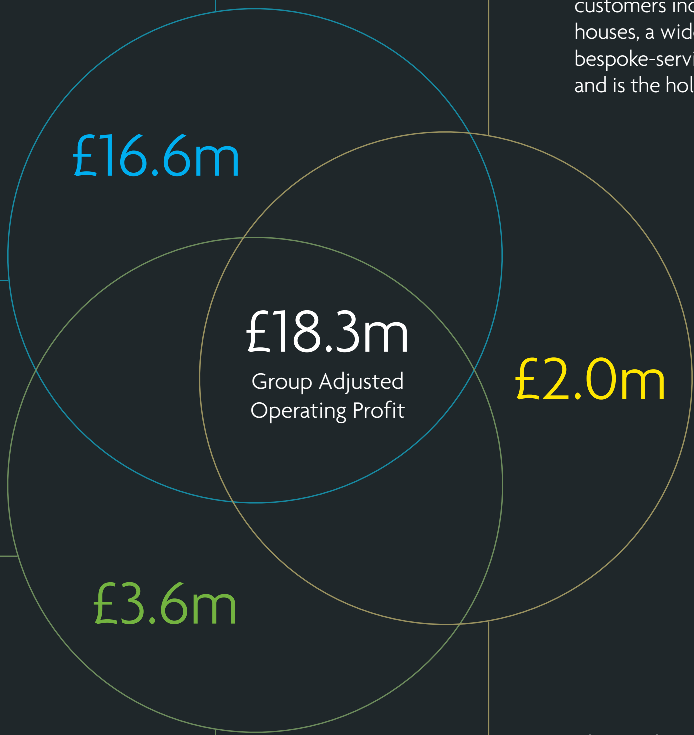
Johnsons Apparelmaster
The UK's market leading workwear rental, protective wear and workplace hygiene services provider with over 35,000 UK-based customers operating across a wide cross-section of industries.

Stalbridge Linen Services
Providing linen rental to the premium hotel, catering and corporate hospitality markets.

Drycleaning

Johnson Cleaners
The UK's number one drycleaner with a network of 470 conveniently located stores nationwide. Leaders in drycleaning, specialist textile and garment aftercare services.

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



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

Facilities Management

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

Group Highlights

Adjusted operating profit[2] increased to £18.3 million *(2009: £17.5 million)*

Adjusted fully diluted earnings per share[3] of 4.1p *(2009: 3.4p)*

Net debt reduced to £59.5 million *(2009: £67.7 million)*

Final dividend proposed of 0.55 pence *(2009: 0.50p)*, making 0.82 pence *(2009: 0.75p)* for full year

Adjusted profit before tax[3] increased to £14.5 million *(2009: £12.2 million)*

Net finance costs[4] reduced to £3.8 million *(2009: £5.3 million)*

[1] Excluding costs recharged to customers
[2] Before intangibles amortisation and impairment (excluding software amortisation) and exceptional items
[3] Before intangibles amortisation and impairment (excluding software amortisation), exceptional items and exceptional finance costs
[4] Before exceptional finance costs

Chairman's Statement

I am pleased to report that the Group has achieved a strong set of results for the year ended 31 December 2010.


John Talbot

Overview
We have expanded our presence in the PFI market through acquisition and significantly reduced debt levels which dropped to below £60.0 million at the year end. Given this performance, we are proposing a final dividend of 0.55 pence (2009: 0.50 pence) per share, making a total dividend for the full year of 0.82 pence (2009: 0.75 pence).

Group Results
Throughout this statement "continuing adjusted operating profit" refers to continuing operating profit before amortisation and impairment of intangibles (excluding software amortisation) and exceptional items. "Adjusted profit before tax" refers to continuing adjusted operating profit less finance costs, excluding, in 2009, exceptional finance costs in relation to bank fees. References to "continuing" exclude the results of Workplace Engineering, which was disposed of in December 2009.

Total continuing revenue for the year was £235.1 million (2009: £236.4 million), while revenue, excluding costs recharged to customers, was £227.4 million (2009: £229.3 million). Continuing adjusted operating profit amounted to £18.3 million (2009: £17.5 million). The key drivers of this performance are explained more fully in the Divisional Operating Review.

Total net debt at the end of 2010 was significantly reduced

Reduction in net finance costs

Adjusted profit before tax increased by 18.9%

Net finance costs in 2010 were £3.8 million (2009: £5.7 million, of which £0.4 million related to exceptional finance costs in relation to bank fees). The reduction in net finance costs reflects the lower average borrowings during the period and recognition of a notional interest credit in respect of defined benefit post retirement benefits of £0.8 million compared to a charge of £0.7 million in 2009.

Adjusted profit before tax on a continuing basis increased to £14.5 million (2009: £12.2 million). Amortisation and impairment of intangibles (excluding software amortisation) on continuing operations amounted to £2.8 million (2009: £3.2 million).

Net exceptional items from continuing operations for the year amounted to a charge of £7.5 million (2009: £12.0 million credit) and comprised restructuring costs of the Drycleaning division of £6.5 million, professional fees and other costs relating to acquisitions of £1.7 million, a provision for an onerous lease on a non-trading industrial building of £1.5 million offset by a credit relating to the change in long term liabilities of the Group's defined benefit pension schemes of £2.2 million. The exceptional credit in 2009 was in respect of a reduction in the long term liabilities of the Group's defined benefit pension schemes.

After the exceptional items and amortisation and impairment of intangibles (excluding software amortisation) noted above, the pre-tax profit from continuing operations was £4.2 million (2009: £20.6 million). The tax charge on the adjusted profit before tax was at a rate of 26.9% after benefiting from a reduction in liabilities from prior years. Adjusted fully diluted earnings per share from continuing operations were 4.1p (2009: 3.4p) while continuing fully diluted earnings per share after exceptional items and amortisation and impairment of intangibles (excluding software amortisation) were 1.2p (2009: 5.8p).

Chairman's Statement continued

A focus on costs and cash flow has resulted in an increase in adjusted operating profit and adjusted profit before tax.

Dividend

The Board is recommending a final dividend of 0.55 pence per share (2009: 0.50 pence), making a total dividend in respect of 2010 of 0.82 pence per share (2009: 0.75 pence). Dividend cover, on an adjusted fully diluted earnings per share basis is 5 times and is in line with our stated policy of maintaining an adequate level of cover.

The proposed final dividend, if approved by Shareholders, will be paid on 20 May 2011 to Shareholders on the register at close of business on 26 April 2011.

Finances

Total net debt at the end of 2010 was significantly reduced to £59.5 million (December 2009: £67.7 million). In addition to cash generated from operating activities, this reduction reflects a net repayment of Corporation Tax of £1.8 million received in 2010 in respect of earlier periods.

Interest cover based on continuing adjusted operating profit was 4.8 times (2009: 3.3 times).

The bank facility available at the end of December was £76.0 million and runs to April 2013 with scheduled repayments of £1.5 million at the end of each half year in 2011 and 2012. Since the year end we have reached agreement with our lending banks to bring forward the June 2011 scheduled repayment. Accordingly the facility was reduced to £74.5 million on 10 February 2011. A tax repayment of £5.8 million plus interest was received in February 2011 but remains subject to agreement with HMRC and has therefore not been reflected in the financial statements.

Our interest cost in 2011 is protected from increases in LIBOR rates through the use of interest rate hedges. £40.0 million of the Term Loan was hedged at the start of 2010 so that LIBOR was substituted for a fixed rate of 1.9% for 2010 and of 3.0% for 2011 and 2012, with the balance of bank debt incurring interest linked to LIBOR. Margins over LIBOR applicable to the full facility have reduced from 3.75%, which applied for the majority of 2010, to a current rate of 3.5%, with margins going forward being linked to the Group's gearing level.

Net Debt (£)

59.5m
2010

67.7m
2009

Textile Rental focused on high production quality and customer service

Acquisition of PFI Business from Jarvis PLC (in administration)

We were delighted to complete the business acquisition of seven PFI contracts together with six related SPC's during the year. Total gross consideration, including professional fees, was £3.9 million. All contracts are performing to our expectations.

Pension Deficit

The recorded net deficit after tax for all post retirement benefit obligations has reduced to £12.3 million from £19.7 million at June 2010 and £14.7 million at December 2009.

During the last two years we have implemented a number of actions including a pension increase exchange for eligible retirees and the freezing of pensionable salary as at 6 April 2010 for all remaining active members of defined benefit schemes. These two actions alone reduced the schemes' liabilities by some £12.0 million. The recent statutory change for the indexation of certain pension benefits is being implemented, although it only affects certain categories of deferred pensioners. The impact of the change from RPI to CPI Indexation, which reduces liabilities by £2.2 million, has been recognised as an exceptional item in the Income Statement.

Scheme assets have recovered from the levels of December 2009 and June 2010 although the benefit of this has been more than offset by lower discount rates increasing the value of liabilities.

We have finalised the actuarial valuation of two of the pension schemes as at 5 April 2010, including the main scheme, and have signed new Schedules of Contributions with the Trustees. The main scheme shows an improvement in the funding position since the April 2007 valuation, which is ahead of the deficit recovery plan as agreed following the 2007 valuation. As previously anticipated, additional contribution payments in respect of reducing the deficits in respect of all schemes will amount to £1.7 million in 2011. However, it is intended that a proportion of these additional payments will be directed towards more efficient ways of reducing the schemes' liabilities than normal cash funding. This will assist in reducing the longer term risk from the liabilities of the schemes.

Staff

As with any service based organisation our staff are paramount in ensuring that our customers continue to be impressed by the service they receive.

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

Outlook

Despite the tough economic climate the Group is now in a strong position, it is cash generative and has significantly reduced debt. We believe that there are opportunities to expand each of the Group's divisions.

The performance of the Textile Rental division is underpinned by contracted revenue and by its focus on high production quality and customer service although there may be challenges in the coming year from inflationary pressures. We continue to look for strategic domestic opportunities and believe that, in the long term, the Division has the ability to leverage its tremendous in-depth strength by seeking opportunities outside the UK.

Drycleaning and laundry division stronger following streamlining of portfolio

SGP to benefit from increased presence in PFI market and additional infrastructure support

Our retail Drycleaning and laundry division is in a much stronger position following the streamlining of its portfolio. I am confident that the continuing addition of new services, investment in GreenEarth® and the Empowerment project will yield positive results during the year.

I believe SGP will benefit from its increased presence in the PFI market and from the additional infrastructure put in place during 2010. This additional infrastructure has increased our capacity to tender for new contracts and to pursue new initiatives and we are already seeing a significantly greater level of potential opportunities for this Division than we were a year ago. We are also continuing to explore the opportunity for strategic acquisitions for this Division.

Although we are not anticipating any upturn in trading conditions, the Board expects to achieve a satisfactory result in 2011.

John Talbot
Executive Chairman
8th March 2011

Textile Rental

The UK's number one workwear provider and premium linen service.

2010 Revenue
by Division (£m)

Our Textile Rental Division trades through two very well recognised brands in the UK, Johnsons Apparelmaster[1], which predominantly provides workwear rental and laundry services to all sectors of industry, and Stalbridge Linen Services[2], which provides premium linen services to the hospitality and corporate event markets.

We are very pleased with the performance of the Division which is by far the largest part of the Group.

The Division, which operates in a very challenging B2B environment, has performed particularly well and, despite the general trend of higher unemployment, increased business closures and a general focus on cost reduction by customers, total revenue streams of £115.1 million were only 1.5% down on the previous year (2009: £116.9 million). Adjusted operating profit, however, increased by 13.7% to £16.6 million (2009: £14.6 million) with an increased operating margin of 14.4% (2009: 12.5%). The result includes the benefit of additional trading days during 2010 which contributed some £0.7 million of additional profit.

1 "Apparelmaster"
2 "Stalbridge"

Although the Division continued to invest, with £4.5 million in new capital equipment installed, cash generated before interest increased to £19.3 million compared to £17.0 million in 2009.

New business sales were very similar to that of the previous year despite challenging market conditions. The Apparelmaster workwear business is now processing 70,000 garments per week more than a year ago but, due to efficiency savings, is operating with a lower production operating cost base. In addition, our customer retention levels have remained very high during the year across both the Apparelmaster and Stalbridge businesses.

Operating costs for the business have constantly reduced in real terms as a direct consequence of continued investment in modern, high specification equipment which enables higher levels of output whilst at the same time reducing usage of valuable energy resources. The Division has just completed the first year of the Climate Change Agreement (CCA) achieving a reduction of 12.4% on gas and electricity consumption which exceeded the target of 7.5% set by the Department of Energy Climate Change (DECC).

The reductions in consumption together with the benefit of forward purchasing of gas significantly reduced the in year cost compared to 2009. However current market predictions indicate that the business could experience much higher energy costs in 2011, which could more than offset the benefit of any further usage reductions achieved.

12.4%

Reduction in gas and electricity consumption

First year of the Climate Change Agreement (CCA) completed achieving a reduction of 12.4% on gas and electricity consumption which exceeded the target of 7.5% set by the Department of Energy Climate Change (DECC).

70,000

More garments processed

The Apparelmaster workwear business is now processing 70,000 garments per week more than a year ago but, due to efficiency savings, is operating with a lower production operating cost base.

During 2010 the Division implemented a new integrated wages and human resources evaluation system for the entire workforce of some 2,700 people and it is anticipated that further developments and benefits will be derived from this process over forthcoming years. This sharing of a back office function across the Division has produced a reduction in Divisional IT and administration costs.

In August the Division acquired a small company specialising in the sale of PPE (personal protective equipment) products with the intention of offering a comprehensive range of products to our existing customer base and we anticipate that this business will make a small contribution during the first full year of trading. A new catalogue, product promotion, website and specialist sales representative have been launched from early 2011.

Stalbridge has continued to improve its performance, building on the first half profit and achieving a full year adjusted operating profit of £2.3 million (2009: £1.2 million) representing an overall margin of 8.6% (2009: 4.5%) on flat revenue. In addition to general production efficiencies implemented across the Division, Stalbridge has concentrated on more fuel efficient driving, reducing carbon emissions by some 9% over the previous year.

We expect the textile services market to remain very challenging, particularly with the significant price increases on cotton based textiles.

Drycleaning

The Nation's No 1 drycleaner by volume and value across the UK.

2010 Revenue
by Division (£m)

Our Drycleaning division operates under the brands of Johnson Cleaners, with its convenient locations and high street presence, Jeeves of Belgravia, the luxury drycleaner of London and Alex Reid, the number one consumables supplier to the drycleaning sector.

Revenue for our Drycleaning division was £78.7 million (2009: £83.5 million) and adjusted operating profit was £2.0 million (2009: £3.0 million). 2010 has benefited from £0.6 million of property related credits (2009: £0.5 million) which we do not anticipate being repeated in 2011.

Challenging trading conditions at the start of 2010 were exacerbated by the severe weather of early January which severely disrupted activity on many of Britain's high streets. These conditions had a significant impact on the Division resulting in a reduction in revenue and profit in the early part of January 2010 of some £0.6 million.

After achieving a stable performance towards the half year and a sustained period of marginal growth during the period from August to mid-November, the return of the extreme weather conditions in late November and throughout December significantly reduced the operating profit of our Drycleaning division. The estimated impact of the weather on the second half was a reduction of some £1.0 million in revenue and operating profit.

The full year revenue of Johnson Cleaners and Jeeves of Belgravia decreased by 3.6% overall on a like for like basis, with revenue of £70.1 million (2009: £74.1 million). However the second half decrease of 2.6% was an improvement on the first half reduction of 4.7%. Excluding the impact of the snow at the end of the year the like for like sales would have shown only a small reduction of an estimated 0.7% in the second half.

Whilst the weather impact at the start and close of the year has resulted in a disappointing overall result for the Division there have been many progressive actions within the business throughout 2010.

The Green Evolution Programme, where stores are refurbished and co-branded GreenEarth® to reflect the green credentials of our business, has gathered momentum with 101 stores being completed in the calendar year taking the overall total to 195, which represents over 40% of the portfolio. Results continue to be positive versus the remaining portfolio as we enter into the third year of the programme. This year, as part of the Green Evolution Programme, 11 new branches were opened, with seven being supermarket locations, two being new concept high street stores and two Drive In locations.

Our commitment to processing using the GreenEarth® silicone based solvent remains strong and 40 new installations were achieved in the year taking the total number of machines across our estate to 353 with some 77% of locations now offering this environmentally friendly cleaning solution.

Our commitment to GreenEarth® cleaning, coupled with the achievement of our Carbon Policy Objectives has resulted in many local awards being achieved, along with the national recognition of being named in The Sunday Times top green companies.

In addition to establishing ourselves within the industry as the greener cleaner with our use of GreenEarth® cleaning we have also improved our service offering by extending and testing new products and services, including a collection and delivery service to home and work across five counties.

100
Empowered Branch Managers

We now have over 100 Empowered Branch Managers, operating outside the boundaries of the core business, utilising their entrepreneurial skills to improve revenue, profit and market share in their local environment and earning a share of the rewards that they deliver. Empower is an exciting development within our business and since its introduction in late summer the results have been consistently ahead of the core estate.

+3%
Sales growth

Like for like sales growth across the 10 Jeeves stores has grown by 3% placing the business in a good position to move forward in 2011.

Our domestic laundry offering has grown once again in 2010 and we have exciting plans to grow this category further in future years, as we continue to develop concepts to meet the changing needs of the clothes care market.

As indicated in the interim statement a number of loss making stores were identified, where it was believed their closure would improve business efficiencies and management focus.

The programme of closing these stores was actioned very efficiently by the operations team and has resulted in a portfolio of 470 branches going forward with a newly implemented operating field structure. We anticipate that the exceptional charge of £6.5 million, of which £0.5 million is non cash, made in June 2010 will be adequate to cover relevant costs. Cash expenditure in relation to this provision amounted to £2.3 million with the balance being spread over the next five years.

Restructuring the portfolio created an opportunity to introduce a new style of management across a proportion of our trading estate in the form of ‘Empowerment’.

Jeeves of Belgravia, our luxury brand and international franchise operation, had a successful year as investments in our in-house laundry and store rebranding programme coupled with the recovery in the London market paid dividends. The 10 Jeeves stores achieved like for like sales growth of 3%. This business is in a good position to move forward in 2011, both in the UK and internationally.

A substantial overhaul of our specialist drycleaning supplies business, Alex Reid, took place in 2010 and resulted in adjusted operating profit of £0.3 million (2009: £0.1 million loss) on revenue of £8.6 million (2009 £9.4 million).

The business is now well placed to offer its customers great service and product availability following significant personnel, system and infrastructure changes over the last two years.

2010 has been a difficult year with revenue and adjusted operating profit being reduced by an estimated £1.6 million in the weeks of snow. Whilst there are considerable challenges facing UK consumers in the coming months we believe the Drycleaning business is continuing to take the necessary actions to improve profitability.

Facilities Management

Managed services for the retail, corporate and public sectors.

2010 Revenue by Division (£m)

33.6 SGP Property & Facilities Management

SGP Property & Facilities Management provides an extensive range of managed services that support the operation of our customers' organisations. Across the retail & hospitality, commercial and public sectors, SGP manages over £1bn of property & facilities management customer spend for over 40,000 locations throughout the UK & Ireland.

SGP has continued to grow despite the challenging market conditions of 2010. During the year the business has successfully acquired and integrated seven long term PFI contracts, invested significantly in IT and business development infrastructure, and has increased revenue within its existing client base through the introduction of additional services as well as winning further new contracts.

Revenue, excluding costs recharged to customers, was 16.3% higher at £33.6 million (2009: £28.9 million) whilst revenue including recharges was 14.7% higher at £41.3 million (2009: £36.0 million) reflecting the positive impact of the acquisition announced in June 2010.

Adjusted operating profit increased by 9.1% to £3.6 million (2009: £3.3 million). The stronger second half adjusted operating profit of £2.0 million (2009: £1.7 million), as anticipated in our interim statement, showed a significant improvement on the first half performance of £1.6 million, largely reflecting the successful integration of the acquired contracts. This increase has been achieved despite the investment in infrastructure made during the year.

SGP is currently in the process of completing the re-signing and extension of some of its larger retail helpdesk contracts and is confident of a successful outcome in all cases. A number of smaller retail helpdesk contracts were also won and mobilised during the second half of the year, including Screwfix, Lakeland, Allworth's and Tiger Retail.

Our FM contracts, including the acquired PFIs, performed well and we anticipate further new wins in the coming months. The FM contract for Inverness Airport was retained and extended to February 2012.

SGP's presence in the PPP (Public Private Partnership) market in terms of the education and health sectors has been considerably strengthened by the acquisition of the PFI contracts, with its critical mass of FM contracts now numbering 22 schools and health centres/hospitals. This long term public sector strength was enhanced with the new contract for the Finchley Memorial Hospital, a 30 year PFI, which, along with Worcester Library, comes on stream next year. In the short term, there is also an expectation of securing a further number of five year LIFT (Local Improvement Finance Trust) contracts in the healthcare sector in 2011.

22

Schools, health centres and hospitals

SGP's presence in the PPP market in terms of the education and health sectors, with its critical mass of FM contracts now numbering 22 schools and health centres/hospitals.

'FM Excellence in a Major Project' Award

SGP's work for Punch Taverns during the year was rewarded by winning the award for "FM Excellence in a Major Project" at the British Institute of Facilities Management 2010 Awards. This project was in addition to the Help Desk Service provided to Punch in managing their owned and leased estate through a proprietary internet based system.

SGP's work for Punch Taverns during the year was rewarded by winning the award for "FM Excellence in a Major Project" at the British Institute of Facilities Management 2010 Awards. This project was in addition to the Help Desk Service provided to Punch in managing their owned and leased estate through a proprietary internet based system.

The increased investment in technical resource during 2010 has already started to produce returns with a strong upturn in SGP project activity meeting an increased demand for assistance with essential capital projects from customers resulting in net revenues up by 33% to £0.8 million (2009: £0.6 million).

The property area of the business has continued to experience very challenging conditions, with revenue from these activities 14% down on 2009. SGP remains committed to this business stream, and has invested to expand its Agency business opening a new London office in November. A market leading service charge cost reduction and control software system has also been developed in house which has helped secure an exclusive contract for all UK service charge work for the Arcadia Group. We have also secured a national contract for the rates saving work for Marks & Spencer, demonstrating our focus on this area going forward.

SGP has delivered growth, and is well placed to continue this trend in 2011 after which an accelerated growth pattern is anticipated into the medium and longer term as its infrastructure investment strategy over the last couple of years starts to show stronger returns. SGP will also continue to look for further acquisitions to accelerate growth following the successful acquisition of the ex-Jarvis PFI contracts.

Financial Review

I am pleased with the continuing reduction in net debt, which was down to £59.5m at 31st December 2010.

Overview
Group adjusted operating profit on a continuing basis has increased by 4.6% to £18.3 million from £17.5 million with an increase in operating margin to 8.0% from 7.6%. Details of the segmental results are given in Note 2 on pages 59 to 61. Within the overall result the lower contribution from the Drycleaning division has been offset by improvements in the other two Divisions.

Within the Textile Rental division the main drivers of the profit improvement are the significant upturn in Stalbridge profitability and the additional trading days in 2010.

Drycleaning was the most affected by the low consumer confidence impacting retail spend and by the extreme weather conditions at both the start and end of 2010. Continuing tight control over the cost base, the introduction of new services and a store rationalisation programme limited this effect.

SGP continued to expand its customer base and successfully integrated seven acquired PFI contracts, improving its operating profit for the third consecutive half year.

Intangibles amortisation and impairment (excluding software) reduced to £2.8 million (2009: £3.2 million) as intangibles on prior year acquisitions were fully amortised, offset by a relatively small amount of new intangibles amortisation on 2010 acquisitions.

The net exceptional charge of £7.5 million (2009: £12.0 million credit) comprises the £6.5 million provision made in the first half relating to the restructuring of the Drycleaning division, £1.7 million in respect of professional fees and other costs in relation to business acquisitions and £1.5 million relating to increased onerous lease costs on unused industrial premises, offset by a credit of £2.2 million (2009: £12.0 million) arising from a reduction in the long term liabilities of the Group's defined benefit pension schemes.

Yvonne Monaghan

Adjusted operating profit increased to £18.3m

Operating margin increased to 8.0%

Net finance costs reduced to £3.8m

Total net finance costs, including notional interest on defined benefit retirement schemes, were £3.8 million, significantly reduced from £5.7 million in 2009. Within this cost, net finance costs in respect of bank borrowings, including facility fees and finance leases, amounted to £4.6 million (2009: £5.0 million). This reduction reflects the significantly lower net debt position of the Group offset by an increase in facility margin and average LIBOR/fixed rates paid on borrowings.

Under the requirements of IAS19 notional interest is quantified in order to reflect the value of assets and liabilities of defined benefit pension schemes. The net of the assumed return on assets and the interest cost on liabilities is calculated at the beginning of each financial year utilising the assumptions used in calculating the balance sheet surplus or deficit for the defined benefit schemes. The notional interest is therefore highly dependant on the value of assets at the previous year end and, as such, is subject to significant movements. Within the net finance cost for 2010 is included a notional interest credit of £0.8 million compared to a notional interest charge of £0.7 million in 2009, a swing of some £1.5 million. This change to a net credit to the Income Statement reflects the improvement in scheme asset values at the end of 2009 compared to the end of 2008. There will be a similar net credit to the Income Statement in 2011.

Taxation
The effective continuing tax rate excluding exceptional items and intangibles amortisation and impairment (excluding software) was 26.9% (2009: 26.7%). This lower tax rate, compared to a statutory tax rate of 28%, is explained by prior year credits on reaching agreement on earlier years with HMRC offset by expenses which are not allowable for tax purposes.

The net tax credit on the net exceptional items was £2.1 million (2009: £3.3 million charge). This, together with the tax credit on intangibles amortisation and impairment gave a total tax charge on continuing operations of £1.0 million (2009: £5.7 million) which amounted to 23.8% (2009: 27.7%).

During 2010 we were able to reclaim some £1.8 million (2009: £4.8 million) of net tax repayments, following from reaching agreement with HMRC on tax liabilities of earlier periods. Subsequent to the year end we have received an additional repayment of some £5.8 million, following the submission of the tax computations relating to the disposal of the Corporatewear division in 2008 to HMRC and other adjustments in respect of prior years.

The computation relating to the Corporatewear disposal and therefore the tax payable, remains subject to final agreement from HMRC which may take some time.

Dividend

2009 saw the return of the Group to the dividend list, albeit at a modest amount. Following on from the interim dividend of 0.27 pence per share (2009: 0.25 pence) a final dividend of 0.55 pence per share (2009: 0.50 pence) has been declared making 0.82 pence (2009: 0.75 pence) for the full year. In accordance with our stated policy, this gives a comfortable level of dividend cover, based on adjusted fully diluted earnings per share, of 5 times.

The full year dividend will absorb cash of £2.1 million, of which £0.7 million was paid in November 2010.

Capital Expenditure

Total capital expenditure on property, plant and equipment and software totalled £9.0 million (2009: £7.6 million). Of the spend in 2010, £3.9 million was invested in the Drycleaning division, as the rollout of the Green Evolution stores continued.

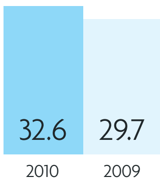
Rental stock issues increased from £13.5 million in 2009 to £15.6 million in 2010 reflecting the increase in the number of garments being processed. The level of spend is expected to be slightly higher in 2011 due to the impact of increased cotton prices in the market.

Cash Flow

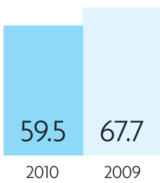
Net cash flow generated from operations improved during the year to £32.6 million (2009: £29.7 million). The Working Capital movement was relatively small although there was a cash outflow of £2.9 million on the settlement of provisions and £1.6 million in additional pension contributions as part of the deficit funding agreement. The cost of acquisitions, net of cash acquired amounted to £0.5 million, including £1.4 million of restructuring costs and professional fees which have been included within exceptional items in the Income Statement.

As a consequence of owning the six Special Purpose Companies (SPC) relating to the seven acquired PFI contracts, we hold bank accounts for each SPC relating to the Lifecycle Funds (Sinking Funds) for each PFI contract.

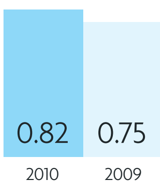
Net cash flows generated from operations (£m)



Net Debt (£m)



Proposed dividend per share (p)



The balance on each account is held specifically for the related PFI contract and accordingly, whilst the total balance on these accounts, amounting to £1.8 million, is included within Current Assets on the Group's Balance Sheet, the balance is not included within our reported Net Debt figure, Bank Covenant calculations nor security arrangements with either our Banks or Pension Trustees.

Net debt reduced significantly during the year falling by £8.2 million to £59.5 million (December 2009: £67.7 million). A contribution to this reduction was a net tax repayment of £1.8 million during 2010 with a further receipt of £5.8 million which will benefit 2011, although this amount remains subject to final agreement with HMRC.

Bank Facilities

As announced in December 2009, new bank facilities were agreed with four banks from the previous bank group. The Group's bank facilities, which extend to April 2013, were for £76.0 million at 31 December 2010, but have now reduced to £74.5 million following the early repayment of £1.5 million of Term Loan in February 2011 in place of the scheduled repayment in June 2011. Further Term Loan repayments of £1.5 million are due in December 2011 and half yearly during 2012.

In order to have more certainty over the interest cost of bank loans, we entered into hedging arrangements such that for £40 million of the Term Loan, LIBOR was replaced by a fixed rate of 1.9% for the twelve months to 10 January 2011 and by 3.0% for the two years to 8 January 2013. The remaining bank borrowings will be subject to LIBOR at market rates from time to time. Interest charges will include a margin which, for much of 2010, was 3.75% but has reduced to 3.5% with effect from October 2010. The margin is subject to a quarterly review and is dependant upon the gearing ratio at a quarter end, and will reduce to 3.0% when gearing reduces to 2 times or lower.

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

Defined Benefit Pension Scheme Liabilities

Following on from the pension increase exchange exercise for existing pensioners which was implemented in 2009 and which reduced the gross liabilities of the schemes by £2.5 million before expenses we have now extended this offer to all future retirees.

Financial Review continued

The pensionable salary freeze which was referred to last year end was introduced with effect from 6 April 2010 although the resultant £9.9 million reduction in scheme liabilities was recognised in the 2009 financial statements.

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

The gross deficit on the defined benefit pension schemes has reduced from £19.0 million to £15.4 million as a result of a recovery in asset values from the low level of December 2009 offset by the impact of a reduction in the discount rate applied to the Schemes' liabilities. It is, once again, frustrating that the benefits of the actions we are taking to reduce the liabilities of the schemes are being eroded by adverse movements in assumptions and discount rates, most of which are and will remain outside the control of the Group.

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

Additional pension contributions of £1.6 million, in order to reduce the schemes' deficit, were paid during 2010.

The actuarial valuations, as at 5 April 2010, of two of the defined benefit pension schemes, including the main scheme, have recently been finalised. We have now reached agreement with the Trustee of the main scheme regarding the deficit recovery plan such that additional contributions specified in the Schedule of Contributions may be used in a more efficient manner.

Total additional contributions, or equivalent payments, in respect of all defined benefit schemes will amount to £1.7 million in 2011.

Balance Sheet

Net assets of the Group have remained largely unchanged at £70.5 million (2009: £70.8 million).

1.6m
Additional pension contributions (£)

3.6m
Reduction in pension deficit (£)

70.5m
Net assets of the Group (£)

Key Performance Indicators (KPI's)

The main KPI's 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 60 to 61 are growth in revenue, adjusted operating profit, earnings per share and return on capital employed.

Principal Risks and Uncertainties

The Business Review requires a description of the principal risks and uncertainties facing the Group.

The identification and consideration of such risks and uncertainties is an ongoing process at all levels throughout the Group as discussed in the Corporate Governance Report on pages 26 to 27. Where possible action is taken to mitigate, to an acceptable level, the potential impact of identified risks and uncertainties. Risks and uncertainties fall under the following broad headings:

a) Financial

The valuation of the Defined Benefit Pension liabilities is dependant on assumptions and financial market conditions which are outside the control of the Group. The Company has taken action to reduce the value of liabilities through the freezing of pensionable salary for active members and offering pension increase exchanges for certain pension benefits in payment.

The Group hedges its exposure to exchange and interest rate risks under the agreed Treasury Policy as follows:

Treasury Policy

Treasury activity is managed centrally and is principally concerned with the monitoring of working capital, managing internal and external funding requirements and monitoring and managing the Group's interest rate and foreign currency exposure. The treasury operation is not a profit centre and its activities are carried out in accordance with Board approved policies.

Policies and Strategies

The Group's financial instruments comprise borrowings, cash and various items such as trade debtors, trade creditors and provisions that arise directly from its operations. The main purpose of these financial instruments is to raise finance for Group operations.

It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks and these are summarised below. The policies are designed to mitigate the impact of fluctuations in interest and exchange rates and are unchanged from previous years.

Interest Rate Risk

The Group finances its operations through a mixture of retained profit, bank borrowings and lease arrangements. 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 December 2010 all of the Group's borrowings were drawn based on one or three month LIBOR. The Group has hedging products in place such that in respect of £40 million of the Term Loan LIBOR rates are substituted by fixed rates to January 2013.

Liquidity Risk

The Group's policy on liquidity is to ensure that it has a committed borrowings facility available to provide continuity of funding. It is anticipated that additional facilities to fund acquisitions will be negotiated when required.

Foreign Currency Risk

The Group has no investment in overseas operations and consequently all current borrowings are in sterling. Some overseas trade is undertaken by the Group. Foreign currency hedges are entered into by the Group's central treasury function, when considered appropriate although as at December 2010, in view of the limited exposure to foreign currency trade, there were no forward exchange contracts in place.

Details of the numerical results of the above policies are disclosed in note 26 to the financial statements.

b) Operational

Although a wide geographic spread of processing facilities mitigates the effect of a loss of any single processing facility, the loss of one facility could result in significant disruption, due to the high utilisation of plant capacity. 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 further reduction in debt has been significant

Focus on investment in markets and operations

Continue to reduce net debt in 2011

The continuing increase in environmental and health and safety regulations will potentially impose further operational restrictions on the Group. Health and safety matters are given prominence at both a Divisional and Group level so that any potential issues are dealt with promptly.

Our ability to maintain financial controls and provide a high quality of service to our customers depends, in part, on the efficient and uninterrupted operation of our management information systems, including our IT systems. This risk is continually assessed so that adequate procedures are in place at each Division to protect the integrity of all management information systems and to ensure that adequate and tested disaster recovery procedures are in place.

c) Other

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. The Group regularly reviews the adequacy and strength of its management teams to ensure that appropriate experience and training is given such that reliance on any one individual is not inappropriate.

The Group is affected by the downturn in the UK economy although the different businesses are being impacted to varying levels and over different time frames. Increases in the price of fuel, cotton fabric and energy could impact future profitability and cash flow. Each Division continually reviews its routes to market, changes in customer demands and expectations and cost base so that it can react appropriately to the impact of the wider economy. Any adverse impact on cash flow could be mitigated in the short term by controls over capital expenditure.

Summary

The further reduction in debt achieved during 2010 has been significant and has been achieved despite the tough economic environment and continued investment in all three Divisions. During 2011 the Group will continue to concentrate on improving profitability through investment in its current markets and operations, whilst continuing to reduce the net debt position.

Yvonne Monaghan
Finance Director
8th March 2011

GreenEarth® Cleaning

A breakthrough for the drycleaning industry.

The Benefits of GreenEarth® Cleaning

Cleaning, production and cost benefits
Productivity and efficiency, lower utility costs/carbon footprint.

Composition and properties
Modified liquid silicone.
Chemically inert, clear, odorless liquid.

Safety and environmental benefits
Nontoxic, non irritant to skin, non-sensitive.

Johnson Service Group has installed GreenEarth® Cleaning systems in some 77% of its drycleaning processing estate. GreenEarth® is an environmentally safe drycleaning process that uses liquid silicone, a gentle solution made from one of the earth's safest and most abundant natural resources: silica, or sand.

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. 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 1800's. 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.

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

Rolling out GreenEarth® cleaning to the entire Johnson Cleaners estate forms a significant strand of our strategy going forward. As a leading public company, Johnson Service Group takes its responsibilities seriously – to staff, customers and the environment as a whole. Quite simply, because we care about the environment we are converting to GreenEarth® cleaning.

Financial Calendar

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

Annual General Meeting	To be held on 5th May 2011
Dividend payment dates	
Proposed Final 2010	20th May 2011
Interim 2011	November 2011

Five Year Record

	2006	2007	2008	2009	2010
Revenue (£m)	313.8	305.2	252.3	236.4	235.1
Revenue excluding costs recharged to customers (£m)	263.5	264.1	242.6	229.3	227.4
Operating profit/(loss) (£m)	13.1	(33.3)	5.0	26.3	8.0
Adjusted operating profit (£m)	21.4	17.2	16.9	17.5	18.3
Profit/(loss) before taxation (£m)	4.0	(47.6)	(6.8)	20.6	4.2
Adjusted profit before taxation (£m)	12.2	6.3	6.0	12.2	14.5
Basic earnings per share (pence)	8.8	(65.0)	(3.4)	6.1	1.3
Fully diluted adjusted earnings per share (pence)	15.2	3.4	2.8	3.4	4.1
Dividend per Ordinary share (pence)	19.6	–	–	0.75	0.82
Dividend increase year on year (%)	1.0	–	–	–	9.3

All figures are from continuing operations.

Adjusted operating profit excludes goodwill or intangibles amortisation and impairment (excluding software amortisation), exceptional items and, in the case of adjusted profit before taxation, exceptional finance costs.

Adjusted earnings per share figures are given on a fully diluted basis and exclude the effects of goodwill or intangibles amortisation and impairment (excluding software amortisation), exceptional items and exceptional finance costs.

Board of Directors

John Talbot
Executive Chairman
(age 61)

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

Yvonne Monaghan
Finance Director and Company Secretary
(age 52)

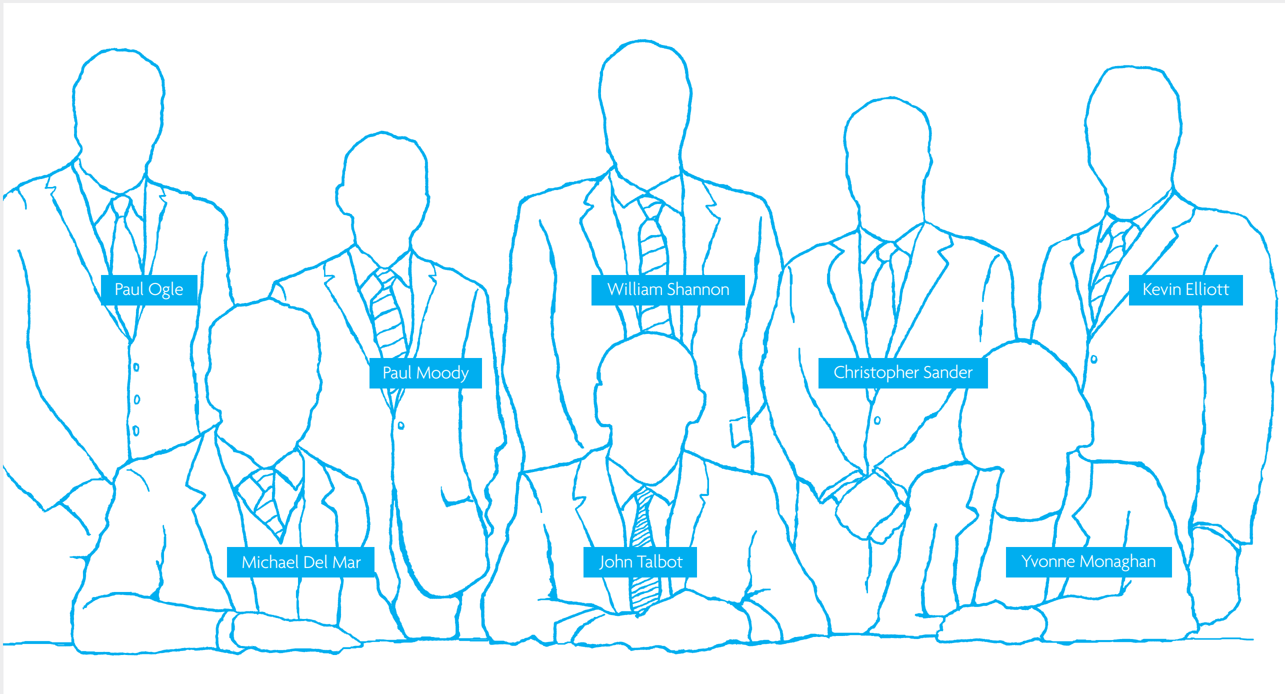
Joined the Group as Group Management Accountant in 1984 after qualifying as a chartered accountant with Deloitte Haskins and Sells. She was appointed as Company Secretary and Financial Controller in 1985 and joined the Board as Finance Director on 31st August 2007.

Kevin Elliott
Managing Director of Facilities Management Division
(age 47)

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

Paul Ogle
Managing Director of Drycleaning Division
(age 43)

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



Christopher Sander
Managing Director of Textile Rental Division
(age 52)

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

Paul Moody
Non-Executive Director
(age 53)

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

Michael Del Mar
Senior Independent Non-Executive Director
(age 64)

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.

William Shannon
Non-Executive Director
(age 61)

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

Directors' Report

The Directors present their annual report and the audited Group and Parent Company financial statements for the year ended 31st December 2010.

Activities and Business Review

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

– Textile Rental – rental and laundering of workwear, roller towels, corporate apparel and dust mats, in linen for the premium hotel, catering and hospitality markets, and direct sale of associated products.
– Drycleaning – provision of retail and commercial drycleaning and other associated support services and sourcing of consumables and drycleaning machinery.
– Facilities Management – delivering building, facilities and property management services to public, commercial and retail organisations throughout the UK.

The Company is required by the Companies Act to include a business review in this report. A summary of the Group's performance, including the KPI's used by management to monitor this, the principal risks and uncertainties facing the Group and its future development, is set out in the Chairman's Statement, Operating Review and the Financial Review on pages 3 to 15.

Results and Dividends

The Group retained profit for the year after taxation amounted to £3.2 million (2009: £11.4 million). The dividend on the Ordinary Shares comprises an interim dividend of 0.27 pence (2009: 0.25 pence) per share and a proposed final dividend of 0.55 pence (2009: 0.50 pence) per share. This total dividend of 0.82 pence (2009: 0.75 pence) per share will, subject to the approval of Shareholders, amount to a distribution for the year of £2.1 million (2009: £1.8 million).

Share Capital

The authorised share capital of the Company at 31st December 2010 comprised of 383,025,739 Ordinary Shares of 10 pence each (2009: 383,025,739 Ordinary Shares of 10 pence each). The total issued share capital at the end of the year and the outstanding options are given in note 28 to the financial statements.

Acquisition and Disposal of Businesses

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

Events after the Balance Sheet Date

There were no significant events occurring after the balance sheet date.

Directors

A list of the Directors of the Company is shown on page 18 and 19. They all held office throughout the year with the exception of Mr. P. Moody who was appointed to the Board on 10th March 2010. In accordance with the Company's Articles of Association, Mr. P. Moody retired at the 2010 Annual General Meeting and, being eligible, offered himself for reappointment. Shareholders voted to re-elect Mr. P. Moody.

The Company's Articles of Association require that all Directors retire at least every three years and that all newly appointed Directors retire at the first Annual General Meeting following their appointment. At the 2011 Annual General Meeting, Mr. J. Talbot, Mrs. Y. Monaghan and Mr. M. Del Mar will retire and stand for re-election as it has been three years since they were last elected.

Mr. M. Gatenby held office until retiring from the Board on 31st May 2010.

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.

Directors' Interests

Share Capital

The interests of the Directors who were in office at 31st December 2010 in the shares of the Company at the commencement or, if later, date of appointment, and close of the financial year are disclosed in the Board Report on Remuneration on pages 34 to 37. Details of the Company's interest in its own shares are disclosed in note 31 to the financial statements.

Contracts

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

Major Interests in the Company's Share Capital

At 8th March 2011, this being the latest practicable date prior to publication of this document, the Company had been advised of the following interests, of a material nature, in its share capital:

	% of Ordinary share capital owned
Legal & General Investment Management	16.12%
Cazenove Capital Management Limited	10.35%
Henderson Global Investors Limited	6.06%
Schroder plc	5.73%
Investeringsselskabet Luxor A/S	4.26%
Aviva plc	3.05%

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

At the Annual General Meeting on 5th May 2010 Shareholders authorised the Company to make market purchases of up to a maximum aggregate of 24,932,443 Ordinary shares. The minimum price allowed for such purchases is 10p and the maximum is 105% of the average of the middle market quotation of such shares for the five business days prior to purchase. Except for amending the maximum number of shares subject to the authority, the Directors intend to seek renewal of this authority, which is due to expire at the conclusion of the 2011 Annual General Meeting. Further details are given in the Notice of the Annual General Meeting on pages 94 to 99.

Employment Policies

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

A broader understanding of the Group and opportunities within it are made available to employees through Operating Company newsletters.

The Group's ongoing desire for employees to be able to share in the performance of the Group as a whole is afforded through an approved Sharesave Plan, which has operated for over 20 years.

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

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

Health and Safety

The Board is aware of its responsibilities on all matters relating to the health, safety and welfare of employees, visitors and customers on Group premises, and to others affected by the Group's activities, and has nominated Mr. P. Ogle, the Managing Director of the Drycleaning Division, as the Director responsible for such matters.

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

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

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

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

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

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

Directors' Report

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

Charitable and Political Donations

Contributions by the Group to charitable causes and local groups during the year totalled £15,697 (2009: £31,405), made up as follows:

	2010	2009
National Charities	£11,116	£22,607
Local Charities	£3,131	£2,396
Local Sports Clubs	£1,450	£6,402

No donations for political purposes were made during the year (2009: 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 26, 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. The trade creditor days of the Group were 26 days (2009: 23 days). The trade creditor days of the Company were 33 days (2009: 17 days).

Half Yearly Reporting

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

As previously reported, the Company has taken advantage of the new reporting regime and no longer publishes half yearly reports for individual circulation to Shareholders. Information that would normally be included in a half yearly report is made available on the Company's website at www.johnsonplc.com.

Notice of Annual General Meeting

The Resolutions to be proposed as Special Business at the Annual General Meeting are the renewal of the Directors' authority to allot shares, the disapplication of pre-emption rights and renewal of the Company's limited authority to purchase its own shares.

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 3 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 15. In addition, note 26 to the financial statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk.

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

The Group currently has adequate financial resources together with long-term contracts with a number of customers and suppliers across different geographic areas and industries. The Group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that there is not a substantial doubt that the Group should be able to operate within the level of its current facilities.

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

Directors' Responsibilities Statement

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

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

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

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

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

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

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

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

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

By order of the Board

Yvonne Monaghan
Company Secretary
8th March 2011

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

Corporate Governance Report

UK premium listed companies are required to comply with the provisions of Section 1 of the Combined Code (2008) or, state the areas in which they do not comply. As a Company trading on AIM, Johnson Service Group PLC is not required to comply with the Combined Code nor state the areas in which it does not comply.

Notwithstanding this, the Board has reviewed the procedures to comply with the provisions of Section 1 of the Combined Code (2008) 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.

Compliance with the Combined Code

The Company has complied with the provisions of the Combined Code throughout the period ended 31st December 2010, other than the provisions in relation to the non-attendance by the Senior Independent Director at meetings with major Shareholders and the division of responsibility of Chairman and Chief Executive.

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

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

The Company's compliance with the Combined Code (2008) has been reviewed by the Auditors and their report is given on page 41.

The Board

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

The Directors, who are detailed on pages 18 and 19, all held office throughout the year, with the exception of Mr. P. Moody, who was appointed to the Board with effect from 10th March 2010. Mr. M. Gatenby held office until retiring from the Board on 31st May 2010.

The Board met formally seven times during 2010. Individual attendance at the formal meetings is set out in the table below. Where N/A appears in the table, the Director is not a Committee member.

Name	Board	Audit Committee	Nomination Committee	Remuneration Committee
John Talbot	7	N/A	1	N/A
Yvonne Monaghan	7	N/A	N/A	N/A
Kevin Elliott	7	N/A	N/A	N/A
Paul Ogle	6	N/A	N/A	N/A
Christopher Sander	7	N/A	N/A	N/A
Michael Del Mar	6	3	1	5
Paul Moody (note 1)	5	3	–	4
William Shannon	7	4	1	4
Number of Meetings	7	4	1	5

Note 1: There have been five Board meetings, three Audit Committee meetings, no Nomination Committee meetings and four Remuneration Committee meetings since appointment on 10th March 2010.

In addition, the Non-Executive Directors have met during the year without the Executive Directors and additionally without the Executive Chairman. A performance evaluation of Mr. J. Talbot, in his role of Executive Chairman, was conducted in respect of 2010 by the Non-Executive Directors. In addition, the Executive Chairman has conducted an appraisal of each member of the Board, Board composition and the format and effectiveness of the Board meetings in respect of 2010.

All Directors are subject to re-election at the Annual General Meeting if appointed to the Board since the last Annual General Meeting or if it is the third Annual General Meeting following the Annual General Meeting at which he was elected or last re-elected. With effect from the Annual General Meeting to be held in 2012, and in accordance with the UK Corporate Governance Code which applies to accounting periods beginning on or after 29th June 2010, all Directors will be subject to annual re-election.

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 Combined Code requires that there is a clear division of responsibility between the Chairman and the Chief Executive, each of which has clearly defined roles. The Chairman should be responsible for the effective running of the Board whilst the Chief Executive is responsible for operating the business and implementing the Board's strategies and policies. From 8th September 2008, the roles of Chairman and Chief Executive have been combined.

The Board believes that each of the Group's three business divisions has a strong management team, each with representation on the Board, and therefore considers it appropriate for the role of Chairman to carry executive responsibility. The commitments of the Executive Chairman are disclosed within the Directors' biographies on page 18. The overall commitments have not changed during the year.

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

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

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

The following responsibilities have been delegated to Executive management:

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

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.

The Committees of the Board are the Audit Committee, the Remuneration Committee and the Nomination Committee. Both the Audit Committee and the Remuneration Committee consist wholly of the Non-Executive Directors, whilst the Nomination Committee consists of the Executive Chairman and the Non-Executive Directors. Board appointments are subject to approval by the Board as a whole. Members of the Committees are shown on page 100. Each Committee has written terms of reference which are available on the Company's website.

Audit Committee

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

The main responsibilities of the Committee include:

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

In 2010 the Audit Committee discharged its responsibilities by:

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

Corporate Governance Report

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

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

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

The work undertaken by the Audit Committee, supported by the internal audit function, helps to enable the Board to make the statements relating to internal control on pages 26 and 27 and the going concern basis on page 22.

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

Remuneration Committee

The responsibilities of the Remuneration Committee are outlined in the Board Report on Remuneration, on page 28.

Nomination Committee

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

The Committee meets as required and met during the year to review the structure and composition of the Board. As set out on page 20, during the year the Committee recommended the appointment of Mr. P. Moody as a Non-Executive Director.

Relations with Shareholders

The Company has an active investor relations programme with the Executive Chairman and the Finance Director meeting key institutions, both Shareholders and prospective Shareholders, in the periods following the announcement of the annual and interim results and at other appropriate times during 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. 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.

Internal Control

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness which has been undertaken during the year. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. There is an on-going process for identifying, evaluating and managing the Group's significant risks that has been in place throughout the year ended 31st December 2010 and up to the date of approval of the financial statements. This process has been regularly reviewed by the Board and accords with the internal control guidance of the Combined Code for Directors. The Audit Committee receives reports setting out key performance and risk indicators and considers possible control issues brought to its attention by early warning mechanisms which are embedded within the operational units and reinforced by risk awareness training.

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

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

Financial Reporting

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

Treasury Management

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

Risk Management

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

Financial Control

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

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

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

Code of Ethics

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

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

2010 Bribery Act

In order to comply with the 2010 Bribery Act the Group has conducted a preliminary risk assessment, is adopting an appropriate policy and is re-enforcing its code of ethics. Appropriate procedures are being put in place to prevent employees and other associated persons committing offences under the Act. These procedures will be subject to regular monitoring and review.

Environmental Matters

The Board is aware of its responsibilities with regard to the environment, receives regular reports on all environmental matters and has nominated the Managing Director of the Drycleaning Division responsible for such matters. 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. Several of the Group's operating companies have achieved or are working towards ISO 14001:2004 Environmental Management System Certification.

The Group is working towards reducing its carbon emissions and is working towards Carbon Reduction Commitment (CRC) compliance and also towards the Carbon Trust Standard. In 2010, the Drycleaning division achieved 45th place in the 'Sunday Times Best Green Companies' award, in recognition of its environmental credentials.

By order of the Board

Yvonne Monaghan
Company Secretary
8th March 2011

Board Report on Remuneration

Information Not Subject to Audit

Remuneration Committee

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

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

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

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

Remuneration Policy

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

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

The total remuneration package links corporate and individual performance with an appropriate balance between short and long-term elements, and fixed and variable components. The policy is designed to incentivise executives to meet the Company's key objectives, such that a significant portion of total remuneration is performance related, based on a mixture of internal targets linked to the Company's key business drivers (which can be easily measured, understood and accepted by both executives and Shareholders) and appropriate external comparator groups. The Committee considers that the targets set for the different elements of performance related remuneration are both appropriate and demanding in the context of the business environment and the challenges with which the Group is faced.

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

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

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. For 2010, the Executive Directors (other than Mr. K. Elliott) participated in the STIP, which provides for a performance related bonus based on a combination of the Group's results and the achievement of goals, both financial and personal, set in relation to the individual's area of responsibility. The individual targets for the Executive Directors are established by the Committee with a view to maximising Shareholder value and meeting other Group objectives. Subject to the achievement of the targets, the annual performance related bonus can represent up to a maximum of 100% of basic salary.

For 2010, Mr. K. Elliott was awarded a discretionary bonus based on certain achievements of the Facilities Management division. For 2011 onwards, Mr. K. Elliott will participate in the STIP on the same basis as the other Executive Directors.

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

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

Long-Term Bonus
In addition to an annual cash bonus, the Executive Directors responsible for the Textile Rental and Drycleaning divisions were eligible for a long-term cash bonus the amount of which was linked to the profitability of their respective Divisions from 2008 to the end of 2012. This long-term cash bonus plan was terminated on 6th January 2011 without any payment being made.

The Executive Director responsible for the Facilities Management division was eligible for a long-term cash bonus plan, under which the reward was linked to the increase in value of the Division from 1st January 2008 until the occurrence of the earlier of a number of specified vesting events. This long-term cash bonus plan was terminated on 6th January 2011 without any payment being made, and was replaced with a new long-term cash bonus on the same date, which will only pay out if the Facilities Management division is sold or listed (or a comparable event occurs) before 31st December 2013. Should such an event occur, Mr. K. Elliott would be entitled to a scaled percentage ranging from four to eight per cent of the amount by which the net sale proceeds exceeds £35 million, less any amount already paid to Mr. K. Elliott under either the Long-Term Incentive Plan (see below) or the annual bonus scheme after 6th January 2011.

Payment of all long-term bonuses will be subject to the Group's normal good and bad leaver provisions.

Taxable Benefits
Taxable benefits, which are not performance related, principally include a car allowance and private medical insurance.

Share Options
Discretionary Unapproved Share Option Plan (the 'Plan')
The Plan was approved at the 2003 Annual General Meeting. The Plan is designed to align the long term incentives provided by the Company for senior employees with the interests of Shareholders. Options have been granted under the Plan to Executive Directors and other selected managers in the Group. The options may normally be exercised between three years and ten years after the date of grant, provided that any performance conditions imposed have been fulfilled.

The vesting of options will normally be subject to stretching performance conditions which will be based upon a combination of Total Shareholder Return ("TSR"), adjusted earnings per share growth ("EPS") and operating profit, or other measures as agreed by the Remuneration Committee, depending on the employee's position within the Group. The performance conditions will be tested after three years and no re-testing will be permitted.

Board Report on Remuneration

Vesting in respect of options granted during 2003, 2004 and 2005 is as follows:

- 25% of options subject to relative TSR-based options will vest if the Company's three year TSR equals the TSR of a specified index. Options will vest in full if the Company's TSR exceeds that of the index by 10% per annum. For performance between these levels, options will vest on a straight line sliding scale.
- 25% of options subject to absolute TSR-based conditions will vest if the Company's three year TSR equals 7% per annum. Options will vest in full if the Company's three year TSR exceeds 17% per annum. For performance between these levels, options will vest on a straight line sliding scale.
- 25% of options subject to EPS-based conditions will vest if the Company's three year adjusted EPS growth equals RPI plus 3% per annum. Options will vest in full if the Company's adjusted EPS growth exceeds RPI plus 6% per annum. For performance between these levels, options will vest on a straight line sliding scale.
- 25% of options subject to divisional operating profit conditions, aggregated over the three year performance period and adjusted, as appropriate, to reflect the effect of any acquisitions or disposals will vest for budgeted operating profit performance. Options will vest in full at a predetermined level of operating profit performance, which is set by the Committee each year with reference to the budgeted level of performance and which is deemed to represent stretching financial performance. For performance between these levels, options will vest on a straight line sliding scale.

These performance measures were chosen since the Committee believes that both TSR and EPS growth are closely related to the interests of the Shareholders. EPS growth also provides a measure of Group financial performance, whilst divisional operating profit provides a measure of financial performance for those individuals with responsibility for specific divisions. The FTSE Small Cap Index excluding investment companies was the specified index for the awards in 2003 and the FTSE Support Services Index was the specified index in 2004 and 2005. In the opinion of the Committee the FTSE Support Services Index was, at the time of grant, the most appropriate index against which to compare the TSR of the Group since it includes companies operating in similar sectors.

In 2008 an award was made under the Plan in relation to two Executive Directors (Mr. P. Ogle and Mr. C. Sander) and a group of senior managers. The Directors have been granted options which would, on exercise, deliver specific returns for them if the Company's TSR over a three year performance period achieves certain pre-determined levels as follows:

- One third of the options will vest if, over any 60 day period during the period up to the announcement of the Company's interim results in September 2011 (the vesting period), the Company's TSR per share is equal to or exceeds 40 pence. The Company's TSR may fall below 40 pence on one day in the 60 day period provided that day is not in the last five days of the period. For these purposes, TSR will include share price, dividends and capital distributions.
- The remaining two thirds of the options will vest by reference to the Company's average TSR over the 30 day period following the end of the vesting period. To establish the extent of vesting of the options subject to this part of the condition, the Company's average TSR per share over the 30 day period following the end of the vesting period will be determined and: none of the options subject to this part of the condition will vest if the Company's average TSR per share over the 30 day period is equal to or less than 40 pence; all of the options subject to this part of the condition will vest if the Company's average TSR per share over the 30 day period is equal to or more than 60 pence; for any performance between these levels, the options will vest on a straight line sliding scale.

The options were cancelled on 6th January 2011 without payment.

Discretionary Approved Share Option Plan (the 'Approved Plan')

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

The actual number of options exercisable will depend on whether, on the date of exercise, the performance conditions of the Plan 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 Plan. 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 options been granted under the Plan.

On 8th July 2009 an award was made under the Approved Plan in relation to two Executive Directors (Mr. P. Ogle and Mr. C. Sander) and a group of senior managers. These options were cancelled on 6th January 2011 without payment.

Long-Term Growth Plan (the 'LTGP')

To incentivise certain employees to maximise Shareholder value and to ensure the employees' services are secured, the Company adopted the LTGP in 2008. All employees (including Executive Directors) of the Group are eligible to participate in the LTGP. Participants in the LTGP will be selected by the Remuneration Committee. In practice, participants will be limited to Executive Directors and Senior Management.

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 detailed below. Vesting of awards granted under the LTGP will normally occur after a three year performance period. However, in the case of the initial awards one third of the Ordinary Shares subject to the award will potentially vest before the three year anniversary if a specified performance condition is met. The remainder of the Ordinary Shares subject to the award will be subject to a three year vesting period and a further performance condition.

Certain Executive Directors (Mr. J. Talbot and Mrs. Y. Monaghan) were granted awards under the LTGP on 26th January 2009 and 8th September 2008 respectively, which would, on exercise, deliver specific returns for them if the Company's TSR over a three year performance period achieves certain pre-determined levels as follows:

- One third of the Ordinary Shares subject to an award will vest and be transferred to the participant immediately if, over any 60 day period during the three year performance period, the Company's total shareholder return (TSR) per share is equal to or exceeds 40 pence, (the Company's TSR may fall below 40 pence on one day in the 60 day period provided that day is not in the last five days of the period). For these purposes, TSR will include share price, dividends and capital distributions. Subject to permitted disposals to meet any tax liability arising on vesting, 50 per cent of any Ordinary Shares subject to this part of the award that vest will be retained until 31st July 2010 and the remainder that vest will be retained until 31st July 2011.
- The remaining two thirds of the Ordinary Shares subject to an award will vest by reference to the Company's TSR over the three year vesting period. To establish the extent of vesting of the Ordinary Shares subject to this condition, the Company's average TSR per share over the 30 day period following the announcement of the Company's interim results in 2011 will be determined and: none of the Ordinary Shares subject to this condition will vest if the Company's TSR per share is equal to or less than 40 pence; all of the Ordinary Shares subject to this condition will vest if the Company's TSR per share is equal to or more than 60 pence; vesting of the Ordinary Shares subject to this condition will be on a straight line basis between these points.

During 2009, all rights under these awards were waived by the employees, and on the same date, the Company granted replacement awards under the 2009 Long-Term Incentive Plan.

Board Report on Remuneration

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. Participants in the LTIP will be selected by the Remuneration Committee. In practice, participants will be limited to Executive Directors and Senior Management.

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 detailed below. Vesting of awards granted under the LTIP will normally occur after a three year performance period. However, in the case of the initial awards one third of the Ordinary Shares subject to the award will potentially vest before the three year anniversary if a specified performance condition is met. The remainder of the Ordinary Shares subject to the award will be subject to a three year vesting period and a further performance condition.

Certain Executive Directors (Mr. J. Talbot and Mrs. Y. Monaghan) were granted awards under the LTIP on 8th July 2009 (as a replacement of the LTGP award referred to above), which would, on exercise, deliver specific returns for them if the Company's TSR over a three year performance period achieves certain predetermined levels as follows:

– One third of the Ordinary Shares subject to an award will vest and be transferred to the participant immediately if, over any 60 day period during the three year performance period, the Company's total shareholder return (TSR) per share is equal to or exceeds 40 pence, (the Company's TSR may fall below 40 pence on one day in the 60 day period provided that day is not in the last five days of the period). For these purposes, TSR will include share price, dividends and capital distributions. Subject to permitted disposals to meet any tax liability arising on vesting, 50% of any Ordinary Shares subject to this part of the award that vest will be retained until 31st July 2010 and the remainder that vest will be retained until 31st July 2011.
– The remaining two thirds of the Ordinary Shares subject to an award will vest by reference to the Company's TSR over the three year vesting period. To establish the extent of vesting of the Ordinary Shares subject to this condition, the Company's average TSR per share over the 30 day period following the announcement of the Company's interim results in 2011 will be determined and: none of the Ordinary Shares subject to this condition will vest if the Company's TSR per share is equal to or less than 40 pence; all of the Ordinary Shares subject to this condition will vest if the Company's TSR per share is equal to or more than 60 pence; vesting of the Ordinary Shares subject to this condition will be on a straight line basis between these points.

These awards were cancelled on 6th January 2011 without payment, and new awards were granted to the Executive Chairman, the four Executive Directors and certain Senior Management on the same date with an exercise price of nil. The performance condition for the 2011 awards made under the LTIP will be linked to the Company's Total Shareholder Return ("TSR"), which represents the Company's share price plus any dividends paid on or after 16th November 2009 and any other capital distributions over the vesting period. The performance period runs from the date of the grant until the end of the 30 day period following the announcement of the Company's preliminary results for the year ending 31 December 2013.

In respect of Mr. J. Talbot and Mrs. Y. Monaghan, the LTIP will vest in three tranches:

– One third of the award will vest if at any time during the vesting period, for a period of 30 days, the average TSR is equal to or exceeds 40 pence (Floating TSR).
– The remaining two thirds of the award will vest as follows:
  (a) In line with their previous LTIP arrangements, by reference to the Company's average TSR for the 30 day period following announcement of the Company's 2011 interim results (Interim TSR). None of the remaining two thirds of the award will vest if the Interim TSR is equal to or less than 40 pence. The whole of the remaining two thirds of the award will vest if the Interim TSR is equal to or greater than 60 pence. Vesting of the award will be on a straight line basis between these points.
  (b) To the extent that any of the remaining award has not already vested in (a) above, the balance of the award will be subject to a further performance test on the same basis as in (a) above, including the 40 pence and 60 pence vesting benchmarks, for the 30 day period following release of the Company's preliminary results for the year ending 31st December 2013 (Final TSR).

In respect of all other awards, the LTIP will vest in two tranches:

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

In all cases, Floating TSR may be tested at any time during the performance period. Interim TSR and Final TSR may each only be tested once, following the announcement of the Company's interim results for the 2011 financial year, and the announcement of the Company's final results for the 2013 financial year respectively.

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

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

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

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

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

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

The SAYE Schemes are open to all employees, including Executive Directors who, for grants made prior to 31st December 2008, have completed one year's service at the date of invitation and who open an approved savings contract. For grants made in 2010 onwards employees are required to have completed two years' service at the date of invitation. When the savings contract is started, options are granted to acquire the number of shares that the total savings will buy when the savings contract matures. Grants prior to 2008 were under the Savings Related Share Option Scheme and grants from 2008 onwards are under the Sharesave Plan. Details of the schemes' exercise periods and normal expiry dates are given in note 28 on page 86.

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.

Board Report on Remuneration

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

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

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

Non-Executive Directors
The Non-Executive Directors have fixed term appointments. Each Non-Executive Director has a letter of appointment, dated as detailed below, which requires the Company to provide three months' notice and the Director is expected to provide at least one months' notice. At 31st December 2010, the unexpired terms of the Non-Executive Directors letters of appointment were:

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

Interests in Share Capital
The interests of the Directors who were in office at 31st December 2010, 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 2010 Ordinary shares of 10p each	31st December 2009* Ordinary shares of 10p each
Beneficial		
Mr. J. Talbot	6,163,000	3,763,000
Mrs. Y. Monaghan	136,823	136,823
Mr. K. Elliott	500,000	500,000
Mr. P. Ogle	66,547	66,547
Mr. C. Sander	232,000	232,000
Mr. M. Del Mar	200,000	188,000
Mr. P. Moody	100,000	–
Mr. W. Shannon	125,000	125,000
Non Beneficial		
Mrs. Y. Monaghan, Mr. C. Sander and others	588,452	588,452

* or date of appointment if later

There have been no changes in the Directors' interests in the shares of the Company during the period 31st December 2010 up until the time of signing this report.

Performance Graph

Over the five years to December 2010 the Company has underperformed the FTSE AIM All-Share Index with a net total shareholder return of (92%) against a net total shareholder return of (5%). Over the two years to December 2010 the Company has outperformed the FTSE AIM All-Share Index with a net total shareholder return of 225% against a net total shareholder return of 142%.

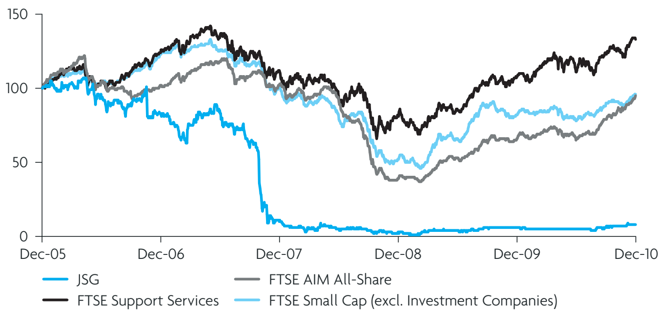
Over the five years to December 2010 the Company has underperformed the FTSE Support Services Index with a net total shareholder return of (92%) against a net total shareholder return of 33%. Over the two years to December 2010 the Company has outperformed the FTSE Support Services Index with a net total shareholder return of 225% against a net total shareholder return of 63%.

Over the five years to December 2010 the Company has underperformed the FTSE Small Cap (excl. Investment Companies) Index with a net total shareholder return of (92%) against a net total shareholder return of (4%). Over the two years to December 2010 the Company has outperformed the FTSE Small Cap (excl. Investment Companies) Index with a net total shareholder return of 225% against a net total shareholder return of 84%.

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.

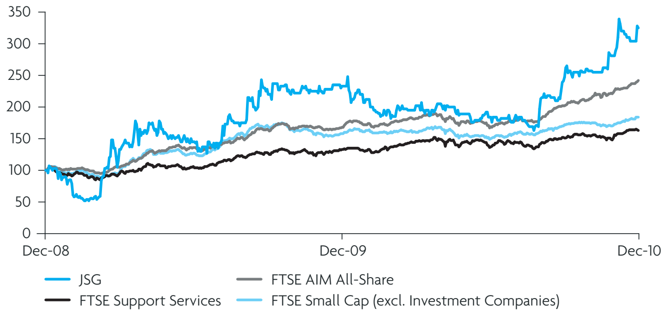
TSR 5 Year Performance

	JSG	AIM	Support Serv	Small Cap
Base	100	100	100	100
Close	8	95	133	96
Return	(92%)	(5%)	33%	(4%)



TSR 2 Year Performance

	JSG	AIM	Support Serv	Small Cap
Base	100	100	100	100
Close	325	242	163	184
Return	225%	142%	63%	84%



Board Report on Remuneration

Information Subject to Audit

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

Directors' Remuneration

	Note	Basic Salary/Fees 2010 £000	Bonus/ Allowance 2010 £000	Taxable Benefits 2010 £000	Total 2010 £000	Total 2009 £000
Executive Directors						
Mr. J. Talbot	1	250	–	–	250	234
Mrs. Y. Monaghan		206	157	10	373	280
Mr. K. Elliott	2	126	90	19	235	145
Mr. P. Ogle		144	32	17	193	160
Mr. C. Sander		166	135	18	319	231
Non-Executive Directors						
Mr. M. Del Mar	3	34	–	–	34	31
Mr. P. Moody (appointed 10/03/10)	4	24	–	–	24	–
Mr. W. Shannon (appointed 08/05/09)	5	33	–	–	33	21
Former Directors						
Mr. M. Gatenby (resigned 31/05/10)	6	15	–	–	15	37
Baroness Wilcox (resigned 30/09/09)	7	–	–	–	–	24
		998	414	64	1,476	1,163

Note 1: Mr. J. Talbot became a direct employee of the Company on 25th January 2009. The figure included in the table above for 2009 reflects the amount paid directly to Mr. J. Talbot. Prior to that date, Mr. J. Talbot was a senior executive at Talbot Hughes McKillop LLP (formerly Kroll Talbot Hughes Limited) to which the Company paid directly for the services of Mr. J. Talbot. Details of the amounts paid to Talbot Hughes McKillop LLP are disclosed within note 38 to the 2008 Annual Report.

Note 2: The figures included in the table above in respect of Mr. K. Elliott exclude a £24,000 salary sacrifice arrangement, which has been in place from the 1st January 2009. Under this arrangement, Mr. K. Elliott has sacrificed £24,000 of his salary and instead receives an additional monthly employer contribution paid to the SGP Property Services Group Personal Pension Plan, a defined contribution arrangement, of £2,376. The additional contribution reflects the salary sacrificed plus the savings to the Company, being the saving in employer National Insurance contributions.

Note 3: Mr. M. Del Mar was appointed Chairman of the Remuneration Committee on 1st October 2009 following the retirement of the previous Chairman, Baroness Wilcox. The amount paid to Mr. M. Del Mar in 2009 includes the pro-rata increase in his annual fee in respect of this additional responsibility. Following the resignation of Mr. M. Gatenby on 31st May 2010, Mr. M. Del Mar was appointed Senior Independent Director on 1st June 2010. The amount paid to Mr. M. Del Mar in 2010 includes the pro-rata increase in his annual fee in respect of this additional responsibility.

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

Note 5: Mr. W. Shannon was appointed as Non-Executive Director on 8th May 2009. The figure included in the table above for 2009 reflects the amount paid since the date of appointment. Following the resignation of Mr. M. Gatenby on 31st May 2010, Mr. W. Shannon was appointed Chairman of the Audit Committee on 1st June 2010. The amount paid to Mr. W. Shannon in 2010 includes the pro-rata increase in his annual fee in respect of this additional responsibility.

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

Note 7: Baroness Wilcox resigned as Non-Executive Director on 30th September 2009. The figure included in the table above for 2009 reflects the amounts paid up until the date of resignation.

During the year the Directors did not make any gains on the exercise of share options (2009: nil).

No Director waived any emoluments in respect of the years ended 31st December 2010 and 31st December 2009.

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:

Beneficial

2003 Discretionary Unapproved Share Option Plan (the "Plan")

	Date of Grant	At 31st December 2009	Options Granted During Year	Options Lapsed During Year	Options Cancelled During Year	Options Exercised During Year	At 31st December 2010	Option Price
Mr. P. Ogle	8th July 2008*	1,300,000	–	–	–	–	1,300,000	19.25p
Mr. C. Sander	8th July 2008*	1,750,000	–	–	–	–	1,750,000	19.25p

* Share options granted prior to appointment as Director

Details of the Plan are given on pages 29 to 30 of the Board Report on Remuneration.

2003 Discretionary Approved Share Option Plan (the "Approved Plan")

	Date of Grant	At 31st December 2009	Options Granted During Year	Options Lapsed During Year	Options Cancelled During Year	Options Exercised During Year	At 31st December 2010	Option Price
Mr. P. Ogle	8th July 2009	230,769	–	–	–	–	230,769	13.00p
Mr. C. Sander	8th July 2009	230,769	–	–	–	–	230,769	13.00p

Details of the Approved Plan are given on page 31 of the Board Report on Remuneration.

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

	Date of Grant	At 31st December 2009	Options Granted During Year	Options Lapsed During Year	Options Cancelled During Year	Options Exercised During Year	At 31st December 2010	Option Price
Mr. J. Talbot	8th July 2009	7,479,074	–	–	–	–	7,479,074	nil
Mrs. Y. Monaghan	8th July 2009	2,493,024	–	–	–	–	2,493,024	nil

Details of the 2009 LTIP are given on pages 32 to 33 of the Board Report on Remuneration.

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

	Date of Grant	At 31st December 2009	Options Granted During Year	Options Lapsed During Year	Options Cancelled During Year	Options Exercised During Year	At 31st December 2010	Option Price
Mr. J. Talbot	8th July 2009	230,769	–	–	–	–	230,769	13.00p
Mrs. Y. Monaghan	8th July 2009	230,769	–	–	–	–	230,769	13.00p

Details of the 2009 Approved LTIP are given on page 33 of the Board Report on Remuneration.

Sharesave Plan ("SAYE")

	Date of Grant	At 31st December 2009	Options Granted During Year	Options Lapsed During Year	Options Cancelled During Year	Options Exercised During Year	At 31st December 2010	Option Price
Mrs. Y. Monaghan	6th October 2008	44,880	–	–	–	–	44,880	16.00p
Mrs. Y. Monaghan	1st April 2010	–	6,655	–	–	–	6,655	18.00p
Mr. P. Ogle	6th October 2008	44,880	–	–	–	–	44,880	16.00p
Mr. P. Ogle	1st April 2010	–	6,655	–	–	–	6,655	18.00p
Mr. C. Sander	6th October 2008	44,880	–	–	–	–	44,880	16.00p
Mr. C. Sander	1st April 2010	–	6,655	–	–	–	6,655	18.00p

Details of the SAYE are given on page 33 of the Board Report on Remuneration.

Board Report on Remuneration

The above options granted under the Plan, the Approved Plan, the 2009 LTIP and the 2009 Approved LTIP were all cancelled, without payment, on 6th January 2011 and the following awards were granted on 6th or 7th January 2011.

	Options granted under the 2009 LTIP	Options granted under the 2009 approved LTIP
Mr. J. Talbot	7,500,000	-
Mrs. Y. Monaghan	2,500,000	97,560
Mr. K. Elliott	1,850,000	97,560
Mr. P. Ogle	1,850,000	97,560
Mr. C. Sander	2,000,000	97,560

Other Details

The mid market price of the Ordinary shares of 10p each on 31st December 2010 and 31st December 2009 was 31.00 pence and 23.00 pence respectively. During the period, the mid market price of the Ordinary shares of 10p each ranged between 15.75 pence and 32.25 pence.

Other than as detailed on pages 30 to 38, none of the terms or conditions of the share options were varied during the year.

Other than as set out in the table above, there have been no changes in the Directors' interests during the period 31st December 2010 to 8th March 2011, this being the day immediately preceding publication of this document.

Pension Arrangements

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

Pension Benefits of Executive Directors

Defined Benefit Arrangements

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

	Additional benefits earned in the year (including inflation) 2010 £000	Additional benefits earned in the year (excluding inflation) 2010 £000	Accrued pension entitlement at December 2010 £000	Accrued pension entitlement at December 2009 £000	Transfer value of net increase in accrued benefits 2010 £000	Transfer value at December 2010 £000	Transfer value at December 2009 £000	Increase in transfer value less Directors' contributions 2010 £000
Mrs. Y. Monaghan	6	3	87	81	25	1,433	1,373	48
Mr. P. Ogle	2	1	23	21	3	241	225	9
Mr. C. Sander	4	2	68	64	11	1,060	991	59

The accrued pension entitlement shown is the amount that would be paid annually on retirement (at normal retirement age) based on service to 31st December 2010. This pension is calculated based on the total period of service to the Company, both before and after becoming a Director.

The increase in the accrued pension entitlement is the additional benefits earned (including inflation) since the previous year end.

All transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11. The transfer values of the accrued entitlement in respect of qualifying services represent the value of assets that the pension scheme would need to transfer to another pension provider on transferring the scheme's liability in respect of the Director's pension benefits that they earned for qualifying services. They do not represent sums payable to individual Directors and therefore cannot be added meaningfully to annual remuneration.

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

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

Mrs. Y. Monaghan is a member of the Staff Scheme, and the following accrual rates apply to pensionable service:
- 1/60th of final pensionable salary for each year of pensionable service as on and from 30th July 1984 up to and including 30th November 2000;
- 1/56th of final pensionable salary for each year of pensionable service as on and from 1st December 2000 up to and including 31st March 2004; and
- 1/72nd of final pensionable salary for each year of pensionable service as on and from 1st April 2004.

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

The contribution payable by Mrs. Y. Monaghan for pensionable service from 1st October 2004 is 6% of pensionable salary per annum. The employer contribution was 13% of pensionable salary per annum up to 28th February 2011 and 9.4% thereafter.

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

Mr. C. Sander and Mr. P. Ogle are members of the Staff Scheme, and the following accrual rates apply to pensionable service:
- for Mr. C. Sander, 1/60th of final pensionable salary for each year of pensionable service as on and from 1st July 1984 up to and including 31st March 2003;
- for Mr. P. Ogle, 1/60th of final pensionable salary for each year of pensionable service as on and from 1st September 1997 up to and including 31st March 2003; and
- for both Mr. C. Sander and Mr. P. Ogle, 1/80th of final pensionable salary for each year of pensionable service as on and from 1st April 2003.

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

The contribution payable by both Mr. C. Sander and Mr. P. Ogle for pensionable service from 1st October 2003 is 6% of pensionable salary per annum. Mr. P. Ogle's definition of pensionable salary is restricted to the Scheme Specific Cap as per the Scheme Rules. The restricted salary is £123,600. The employer contribution was 13% of pensionable salary for Mr. C. Sander and for Mr. P. Ogle up to 28th February 2011 and 9.4% thereafter.

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.

Board Report on Remuneration

Following the implementation of the pensionable salary freeze as at 6th April 2010 for all current active members of the Staff Scheme, the pensionable salaries of Mrs. Y. Monaghan and Mr. C. Sander were frozen at their basic salary on 6th April 2010; the pensionable salary for Mr. P. Ogle was frozen at the Scheme Specific Cap of £123,600. From 6th April 2010, pension contributions in respect of basic salary earned above frozen pensionable salary can be paid into suitable alternative pension arrangements, or paid as an equivalent cash amount (initially 14% of basic salary in excess of frozen pensionable salary) to the member.

Defined Contribution Arrangements

Mr. K. Elliott is a member of the SGP Property Services Group Personal Pension Plan (the Plan), a defined contribution arrangement. The employee and employer contributions were fixed at 6% of salary. A salary sacrifice arrangement has been in place from 1st January 2009. Under this arrangement, Mr. K. Elliott has sacrificed £24,000 of his salary and instead receives an additional monthly employer contribution paid to the Plan of £2,376 which equates to an annual contribution of £28,512. The additional contribution reflects the salary sacrificed plus the savings to the Company, to include the saving in National Insurance contributions. Normal Retirement Age under the Plan is age 65. With effect from 1st January 2011 Mr. K. Elliott will be entitled to an employer contribution of 14% of pensionable salary.

Annual General Meeting

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

Michael Del Mar
Chairman of Remuneration Committee
8th March 2011

Independent Auditors' Report

We have audited the Group and Parent Company financial statements (the "financial statements") of Johnson Service Group PLC for the year ended 31st December 2010 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Statements of Comprehensive Income, the Consolidated and Parent Company Balance Sheets, the Consolidated and Parent Company Statements of Changes in Equity, the Consolidated and Parent Company Statements of Cash Flows, the Statement of Significant Accounting Policies and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective Responsibilities of Directors and Auditors

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

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

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements.

Opinion on Financial Statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31st December 2010 and of the Group's profit and Group's and Parent Company's cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to Report by Exception

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

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

The Directors have requested, (because the Company applies Listing Rules 9.8.6R 5 and 6 of the Financial Services Authority as if it were a listed company), that we review the parts of the Corporate Governance Statement relating to the company's compliance with the nine provisions of the June 2008 Combined Code specified for our review by the Listing Rules of the Financial Services Authority. We have nothing to report in respect of this review.

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

Nicholas Boden (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
8th March 2011

Consolidated Income Statement

Year ended 31 December	Note	2010 £m	2009 £m
Revenue from continuing operations	2	235.1	236.4
Costs recharged to customers		(7.7)	(7.1)
Revenue excluding costs recharged to customers	2	227.4	229.3
Operating profit	3	8.0	26.3
Operating profit before intangibles amortisation and impairment (excluding software amortisation) and exceptional items	2	18.3	17.5
Amortisation and impairment of intangible assets (excluding software amortisation)		(2.8)	(3.2)
Exceptional items	7		
– Restructuring and other costs		(8.3)	–
– Costs in relation to business acquisition activity		(1.4)	–
– Pension credits		2.2	12.0
Operating profit	3	8.0	26.3
Finance costs – Ordinary finance costs	8	(3.8)	(5.5)
– Exceptional finance costs		–	(0.4)
Finance income	8	–	0.2
Profit before taxation		4.2	20.6
Taxation charge	10	(1.0)	(5.7)
Profit for the year from continuing operations		3.2	14.9
Discontinued operations:			
Loss for the year from discontinued operations	33	–	(3.5)
Profit for the year attributable to equity holders		3.2	11.4
Earnings per Share*	11		
Basic earnings per Share			
From continuing operations		1.3p	6.1p
From discontinued operations		–	(1.4p)
From continuing and discontinued operations		1.3p	4.7p
Fully diluted earnings per Share			
From continuing operations		1.2p	5.8p
From discontinued operations		–	(1.4p)
From continuing and discontinued operations		1.2p	4.4p

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

The notes on pages 59 to 93 are an integral part of these financial statements.

Consolidated Statement of Comprehensive Income

Year ended 31 December	Note	2010 £m	2009 £m
Profit for the year		3.2	11.4
Actuarial loss on defined benefit pension schemes	25	(1.5)	(13.6)
Taxation in respect of actuarial loss		0.4	3.8
Change in deferred tax due to change in tax rate		(0.2)	–
Cash flow hedges (net of taxation) – fair value loss		(1.4)	(0.3)
– transfers to interest		0.3	1.1
Other comprehensive income for the year		(2.4)	(9.0)
Total comprehensive income for the year		0.8	2.4

Company Statement of Comprehensive Income

Year ended 31 December	2010 £m	2009 £m
Profit/(loss) for the year	4.3	(3.9)
Actuarial loss on defined benefit pension schemes	(1.4)	(12.2)
Taxation in respect of actuarial loss	0.4	3.4
Change in deferred tax due to change in tax rate	(0.2)	–
Cash flow hedges (net of taxation) – fair value loss	(1.4)	(0.3)
– transfers to interest	0.3	1.1
Other comprehensive income for the year	(2.3)	(8.0)
Total comprehensive income for the year	2.0	(11.9)

Consolidated Balance Sheet

As at 31 December	Note	2010 £m	2009 £m
Assets			
Non-Current Assets			
Goodwill	13	87.6	87.6
Intangible assets	14	10.5	9.2
Property, plant and equipment	15	44.4	44.9
Textile rental items	16	19.7	19.6
Trade and other receivables	19	0.6	0.6
Deferred income tax assets	23	6.5	7.4
		169.3	169.3
Current Assets			
Inventories	18	3.7	3.4
Trade and other receivables	19	35.4	34.6
Current income tax assets		–	1.2
Cash and cash equivalents		2.2	2.7
		41.3	41.9
Liabilities			
Current Liabilities			
Trade and other payables	20	44.0	36.3
Current income tax liabilities		0.6	–
Borrowings	22	6.4	10.5
Provisions	24	5.0	3.6
		56.0	50.4
Net Current Liabilities		(14.7)	(8.5)
Non-Current Liabilities			
Retirement benefit obligations	25	16.8	20.4
Deferred income tax liabilities	23	1.3	1.9
Other non-current liabilities	21	2.2	1.4
Borrowings	22	53.5	59.9
Derivative financial liabilities	26	1.5	–
Provisions	24	8.8	6.4
		84.1	90.0
Net Assets		70.5	70.8
Equity			
Capital and Reserves attributable to the Company's Equity Holders			
Share capital	28	25.0	24.9
Share premium	30	13.7	13.7
Other reserves		1.1	2.4
Retained earnings		30.7	29.8
Total Equity		70.5	70.8

The notes on pages 59 to 93 are an integral part of these financial statements.

The financial statements on pages 42 to 93 were approved by the Board of Directors on 8th March 2011 and signed on its behalf by:

Yvonne Monaghan
Finance Director

Company Balance Sheet

As at 31 December	Note	2010 £m	2009 £m
Assets			
Non-Current Assets			
Property, plant and equipment	15	0.1	0.2
Trade and other receivables	19	66.9	69.9
Deferred income tax assets	23	5.5	6.3
Investments	17	501.0	500.9
		573.5	577.3
Current Assets			
Trade and other receivables	19	2.6	3.6
Current income tax assets		1.2	1.2
Cash and cash equivalents		–	2.7
		3.8	7.5
Liabilities			
Current Liabilities			
Trade and other payables	20	3.0	2.0
Borrowings	22	7.1	10.6
Provisions	24	0.1	0.1
		10.2	12.7
Net Current Liabilities		(6.4)	(5.2)
Non-Current Liabilities			
Retirement benefit obligations	25	16.7	19.6
Other non-current liabilities	21	409.8	407.5
Borrowings	22	52.7	59.5
Derivative financial liabilities	26	1.5	–
		480.7	486.6
Net Assets		86.4	85.5
Equity			
Capital and Reserves attributable to the Company's Equity Holders			
Share capital	28	25.0	24.9
Share premium	30	13.7	13.7
Other reserves		14.3	15.6
Retained earnings		33.4	31.3
Total Equity		86.4	85.5

The financial statements on pages 43 to 93 were approved by the Board of Directors on 8th March 2011 and signed on its behalf by:

Yvonne Monaghan
Finance Director

Consolidated Statement of Cash Flows

Year ended 31 December	Note	2010 £m	2009 £m
Cash Flows from Operating Activities			
Profit for the year		3.2	11.4
Adjustments for:			
Income tax – continuing operations	10	1.0	5.7
– discontinued operations	33	(0.1)	(0.9)
Finance income and expense	8	3.8	5.7
Depreciation		21.0	20.6
Amortisation		3.1	3.6
Impairment of goodwill		–	1.6
(Increase)/decrease in inventories		(0.3)	1.0
(Increase)/decrease in trade and other receivables		(0.2)	5.9
Increase/(decrease) in trade and other payables		0.6	(7.6)
Loss/(profit) on sale of property, plant and equipment		0.1	(0.4)
Pre-tax (gain)/loss on disposal of business		(0.1)	0.1
Acquisition fees charged to income statement		1.4	–
Additional contribution to defined benefit pension schemes		(1.6)	(1.5)
Share-based payments		0.9	1.0
Retirement benefit obligations		(2.7)	(13.0)
Provisions		3.8	(1.6)
Cash generated from operations		33.9	31.6
Interest paid		(3.1)	(6.7)
Taxation received		1.8	4.8
Net cash flows generated from operating activities		32.6	29.7
Cash Flows from Investing Activities			
Acquisition of business (net of cash acquired)	33	(0.5)	(0.8)
Proceeds from sale of business	33	0.1	0.2
Purchase of property, plant and equipment		(7.7)	(7.1)
Proceeds from sale of property, plant and equipment		1.4	0.7
Purchase of intangible assets		(0.3)	(0.4)
Purchase of textile rental items		(14.3)	(15.4)
Proceeds from sale of textile rental items		2.2	3.0
Interest received		–	0.2
Net cash used in investing activities		(19.1)	(19.6)
Cash Flows from Financing Activities			
Proceeds from borrowings		73.5	–
Repayments of borrowings		(86.0)	(13.7)
Capital element of finance leases		(0.8)	(0.8)
Net proceeds from issue of Ordinary shares		0.1	–
Dividends paid to Company Shareholders		(1.9)	(0.6)
Net cash used in financing activities		(15.1)	(15.1)
Net decrease in cash and cash equivalents		(1.6)	(5.0)
Cash and cash equivalents at beginning of period		0.2	5.2
Cash and cash equivalents at end of period	26, 34	(1.4)	0.2

The notes on pages 59 to 93 are an integral part of these financial statements.

Company Statement of Cash Flows

Year ended 31 December	Note	2010 £m	2009 £m
Cash Flows from Operating Activities			
Profit/(loss) for the year		4.3	(3.9)
Adjustments for:			
Income tax (credit)/charge		(1.6)	0.3
Finance income and expense		5.1	7.7
Dividend income		(9.7)	–
Amortisation		–	0.1
Decrease/(increase) in trade and other receivables		0.7	(0.5)
Increase/(decrease) in trade and other payables		0.5	(0.5)
(Increase)/decrease in amounts due from subsidiary companies		(0.2)	4.6
Investment write down/(write back)		0.1	(0.3)
(Profit)/loss on disposal of investments		(0.1)	0.2
Additional contribution to defined benefit pension schemes		(1.3)	(1.2)
Share-based payments		0.6	0.7
Retirement benefit obligations		(2.0)	(12.5)
Cash used in operations		(3.6)	(5.3)
Interest paid		(3.2)	(6.7)
Taxation received		1.8	4.8
Net cash flows used in operating activities		(5.0)	(7.2)
Cash Flows from Investing Activities			
Dividends received		8.8	–
Interest received		1.7	1.5
Loans advanced to subsidiary companies		(13.7)	(3.7)
Net cash used in investing activities		(3.2)	(2.2)
Cash Flows from Financing Activities			
Loans received from subsidiary companies		18.3	23.2
Proceeds from borrowings		73.5	–
Repayments of borrowings		(86.0)	(13.7)
Net proceeds from issue of Ordinary shares		0.1	–
Dividends paid to Company Shareholders		(1.9)	(0.6)
Net cash generated from financing activities		4.0	8.9
Net decrease in cash and cash equivalents		(4.2)	(0.5)
Cash and cash equivalents at beginning of period		(0.7)	(0.2)
Cash and cash equivalents at end of period	34	(4.9)	(0.7)

Consolidated Statement of Changes in Shareholders' Equity

	Share Capital £m	Share Premium £m	Other Reserves £m	Retained Earnings £m	Total Equity £m
Balance at 1st January 2009	24.9	13.7	1.7	27.8	68.1
Total comprehensive income for the year	–	–	0.8	1.6	2.4
Reserve transfer	–	–	(0.1)	0.1	–
Share options (value of employee services)	–	–	–	0.9	0.9
Dividend paid	–	–	–	(0.6)	(0.6)
Balance at 31st December 2009	24.9	13.7	2.4	29.8	70.8
Balance at 1st January 2010	24.9	13.7	2.4	29.8	70.8
Total comprehensive income for the year	–	–	(1.1)	1.9	0.8
Reserve transfer	–	–	(0.2)	0.2	–
Share options (value of employee services)	–	–	–	0.7	0.7
Issue of share capital	0.1	–	–	–	0.1
Dividend paid	–	–	–	(1.9)	(1.9)
Balance at 31st December 2010	25.0	13.7	1.1	30.7	70.5

At the balance sheet date, other reserves include £1.6 million of merger reserve, £0.6 million of capital redemption reserve, £nil warrant reserve and £1.1 million debit balance of hedge reserve. The comparative figures for 2009 are £1.6 million, £0.6 million, £0.2 million and £nil respectively.

Company Statement of Changes in Shareholders' Equity

	Share Capital £m	Share Premium £m	Other Reserves £m	Retained Earnings £m	Total Equity £m
Balance at 1st January 2009	24.9	13.7	14.9	44.1	97.6
Total comprehensive income for the year	–	–	0.8	(12.7)	(11.9)
Reserve transfer	–	–	(0.1)	0.1	–
Share options (value of employee services)	–	–	–	0.4	0.4
Dividends paid	–	–	–	(0.6)	(0.6)
Balance at 31st December 2009	24.9	13.7	15.6	31.3	85.5
Balance at 1st January 2010	24.9	13.7	15.6	31.3	85.5
Total comprehensive income for the year	–	–	(1.1)	3.1	2.0
Reserve transfer	–	–	(0.2)	0.2	–
Share options (value of employee services)	–	–	–	0.7	0.7
Issue of share capital	0.1	–	–	–	0.1
Dividends paid	–	–	–	(1.9)	(1.9)
Balance at 31st December 2010	25.0	13.7	14.3	33.4	86.4

At the balance sheet date, other reserves include £11.3 million of capital reserve, £3.5 million of merger reserve, £0.6 million of capital redemption reserve, £nil million warrant reserve and £1.1 million debit balance of hedge reserve. The comparative figures for 2009 are £11.3 million, £3.5 million, £0.6 million, £0.2 million and £nil respectively.

All of the retained earnings reserve is distributable as at 31st December 2010 (2009: all distributable).

Statement of Significant Accounting Policies

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

The Company is incorporated 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 8th March 2011.

Basis of Preparation

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

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

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

Changes in Accounting Policy and Disclosures

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

The Group and/or Company has adopted the following new and amended IFRSs as of 1st January 2010:

IFRS 3 (revised), 'Business combinations' and consequential amendments to IAS 27 'Consolidated and separate financial statements', IAS 28 'Investments in associates', and IAS 31 'Interests in joint ventures'. (effective prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period on or after 1 July 2009).
The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the Income Statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs are to be expensed. The Group has applied IFRS 3 (revised) prospectively for business combinations from 1st January 2010. During the year £1.4 million of costs in respect of business acquisition activity have been charged to the Income Statement. The standard has had no impact in the Company financial statements.

(b) New and amended standards and interpretations mandatory for the first time for the financial year beginning 1st January 2010 but not currently materially relevant to the Group (although they may affect the accounting for future transactions and events)

IAS 27 (revised), 'Consolidated and separate financial statements', (effective 1st July 2009)
The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill gains or losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1st January 2010.

IFRS 2 (amendments), 'Group cash-settled share-based payment transaction', (effective 1st January 2010)
In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11, 'IFRS 2 – Group and treasury share transactions', the amendments expand on the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation.

IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations', (effective 1st January 2010)
The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that IFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirements of IAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of IAS 1.

Statement of Significant Accounting Policies

IAS 1 (amendment), 'Presentation of financial statements', (effective 1st January 2010)
The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group and Company has applied IAS 1 (amendment) from 1st January 2010. It has not had a material impact on the Group or Company financial statements.

IFRIC 17, 'Distribution of non-cash assets to owners', (effective 1st July 2009)
The interpretation was published in November 2008. The interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders, either as a distribution of reserves or as a dividend. IFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their current condition and the distribution is highly probable.

IFRIC 18, 'Transfers of assets from customers', (effective for transfer of assets received on or after 1st July 2009)
This interpretation clarifies the requirement of IFRSs for agreements in which an entity received from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services (such as a supply of electricity, gas or water). In some cases, the entity receives cash from a customer that must be used only to acquire or construct the item of property, plant, and equipment in order to connect the customer to a network or provide the customer with ongoing access to a supply of goods or services (or to do both).

IFRIC 9, 'Reassessment of embedded derivatives and IAS 39, Financial instruments: Recognition and measurement', (effective 1st July 2009)
This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative should be separated from a host contract when the entity reclassifies a hybrid financial asset out of 'fair value through profit or loss' category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. If the entity is unable to make this assessment, the hybrid instrument must remain classified as at fair value through profit or loss in its entirety.

IFRIC 16, 'Hedges of a net investment in a foreign operation', (effective 1st July 2009)
This amendment states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of IAS 39 that relate to the net investment hedge are satisfied. In particular the Group should clearly document its hedging strategy because of the possibility of different designations at different levels of the Group.

IAS 38 (amendment), 'Intangible Assets', (effective 1st January 2010)
The amendment is part of the IASB's annual improvements project published in April 2009 and the Group and Company will apply IAS 38 (amendment) from the date IFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives.

IAS 36 (amendment), 'Impairment of Assets', (effective 1st January 2010)
The amendment clarifies that the largest cash generating unit (or group of units) to which goodwill should be allocated for the purposes of impairment testing is an operating segment, as defined by paragraph 5 of IFRS8, 'Operating segments' (that is before the aggregation of segments with similar economic characteristics).

(c) 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 and amendments to existing standards have been published and are mandatory for accounting periods beginning on or after 1st January 2011, or later periods, but have not been early adopted by the Group or Company:

IFRS9, 'Financial Instruments', issued in November 2009
This standard is the first step in the process to replace IAS 39, 'Financial Instruments: recognition and measurement'. IFRS9 introduces new requirements for classifying and measuring financial assets. The standard is not applicable until 1st January 2013 but is available for early adoption. This standard has yet to be endorsed by the EU. It is not expected to have a material impact on the Group or Company financial statements.

IAS 24 (revised), 'Related party disclosures', issued in November 2009
This revised standard supersedes IAS 24, 'Related party disclosures', issued in 2003. IAS 24 (revised) is mandatory for periods beginning on or after 1st January 2011. The impact of these revisions on the group is unlikely to be significant.

IAS 32 (amendment), 'Classification of rights issues', issued in October 2009
This amendment applies to annual periods beginning on or after 1st February 2010. Earlier application is permitted. The amendment addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercisable price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment applies retrospectively in accordance with IAS 8 'Accounting policies, changes in accounting estimates and errors'. This amendment is not expected to have any effect on the Company or Group.

IFRIC 19, 'Extinguishing financial liabilities with equity instruments', (effective 1st July 2010)
This interpretation clarifies the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor of the entity to extinguish all or part of the financial liability (debt for equity swap). It requires a gain or loss to be recognised in profit or loss, which is measured as the carrying amount of the financial liability and the fair value of the equity instruments issued. If the fair value of the equity instruments cannot be reliably measured, the equity instruments should be measured to reflect the fair value of the financial liability extinguished. The group will apply the interpretation from 1st January 2011, subject to endorsement by the EU. It is not expected to have any impact on the Group or Company financial statements.

IFRIC (amendment), 'Prepayments of a minimum funding requirement', (effective 1st January 2011)
This amendment corrects an unintended consequence of IFRIC 14, 'IAS 10 – Limit on a defined benefit asset, minimum funding requirements and their interaction'. Without the amendment, entities are not permitted to recognise as an asset some voluntary prepayments for minimum funding contributions. This was not intended when IFRIC 14 was issued, and the amendment corrects this. Early adoption is permitted. It is not expected to have any impact on the Group or Company financial statements.

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 54. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

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

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

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

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

Forward Looking Statements

The terms 'expect', 'should be', 'will be', 'is likely to' and similar expressions identify forward looking statements

Although the Board believes that the expectations reflected in these forward looking statements are reasonable, such statements are subject to a number of risks and uncertainties and actual results and events could differ materially from those currently expressed or implied in such forward looking statements.

Statement of Significant Accounting Policies

Factors which may cause future outcomes to differ from those foreseen in forward looking statements include, but are not limited to: general economic conditions and business conditions in the Group's markets; exchange and interest rate fluctuations; customers' and clients' acceptance of its products and services; the actions of competitors; and legislative, fiscal and regulatory developments.

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

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

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

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

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

Revenue Recognition
Revenue represents the fair value of consideration received or receivable for the sale of goods and services supplied in the ordinary course of the Group's activities, and is stated exclusive of VAT, similar taxes, discounts, rebates and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Group's activities as described below:

Textile Rental and Facilities Management income is recognised on an accruals basis representing contractual arrangements. Drycleaning income is recognised at the time that goods are processed. Facilities Management revenue comprises fees receivable and costs recharged to customers, where the relationship with the supplier of services is that of principal. These costs, on which no margin is earned, have been shown separately on the Income Statement to aid interpretation of the business. Within certain Facilities Management 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.

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

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

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

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

Employee Benefits

(i) Retirement benefits

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

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

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

Current and past service costs are recognised in operating costs in the Income Statement. Interest cost on plan liabilities and the expected return on plan assets are recognised in finance costs. Curtailment gains arising from amendments to the terms of a defined benefit plan such that a significant element of future service by current employees will no longer qualify for benefits, or will only qualify for reduced benefits, are recognised in operating costs in the Income Statement. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to the 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'. Actuarial 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 Parent Company via an increase or decrease in investments, with a corresponding increase or decrease to equity. These entries are eliminated within the Group financial statements.

(iv) Bonus plans

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

(v) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to the termination of the employment of current employees according to a detailed formal plan without possibility of withdrawal.

Statement of Significant Accounting Policies

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

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

Intangible Assets
Goodwill
For acquisitions since 28th December 2003, goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary 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 will be excluded for acquisitions after this date.

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

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

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

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

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

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

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

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

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

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

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

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

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

Textile Rental Items

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

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

Leased Assets

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

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

Inventories

Stocks of materials, stores, goods for resale and new rental items are valued at the lower of cost and net realisable value. Cost is stated on a first in, first out 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 asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Income Statement within 'administration costs'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'administration costs' in the Income Statement.

Cash and Cash Equivalents

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

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

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

Statement of Significant Accounting Policies

Trade Payables
Trade payables are recognised initally at fair value and subsequently measured at amortised cost using the effective interest method.

Trade payables are not interest bearing.

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

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

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

Property
Provision is made for the anticipated net costs of onerous leases on non-trading properties and for dilapidations and environmental clean up costs. Liabilities for environmental costs are recognised as a property provision when environmental assessments or cleanups 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 is recognised for the least net cost of exiting the 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 tax 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 Group and the Company.

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

Derivative Financial Instruments and Hedging Activities

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

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

Cash flow hedges

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

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

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

Derivatives that do not qualify for hedge accounting

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

Investment in Own Shares

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

Dividend Distribution

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

Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

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.

Statement of Significant Accounting Policies

(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 Financial Review on page 15. Note 26 provides numerical disclosures regarding currency risk.

(ii) Cash flow and fair value interest rate risk

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

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

Further details are provided in the Financial Review on page 15. Note 26 provides numerical disclosures regarding cash flow and fair value interest rate risk.

(b) Credit risk

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

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

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

(c) Liquidity risk

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

Management monitors rolling forecasts of the Group's liquidity reserve (comprising an undrawn borrowing facility (note 22) and cash and cash equivalents (note 26) on the basis of expected cash flow.

2 Capital risk management

The 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 26.

Notes to the Financial Statements

1 Company Income Statement

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

2 Segment Analysis

Segment information is presented in respect of the Group's business segments, which are based on the Group's management and internal reporting structure as at 31st December 2010.

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 bases, for example rental income received by the property company is credited back 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. Segmental assets exclude deferred tax assets, current tax assets and cash, all of which are managed on a central basis. Segmental liabilities include non-bank borrowings but exclude deferred tax liabilities, current tax liabilities, bank borrowings, derivative financial liabilities and retirement benefit obligations that cannot be attributed directly to a segment, all of which are managed on a central basis. These balances are part of the reconciliation to total balance sheet assets and liabilities.

Inter-segment pricing is determined on an arms length basis. The exceptional items have been included within the appropriate business segment as shown on pages 60 to 61.

The Group comprises the following segments:

Textile Rental

Workwear rental supply and laundering, linen rental for the premium hotel, catering and corporate hospitality markets and sale of ancillary items.

- Johnsons Apparelmaster Limited
- Stalbridge Linen Services

Drycleaning

With some 480 stores nationwide, provides drycleaning, laundry and ironing services, carpet cleaning, upholstery cleaning, wedding dress cleaning and suede & leather cleaning and the supply of drycleaning consumables.

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

Facilities Management

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

- SGP Property & Facilities Management Limited
- Barnhill School Services Limited
- Balfron Schools Services Limited
- Cardinal Heenan School Services Limited
- Colfox School Services Limited
- Dundee Healthcare Services Limited
- East Ren Schools Services Limited

All Other Segments

Comprising of central and head office costs.

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

Notes to the Financial Statements

2 Segment Analysis continued

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

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

2 Segment Analysis continued

Year ended 31st December 2009	Textile Rental £m	Drycleaning £m	Facilities Management £m	All Other Segments £m	Total £m
Revenue					
Revenue	116.9	83.5	36.6	–	237.0
Inter-segment revenue	–	–	(0.6)	–	(0.6)
Revenue – Continuing	116.9	83.5	36.0	–	236.4
Revenue – Discontinued					4.0
Total revenue					240.4
Revenue Excluding Costs Recharged to Customers					
Revenue	116.9	83.5	29.5	–	229.9
Inter-segment revenue	–	–	(0.6)	–	(0.6)
Revenue Excluding Costs Recharged to Customers – Continuing	116.9	83.5	28.9	–	229.3
Revenue – Discontinued					4.0
Total revenue excluding costs recharged to customers					233.3
Result					
Operating profit before intangibles amortisation and impairment (excluding software amortisation) and exceptional items	14.6	3.0	3.3	(3.4)	17.5
Amortisation and impairment of intangible assets	(1.4)	–	(1.8)	–	(3.2)
Exceptional items					
– Pension credits	–	–	0.5	11.5	12.0
Operating profit	13.2	3.0	2.0	8.1	26.3
Finance costs					
– Ordinary finance costs					(5.5)
– Exceptional finance costs					(0.4)
Finance income					0.2
Profit before taxation					20.6
Taxation					(5.7)
Profit for the period – Continuing					14.9
Discontinued operations					(3.5)
Profit for the period					11.4

	Discontinued Operations £m	Textile Rental £m	Drycleaning £m	Facilities Management £m	All Other Segments £m	Total £m
Other Information						
Capital expenditure						
– Property, plant and equipment	–	2.9	4.2	0.2	–	7.3
– Textile rental items	–	13.5	–	–	–	13.5
– Intangible software	–	–	0.1	0.2	–	0.3
Depreciation and amortisation expense						
– Property, plant and equipment	0.1	4.3	2.5	0.3	0.2	7.4
– Textile rental items	–	13.2	–	–	–	13.2
– Intangible software	0.1	–	0.1	0.2	–	0.4
Return on capital employed (%)		38.6	24.2	111.4		
Balance Sheet information						
Segment assets	0.1	102.5	37.7	45.5	14.1	199.9
Unallocated assets: Deferred income tax assets						7.4
Current income tax assets						1.2
Cash and cash equivalents						2.7
Total assets						211.2
Segment liabilities	(1.0)	(22.7)	(16.1)	(4.7)	(4.8)	(49.3)
Unallocated liabilities: Deferred income tax liabilities						(1.9)
Bank borrowings						(69.2)
Retirement benefit obligations						(20.0)
Total liabilities						(140.4)

Notes to the Financial Statements

3 Expenses by Function

	Continuing 2010 £m	Discontinued 2010 £m	Total 2010 £m	Continuing 2009 £m	Discontinued 2009 £m	Total 2009 £m
Revenue (excluding costs recharged to customers)	227.4	–	227.4	229.3	4.0	233.3
Cost of sales	(156.5)	–	(156.5)	(157.1)	(4.5)	(161.6)
Administrative costs	(31.4)	(0.1)	(31.5)	(33.9)	(1.0)	(34.9)
Distribution costs	(21.2)	–	(21.2)	(20.8)	–	(20.8)
Operating profit before intangibles amortisation and impairment (excluding software amortisation) and exceptional items	18.3	(0.1)	18.2	17.5	(1.5)	16.0
Amortisation and impairment of intangible assets (excluding software amortisation)	(2.8)	–	(2.8)	(3.2)	(1.6)	(4.8)
Exceptional items	(7.5)	–	(7.5)	12.0	(1.3)	10.7
Operating profit/(loss)	8.0	(0.1)	7.9	26.3	(4.4)	21.9

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

	Continuing 2010 £m	Discontinued 2010 £m	Total 2010 £m	Continuing 2009 £m	Discontinued 2009 £m	Total 2009 £m
Employee benefit expense (Note 5)	100.3	–	100.3	99.4	2.0	101.4
Costs recharged to customers	7.7	–	7.7	7.1	–	7.1
Auditors' remuneration (Note 4)	0.8	–	0.8	0.7	–	0.7
Amortisation of intangible assets:						
Software	0.3	–	0.3	0.3	0.1	0.4
Other intangible assets	2.8	–	2.8	3.2	–	3.2
Depreciation of tangible fixed assets:						
Property, plant and equipment held under finance agreements	0.6	–	0.6	0.7	–	0.7
Owned property, plant and equipment	7.1	–	7.1	6.6	0.1	6.7
Textile rental items	13.3	–	13.3	13.2	–	13.2
Operating lease payments:						
Land and buildings	16.5	–	16.5	17.1	0.1	17.2
Sublet rental income	(2.4)	–	(2.4)	(2.1)	–	(2.1)
Plant and equipment	2.7	–	2.7	2.4	–	2.4

4 Auditors' Remuneration

	2010 £m	2009 £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	0.3	0.2
– Services relating to taxation	0.2	0.3
– Services relating to corporate finance transactions	0.1	–
– All other services	0.1	0.1
	0.8	0.7

Included within the above is an amount of £16,000 (2009: £15,000) in respect of fees payable to the Company's auditors for services relating to the audit of the Company's pension schemes.

5 Employee Benefit Expense

	Continuing 2010 £m	Discontinued 2010 £m	Total 2010 £m	Continuing 2009 £m	Discontinued 2009 £m	Total 2009 £m
Staff costs during the year were as follows:						
Wages and salaries	89.3	–	89.3	88.3	1.4	89.7
Social security costs	7.2	–	7.2	7.0	0.2	7.2
Redundancy costs	0.6	–	0.6	0.7	0.3	1.0
Cost of employee share schemes (Note 29)	0.9	–	0.9	1.0	–	1.0
Private healthcare costs	0.4	–	0.4	0.4	–	0.4
Pension costs – defined benefit plans (Note 25)	0.5	–	0.5	0.5	–	0.5
Pension costs – defined contribution plans (Note 25)	1.4	–	1.4	1.5	0.1	1.6
Total	100.3	–	100.3	99.4	2.0	101.4

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

	2010	2009
Textile Rental	2,413	2,525
Drycleaning	2,536	2,615
Facilities Management	610	548
All other segments	18	19
Sub-total continuing operations	5,577	5,707
Discontinued operations	–	37
Total	5,577	5,744

6 Directors' Emoluments

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

7 Exceptional Items

	2010 £m	2009 £m
Restructuring costs – Drycleaning	(6.5)	–
– Facilities Management	(0.3)	–
Property disposals and provisions	(1.5)	–
	(8.3)	–
Costs in relation to acquisition activity	(1.4)	–
Pension credits	2.2	12.0
Total exceptional items	(7.5)	12.0

Exceptional items in relation to discontinued operations have been included within the result from discontinued operations.

Current Year Exceptional Items

Restructuring costs – Drycleaning

The management of the Drycleaning division have been working to optimise the performance of stores in our more marginal locations. This review has identified a number of loss making stores which had continued to decline at a faster rate and where, in management's view, overall efficiency and focus would be improved by their closure. It was, therefore, decided to strengthen the overall portfolio by the closure of 20 such stores over and above those at lease expiry which also allowed a reduction in overhead. The review has also identified a number of stores which it is uneconomic to close at the present time but which are unlikely to be restored to profitability and in respect of which a provision was recognised for both the least net cost of exiting these stores together with associated asset impairments. The cost also included the restructuring of the warehousing and logistical operations supporting the Division. Of the total restructuring cost, £0.5 million is non-cash. Of the remainder, £2.3 million has been expended in cash in 2010 with the remaining cash flow over the next 5 years. The majority of the cash flow is in respect of existing property lease commitments which will remain until the locations are disposed of.

Notes to the Financial Statements

7 Exceptional Items continued

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

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

Costs in relation to business acquisition activity
IFRS 3 (revised), 'Business combinations', is effective for reporting periods beginning on or after 1st July 2009. The revised standard requires all acquisition related costs (e.g. professional fees) to be expensed to the Income Statement. With effect from 1st January 2010, fees and expenses incurred on business acquisition activities are treated as exceptional. The cost above relates partly to £1.3 million of fees and expenses incurred on the acquisition of PFI contracts from Jarvis PLC (in administration). The reminder of the cost relates to fees and expenses incurred during negotiations with other undisclosed targets.

Pension credits
The recent statutory change for the indexation of certain future pension benefits is being implemented, although it only affects certain categories of deferred members. The impact of the change from RPI to CPI has been recognised in the Income Statement as a past service credit.

Prior Year Exceptional Items

Pension credits
During the prior period the Company made an offer to existing retirees in the Johnson Group Staff Pension Scheme and the Semara Augmented Pension Plan to exchange certain future pension increases for a one time increase. This was taken up by a significant number of retirees, resulting in a reduction in future liabilities, on an IAS 19 basis, of £2.5 million. This was treated as a past service credit of £2.2 million (net of expenses) and included as an exceptional credit in the Income Statement.

With effect from 5th April 2010 the Group implemented a freeze on pensionable salary for all current active members of the Group's defined benefit schemes. This resulted in a reduction of future liabilities, on an IAS 19 basis, of £9.9 million. This was treated as a curtailment gain of £9.8 million (net of expenses) and included as an exceptional credit in the Income Statement.

Exceptional Finance Costs
In addition to the exceptional items above, the Group treats certain finance costs as exceptional. Exceptional finance costs are included within Finance Costs in the Income Statement. During the year there were no exceptional finance costs (2009: £0.4 million). The exceptional finance costs in the year ended 31st December 2009 relate to the write-off of bank fees relating to the previous bank facility following the signing of a new bank facility on 18th December 2009.

8 Finance Costs and Income

	2010 £m	2009 £m
Interest payable on bank loans and overdrafts	(3.6)	(4.1)
Amortisation of bank loan issue costs	(0.8)	(0.4)
Interest payable on obligations under finance leases	(0.1)	(0.1)
Other finance costs	(0.1)	(0.2)
Finance costs before notional interest on defined benefit liabilities and assets	(4.6)	(4.8)
Notional interest on defined benefit obligations:		
– Interest cost on pension scheme liabilities	(10.2)	(10.6)
– Expected return on pension scheme assets	11.1	10.0
– Private healthcare	(0.1)	(0.1)
Ordinary finance costs	(3.8)	(5.5)
Exceptional finance costs relating to bank fees	–	(0.4)
Finance costs	(3.8)	(5.9)
Finance income	–	0.2
Net finance expense	(3.8)	(5.7)

On 18th December 2009 a new bank facility was signed. As a result the unamortised fees relating to the old facility were written off and classed as an exceptional finance cost in 2009.

9 Adjusted Profit before and after Taxation

	2010 £m	2009 £m
Profit before taxation	4.2	20.6
Intangibles amortisation and impairment (excluding software amortisation)	2.8	3.2
Restructuring and other costs	6.8	–
Loss on disposal of property and property provisions	1.5	–
Costs in relation to business acquisition activity	1.4	–
Pension credits	(2.2)	(12.0)
Exceptional finance costs in respect of bank fees	–	0.4
Adjusted profit before taxation	14.5	12.2
Taxation on adjusted profit	(3.9)	(3.3)
Adjusted profit after taxation attributable to continuing operations	10.6	8.9

10 Taxation

	2010 £m	2009 £m
Current tax		
UK Corporation Tax charge for the year	0.3	0.8
Adjustment in relation to previous years	–	(3.5)
Current tax charge/(credit) for the year	0.3	(2.7)
Deferred tax		
Origination and reversal of temporary differences	1.1	5.4
Adjustment in relation to previous years	(0.4)	3.0
Deferred tax charge for the year	0.7	8.4
Total charge for taxation included in the Income Statement for continuing operations	1.0	5.7

The tax charge for the period is lower (2009: lower) than the standard rate of Corporation Tax in the UK of 28.0% (2009: 28.0%). The differences are explained below:

	2010 £m	2009 £m
Profit before taxation per the Income Statement	4.2	20.6
Profit before taxation multiplied by the standard rate of Corporation Tax in the UK of 28% (2009: 28.0%)	1.2	5.8
Factors affecting taxation charge for the year:		
Tax effect of expenses not deductible for tax purposes	0.5	0.6
Tax effect of non-taxable income	(0.3)	(0.2)
Adjustments to tax in respect of previous years	(0.4)	(0.5)
Total charge for taxation included in the Income Statement	1.0	5.7

Taxation on the restructuring and other costs, including exceptional finance costs has reduced the charge for taxation by £2.1 million (2009: £3.3 million increase). Tax relief on intangibles amortisation and impairment (excluding software amortisation) has reduced the charge for taxation by £0.8 million (2009: £0.9 million).

Subsequent to the year end a tax repayment relating to 2008 of £5.8 million has been received. The tax computation for 2008 has yet to be formally agreed with HMRC and as such there is no adjustment in relation to previous years within the tax charge in 2010 relating to this repayment.

Implications of the 'Finance Bill 2010'

The second finance bill of 2010 (the 'Bill') was given Royal Assent on 27th July 2010 and became Finance (No 2) Act 2010 (the Act). The Act, in the main, covers the tax rates announced in the Emergency Budget of June 2010 and includes legislation to reduce the main Corporation Tax rate from 28% to 27% from 1 April 2011. The effect of this change on the Income Statement charge in the year has not been material.

Notes to the Financial Statements

11 Earnings per Share

	2010 £m	2009 £m
Profit for the financial year from continuing operations attributable to Ordinary Shareholders	3.2	14.9
Loss for the financial year from discontinued operations attributable to Ordinary Shareholders	–	(3.5)
Intangibles amortisation and impairment from continuing operations (net of taxation)	2.0	2.3
Intangibles amortisation and impairment from discontinued operations (net of taxation)	–	1.6
Exceptional costs/(credits) from continuing operations (net of taxation)	5.4	(8.6)
Exceptional costs from discontinued operations (net of taxation)	–	1.1
Exceptional finance costs in respect of bank fees from continuing operations (net of taxation)	–	0.3
Adjusted profit attributable to Ordinary Shareholders	10.6	8.1

	2010	2009
Weighted average number of Ordinary shares	248,170,808	248,214,351
Dilutive potential Ordinary shares*	13,513,610	10,792,760
Fully diluted number of Ordinary shares	261,684,418	259,007,111
Basic earnings per share		
From continuing operations	1.3p	6.1p
From discontinued operations	–	(1.4p)
From continuing and discontinued operations	1.3p	4.7p
Adjustment for intangibles amortisation and impairment (continuing operations)	0.8p	0.9p
Adjustment for intangibles amortisation and impairment (discontinued operations)	–	0.7p
Adjustment for exceptional items (continuing operations)	2.2p	(3.5p)
Adjustment for exceptional items (discontinued operations)	–	0.4p
Adjustment for exceptional finance costs in respect of bank fees (continuing operations)	–	0.1p
Adjusted basic earnings per share (continuing operations)	4.3p	3.6p
Adjusted basic earnings per share (discontinued operations)	–	(0.3p)
Adjusted basic earnings per share from continuing and discontinued operations	4.3p	3.3p
Diluted earnings per share		
From continuing operations	1.2p	5.8p
From discontinued operations	–	(1.4p)
From continuing and discontinued operations	1.2p	4.4p
Adjustment for intangibles amortisation and impairment (continuing operations)	0.8p	0.9p
Adjustment for intangibles amortisation and impairment (discontinued operations)	–	0.7p
Adjustment for exceptional items (continuing operations)	2.1p	(3.4p)
Adjustment for exceptional items (discontinued operations)	–	0.4p
Adjustment for exceptional finance costs in respect of bank fees (continuing operations)	–	0.1p
Adjusted diluted earnings per share (continuing operations)	4.1p	3.4p
Adjusted diluted earnings per share (discontinued operations)	–	(0.3p)
Adjusted diluted earnings per share from continuing and discontinued operations	4.1p	3.1p

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

11 Earnings per Share continued

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

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

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

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

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

12 Dividends

Ordinary dividends paid and proposed

	2010	2009
Dividends per share		
Final dividend proposed	0.55p	–
Interim dividend paid	0.27p	0.25p
Final dividend paid	–	0.50p

	2010 £m	2009 £m
Shareholders' funds utilised		
Final dividend proposed	1.4	–
Interim dividend paid	0.7	0.6
Final dividend paid	–	1.2

The Directors propose the payment of a final dividend in respect of the year ended 31st December 2010 of 0.55 pence per share. This will utilise Shareholders' funds of £1.4 million and will be paid, subject to Shareholder approval, on 20th May 2011 to Shareholders on the register of members on 23rd April 2011. The trustee of the ESOP has waived the entitlement to receive dividends on the Ordinary shares held by the trust. In accordance with IAS 10 there is no payable recognised at 31st December 2010 in respect of this proposed dividend.

Notes to the Financial Statements

13 Goodwill

	2010 £m	2009 £m
Cost		
Cost brought forward	95.7	97.3
Derecognised on disposal of a trade (Note 33)	–	(1.6)
Cost carried forward	95.7	95.7
Accumulated impairment losses		
Accumulated impairment losses brought forward	8.1	8.1
Impairment	–	1.6
Derecognised on disposal of a trade (Note 33)	–	(1.6)
Accumulated impairment losses carried forward	8.1	8.1
Carrying amount		
Opening carrying amount	87.6	89.2
Closing carrying amount	87.6	87.6

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

During 2009 the goodwill relating to the Workplace Engineering business was impaired following the decision to discontinue its operations. The cost of goodwill and related impairment were derecognised when the remaining maintenance element of the business was sold at the end of 2009.

Impairment Tests for Goodwill

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

	2010 £m	2009 £m
Textile Rental	43.3	43.3
Drycleaning	13.0	13.0
Facilities Management	31.3	31.3
	87.6	87.6

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

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

Growth rate:	2.5%
Market risk premium:	8.0%

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 9.62% and reflects specific risks relating to the Group.

At the point of the 2010 annual impairment review, the Group recognised no impairment (2009: £nil). The level of impairment recognised is predominantly dependent upon judgements used in arriving at alternative use values, future growth rates and the discount rate applied to cash flow projections. Key drivers to future growth rates are dependant on the Group's ability to maintain and grow income streams whilst effectively managing operating costs. The level of impairment may change if different growth rate assumptions or a different pre-tax discount rate were used in the cash flow projections.

Had the budgeted growth rate used in the cash flow projections been reduced by 1% across all years, the Group would not have recognised an impairment charge as the resulting cash flow projections would still be in excess of the carrying values of each CGU.

Had the discount rate used in the cash flow projections been increased by 1%, the Group would not have recognised an impairment charge as the resulting cash flow projections would still be in excess of the carrying value of each CGU.

14 Intangible Assets

Group	Capitalised Software £m	Other Intangible Assets £m	Total £m
Cost			
At 31st December 2008	2.8	21.9	24.7
Additions	0.3	0.7	1.0
Removed on disposal of a subsidiary	(0.3)	(0.1)	(0.4)
Disposals	(0.5)	–	(0.5)
At 31st December 2009	2.3	22.5	24.8
Additions	0.3	4.1	4.4
At 31st December 2010	2.6	26.6	29.2
Accumulated amortisation			
At 31st December 2008	1.8	11.0	12.8
Charged during the year	0.4	3.2	3.6
Removed on disposal of a subsidiary	(0.2)	(0.1)	(0.3)
Disposals	(0.5)	–	(0.5)
At 31st December 2009	1.5	14.1	15.6
Charged during the year	0.3	2.8	3.1
At 31st December 2010	1.8	16.9	18.7
Carrying amount			
At 31st December 2008	1.0	10.9	11.9
At 31st December 2009	0.8	8.4	9.2
At 31st December 2010	0.8	9.7	10.5

Company	Capitalised Software £m
Cost	
At 31st December 2008	0.6
Disposals	(0.4)
At 31st December 2009	0.2
At 31st December 2010	0.2
Accumulated amortisation	
At 31st December 2008	0.5
Charged during the year	0.1
Disposals	(0.4)
At 31st December 2009	0.2
At 31st December 2010	0.2
Carrying amount	
At 31st December 2008	0.1
At 31st December 2009	–
At 31st December 2010	–

Notes to the Financial Statements

14 Intangible Assets continued

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

Other intangible assets comprise of brands and customer contracts and relationships, recognised at cost or fair value, and are acquired on business combinations. Fair value is calculated based upon historical and prospective information and financial data specific to each business combination, with an appropriate discount factor applied based upon the weighted average cost of capital for the Group.

Other intangible assets have a finite useful life and are carried at cost less accumulated amortisation. Amortisation of other intangible assets is calculated using the straight-line method to allocate the cost of the assets over their estimated useful lives (4 – 22 years). The longest estimated useful life remaining at 31st December 2010 is 22 years (2009: 6 years).

15 Property, Plant and Equipment

	Properties				
Group	Freehold Total £m	Long Leasehold £m	Short Leasehold £m	Plant and Equipment £m	Total £m
Cost					
At 31st December 2008	11.9	5.5	2.3	100.3	120.0
Additions	–	–	–	7.3	7.3
Disposal of trade	–	–	–	(0.3)	(0.3)
Disposals	(0.2)	–	–	(7.5)	(7.7)
Transfers	0.4	(0.4)	–	–	–
At 31st December 2009	12.1	5.1	2.3	99.8	119.3
Additions	–	–	–	8.7	8.7
Disposals	(1.2)	–	(0.1)	(11.7)	(13.0)
At 31st December 2010	10.9	5.1	2.2	96.8	115.0
Accumulated depreciation and impairment					
At 31st December 2008	4.1	1.2	1.7	67.6	74.6
Charged during the year	0.2	0.1	0.1	7.0	7.4
Disposal of trade	–	–	–	(0.2)	(0.2)
Eliminated on disposals	–	–	–	(7.4)	(7.4)
Transfers	(0.2)	0.2	–	–	–
At 31st December 2009	4.1	1.5	1.8	67.0	74.4
Charged during the year	0.2	0.1	0.1	7.3	7.7
Eliminated on disposals	(0.1)	–	(0.1)	(11.3)	(11.5)
At 31st December 2010	4.2	1.6	1.8	63.0	70.6
Carrying Amount					
At 31st December 2008	7.8	4.3	0.6	32.7	45.4
At 31st December 2009	8.0	3.6	0.5	32.8	44.9
At 31st December 2010	6.7	3.5	0.4	33.8	44.4

The value of assets under construction at 31st December 2010 was £0.1 million (2009: nil).

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

	2010 £m	2009 £m
Plant and Equipment	2.6	2.1

15 Property, Plant and Equipment continued

Company	Plant and Equipment £m
Cost	
At 31st December 2008	0.6
Disposals	(0.2)
At 31st December 2009	0.4
At 31st December 2010	0.4
Accumulated depreciation and impairment	
At 31st December 2008	0.4
Eliminated on disposals	(0.2)
At 31st December 2009	0.2
Charged during the year	0.1
At 31st December 2010	0.3
Carrying amount	
At 31st December 2008	0.2
At 31st December 2009	0.2
At 31st December 2010	0.1

There were no assets under construction at 31st December 2010 (2009: £nil).

16 Textile Rental Items

	2010 £m	2009 £m
Cost		
Cost brought forward	35.0	39.1
Additions	15.6	13.5
Business acquisition	–	0.2
Disposals	(16.7)	(17.8)
Cost carried forward	33.9	35.0
Accumulated depreciation		
Accumulated depreciation brought forward	15.4	16.9
Charged during the year	13.3	13.2
Business acquisition	–	0.1
Disposals	(14.5)	(14.8)
Accumulated depreciation carried forward	14.2	15.4
Carrying amount		
Opening carrying amount	19.6	22.2
Closing carrying amount	19.7	19.6

Notes to the Financial Statements

17 Investments

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Investment in subsidiary undertakings	–	–	501.0	500.9

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

	Company	
	2010 £m	2009 £m
Investment in subsidiary undertakings		
Cost		
Gross cost brought forward	538.1	524.7
Additions	–	13.8
Movement relating to share options	0.2	(0.2)
Disposal of subsidiaries	(1.3)	(0.2)
Gross cost carried forward	537.0	538.1
Accumulated impairment		
Accumulated impairment brought forward	37.2	37.5
Impairment	0.1	0.1
Reversal of previous impairments	–	(0.4)
Disposal of subsidiaries	(1.3)	–
Accumulated impairment carried forward	36.0	37.2
Carrying amount		
Opening carrying amount	500.9	487.2
Closing carrying amount	501.0	500.9

Particulars of principal subsidiary undertakings are shown in Note 39.

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

During 2009 the Company made a capital contribution to Johnsons Apparelmaster Limited of £13.8 million.

18 Inventories

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
New textile rental items	0.7	0.5	–	–
Goods for resale	0.4	0.4	–	–
Raw materials and stores	2.6	2.5	–	–
	3.7	3.4	–	–

The cost of inventories recognised as an expense and included within continuing “cost of sales” amounted to £18.9 million (2009: £19.6 million).

The cost of inventories written off during the year was £0.1 million (2009: £0.1 million).

19 Trade and Other Receivables

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Amounts falling due within one year:				
Trade receivables	26.1	24.0	–	–
Less: provision for impairment of receivables	(1.8)	(2.1)	–	–
Trade receivables – net	24.3	21.9	–	–
Receivables from subsidiaries	–	–	0.3	0.3
Other receivables	3.2	4.5	2.2	3.1
Prepayments and accrued income	7.9	8.2	0.1	0.2
	35.4	34.6	2.6	3.6
Amounts falling due after more than one year:				
Other receivables	0.6	0.6	–	–
Receivables from subsidiaries	–	–	66.9	69.9
	36.0	35.2	69.5	73.5

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

During the period, the Group recognised a bad debt provision expense relating to continuing operations of £0.6 million (2009: £0.4 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:

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Trade and other receivables				
– Not yet due and up to 3 months overdue	35.9	35.7	54.8	73.5
– 3 to 6 months past due	1.0	1.0	–	–
– 6 to 12 months past due	0.5	0.2	–	–
– Over 12 months past due	0.4	0.4	–	–
– Provision	(1.8)	(2.1)	–	–
	36.0	35.2	54.8	73.5

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.

Company receivables from related parties are not considered past due or impaired.

All trade and other receivable balances at the balance sheet date are denominated in Sterling (2009: Sterling), and held at fair value.

There is limited concentration of credit risk with respect to trade receivables due to the diverse and unrelated nature of the Group's customers and clients. Accordingly, the Directors believe that no further credit provision is required in excess of the provision for impairment of receivables.

Notes to the Financial Statements

19 Trade and Other Receivables continued

The movement in the provision for trade and other receivables is analysed below:

	2010 £m	2009 £m
At 1st January	(2.1)	(2.8)
Provisions for receivables impairment	(0.4)	(0.5)
Receivables written off during the year as uncollectible	0.8	1.2
Acquired with subsidiary	(0.1)	–
At 31st December	(1.8)	(2.1)

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

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

20 Trade and Other Payables

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Trade payables	11.1	8.1	0.5	0.2
Other payables	2.7	1.0	–	0.1
Other taxation and social security liabilities	7.4	5.5	0.3	0.2
Accruals	22.8	21.7	2.2	1.5
	44.0	36.3	3.0	2.0

21 Other Non-Current Liabilities

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Payables to subsidiaries	–	–	409.8	407.5
Accruals	2.2	1.4	–	–
	2.2	1.4	409.8	407.5

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

22 Borrowings

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Current				
Overdraft	3.6	2.5	4.9	3.4
Bank loans	2.2	7.2	2.2	7.2
Obligations under finance lease agreements	0.6	0.8	–	–
	6.4	10.5	7.1	10.6
Non-current				
Bank loans	52.7	59.5	52.7	59.5
Obligations under finance lease agreements	0.8	0.4	–	–
	53.5	59.9	52.7	59.5
	59.9	70.4	59.8	70.1
The maturity of non-current bank loans is as follows:				
– Between one and two years	3.0	3.0	3.0	3.0
– Between two and five years	50.0	57.5	50.0	57.5
– Unamortised issue costs of bank loans	(0.3)	(1.0)	(0.3)	(1.0)
	52.7	59.5	52.7	59.5

At the 31st December 2010 the bank loan was drawn under the £78.5 million facility dated 18th December 2009. Following repayments during the year available facilities at 31st December 2010 were £76.0 million (2009: available facility of £88.5 million, under facility dated 11th April 2008).

The first drawdown of the facility dated 18 December 2009 took place on 8th January 2010 and was utilised to repay all remaining liabilities of the previous facility. Under the new facility bank loans are secured and are drawn down under a committed facility comprising an amortising Term Loan of, initially £58.5 million, and a Revolving Credit Facility, including an overdraft facility, of £20 million which matures in April 2013. Individual tranches are drawn down, in sterling, for periods of up to six months at LIBOR rates of interest prevailing at the time of drawdown, plus the applicable margin.

As at 31st December 2010 the facility was expected to reduce by £1.5 million on 30th June 2011 and by further repayments of £1.5 million every six months thereafter, with the final payment due on 30th April 2013. Subsequent to the year end it was agreed that the £1.5 million payment due on 30th June 2011 would be repaid early, and was repaid on the 10th February 2011. As at 8th March 2011, the bank facilities available to the Group were £74.5 million.

The Group and Company secured bank loans are stated net of unamortised issue costs of £1.1 million (2009: £1.8 million).

Finance leases

Obligations under finance lease agreements are as follows:

	Group	
	2010 £m	2009 £m
Not more than one year		
Minimum lease payments	0.6	0.9
Interest element	–	(0.1)
Present value of minimum lease payments	0.6	0.8
Between one and five years		
Minimum lease payments	0.9	0.5
Interest element	(0.1)	(0.1)
Present value of minimum lease payments	0.8	0.4
Over five years		
Minimum lease payments	–	–
Interest element	–	–
Present value of minimum lease payments	–	–

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

Finance lease obligations in respect of the Company are £nil (2009: £nil).

Notes to the Financial Statements

23 Deferred Taxation

Group

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

	Deferred income tax assets		Deferred income tax liabilities	
	2010 £m	2009 £m	2010 £m	2009 £m
Recognised deferred tax assets and liabilities				
Deferred tax balances in respect of:				
Accelerated capital allowances	0.8	0.7	–	–
Employee Share Schemes	0.1	0.1	–	–
Retirement benefit obligations	4.5	5.7	–	–
Separately identifiable intangible assets	–	–	(1.3)	(1.9)
Derivative financial liabilities	0.4	–	–	–
Other short term timing differences	0.7	0.9	–	–
	6.5	7.4	(1.3)	(1.9)

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

Tax losses of approximately £23.0 million (2009: £23.0 million) were acquired as part of the acquisition of Sketchley Limited in May 2004. The method of utilisation of the losses was formally agreed with HMRC during the year. Whilst the method of recovery has been agreed there is no certainty that the tax relating to these losses will be recovered in the future. Accordingly, no deferred tax asset has been recognised within these financial statements in respect of the losses. The total unrecognised deferred tax asset is £6.2 million (2009: £6.4 million). Should the Group receive relief for the losses at a future date, this will give rise to a liability to the vendor of up to £3.7 million at current rates of taxation, offsetting, in part, the tax benefit of the losses. Any payments due to the vendor are only payable when the Group has first received the cash benefit of the losses.

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

	Deferred income tax assets					Deferred income tax liabilities	
Group	Accelerated Capital Allowances £m	Employee Share Schemes £m	Retirement Benefit Obligations £m	Derivative Financial Instruments £m	Other Short Term Timing Differences £m	Intangible Assets £m	Total £m
At 31st December 2008	5.1	–	6.0	–	1.4	(2.5)	10.0
(Charge)/credit to income	(4.4)	0.1	(4.1)	–	(0.5)	0.6	(8.3)
Credit to equity	–	–	3.8	–	–	–	3.8
At 31st December 2009	0.7	0.1	5.7	–	0.9	(1.9)	5.5
(Charge)/credit to income	0.1	–	(1.4)	–	(0.2)	0.6	(0.9)
Credit to equity	–	–	0.2	0.4	–	–	0.6
At 31st December 2010	0.8	0.1	4.5	0.4	0.7	(1.3)	5.2

The deferred income tax charge in 2010 includes a charge of £0.2 million in respect of discontinued activities (2009: £0.1 million credit).

Implications of the 'Finance Bill 2010

The second finance bill of 2010 (the 'Bill') was given Royal Assent on 27th July 2010 and became Finance (No 2) Act 2010 (the Act). The Act, in the main, covers the tax rates announced in the Emergency Budget of June 2010 and includes legislation to reduce the main Corporation tax rate from 28% to 27% from 1st April 2011. The effect on the Income Statement charge in the year has not been material.

The credit to equity is net of a charge to equity of £0.2 million in relation to the change in tax rates from April 2011.

23 Deferred Taxation continued

Company

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

	Deferred income tax assets		Deferred income tax liabilities	
	2010 £m	2009 £m	2010 £m	2009 £m
Deferred tax balances in respect of:				
Accelerated capital allowances	0.6	0.7	–	–
Retirement benefit obligations	4.5	5.5	–	–
Financial derivatives	0.4	–	–	–
Employee Share Schemes	–	0.1	–	–
	5.5	6.3	–	–

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

	Deferred income tax assets					Deferred income tax liabilities	
Company	Accelerated Capital Allowances £m	Employee Share Schemes £m	Retirement Benefit Obligations £m	Derivative Financial Instruments £m	Other Short Term Timing Differences £m	Intangible Assets £m	Total £m
At 31st December 2008	0.9	–	6.0	–	0.1	–	7.0
(Charge)/credit to income	(0.2)	0.1	(3.9)	–	(0.1)	–	(4.1)
(Charge)/credit to equity	–	–	3.4	–	–	–	3.4
At 31st December 2009	0.7	0.1	5.5	–	–	–	6.3
(Charge)/credit to income	(0.1)	(0.1)	(1.2)	–	–	–	(1.4)
(Charge)/credit to equity	–	–	0.2	0.4	–	–	0.6
At 31st December 2010	0.6	–	4.5	0.4	–	–	5.5

24 Provisions

Group	Property £m	Self Insurance £m	Total £m
At 31st December 2008	10.6	1.0	11.6
Additional provision in the year	0.8	0.2	1.0
Utilised during the year	(2.4)	(0.1)	(2.5)
Released during the year	–	(0.1)	(0.1)
At 31st December 2009	9.0	1.0	10.0
Additional provision in the year	6.7	0.1	6.8
Utilised during the year	(2.8)	(0.1)	(2.9)
Released during the year	(0.1)	–	(0.1)
At 31st December 2010	12.8	1.0	13.8

	2010 £m	2009 £m
Analysis of total provisions		
Current	5.0	3.6
Non-current	8.8	6.4
	13.8	10.0

Property

The property provision includes onerous leases which are expected to be onerous during the period to 2016 and the estimated clean up costs of property where an environmental problem has been identified and a course of action has been determined. The estimates and judgements used in determining the value of provisions 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.

Notes to the Financial Statements

24 Provisions continued

Self Insurance

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

Company

Company	Self Insurance £m	Total £m
At 31st December 2008	–	–
At 31st December 2009	0.1	0.1
At 31st December 2010	0.1	0.1

25 Retirement Benefits

The Group operates pension schemes of both the funded defined benefit and the defined contribution type for a substantial number of employees. In addition, the Group also operates an unfunded defined benefit private healthcare scheme for eligible retirees. The disclosures below are in respect of all of the Group schemes.

The Company financial statements reflect the liabilities of the Johnson Group Staff Pension Scheme, the Semara Augmented Pension Plan and the Private Healthcare Scheme. The liability recognised by the Company at 31st December 2010 is £16.7 million (2009: £19.6 million).

Pensions – Defined Benefit

	Date of Utilised Full Valuation
Johnson Group Staff Pension Scheme (JGSPS)	5th April 2007
Semara Augmented Pension Plan (SAPP)	5th April 2007
WML Final Salary Pension Scheme (WML)	5th April 2008
Prudential Platinum Pension Scheme (PPPS)	31st December 2008

The full actuarial valuations of the pension schemes disclosed above (other than the Prudential Platinum Scheme) have been updated to 31st December 2010 by an independent qualified Actuary. Full actuarial valuations as at 5th April 2010 were signed off by the actuary of the JGSPS and SAPP at the beginning of March 2011.

Johnson Group Staff Pension Scheme (JGSPS)

The updated actuarial valuation at 31st December 2010 showed a deficit of £15.4 million (2009: deficit of £18.2 million). During the period, employer contributions to the JGSPS were at 13% of Pensionable Salaries. Following the finalisation of the 5th April 2010 valuation employer contributions will reduce to 9.4% of Pensionable Salaries from 1st March 2011.

Additional contributions of £1.3 million were made during 2010, increasing by 7% in July 2011 and by an incremental additional 1% in each July thereafter. These payments, which are made under the schedule of contributions signed in 2008 and are unchanged in the new Schedule of Contributions signed in March 2011 other than the deficit payments between July 2016 and June 2022 remain at a constant £2.3 million per annum.

Semara Augmented Pension Plan (SAPP)

The updated actuarial valuation at 31st December 2010 showed a surplus of £0.1 million (2009: nil). Contributions to the SAPP during 2010 were equal to the individual funding rates for each active member.

No additional contributions were paid during 2010, nor are any payable during 2011.

WML Final Salary Pension Scheme (WML)

The updated actuarial valuation at 31st December 2010 showed a deficit of £0.1 million (2009: £0.8 million). Employer contributions to the WML scheme were 13% of pensionable salaries.

Additional contributions of £0.3 million were made during 2010, these contributions increase by 5% compound each April.

Prudential Platinum Pension Scheme (PPPS)

The last full valuation has not been updated at 31st December 2010 as the net assets and liabilities of the scheme are not considered material.

Employer contributions during the year to the PPPS were at a rate of 38.2% of Pensionable Salaries, plus a further payment of £21,000 per annum until April 2010. Employer contributions from April 2010 were 33.6% of Pensionable Salaries.

25 Retirement Benefits continued

Financial assumptions used in calculating the IAS 19 liability

	2010 £m	2009 £m
Retail price inflation (RPI)	3.50%	3.60%
Consumer price inflation (CPI)	2.80%	n/a
Rate of increase in pensionable salaries	0.00%	0.00%
Rate of increase of pensions in payment (5.0% RPI linked)	3.45%	3.55%
Rate of increase of pensions in payment (2.5% RPI linked)	2.40%	2.40%
Rate of increase of pensions in payment (2.5% CPI linked)	2.20%	n/a
Rate of increase of pensions in deferment	2.40%	3.60%
Rate used to discount scheme liabilities	5.45%	5.80%

Life expectancy at age 65 for current pensioners is assumed to be 21.0 years (2009: 21.0 years). Life expectancy at age 65 for future pensioners is assumed to be 22.1 years (2009: 22.1 years). "S1PA year of birth medium cohort 1% underpin (males) and 0.5% underpin (females)" have been used to derive this mortality rate (2009: same source).

It is assumed that 75% of non-retired members of defined benefit pension schemes will commute 25% of their pension at retirement (2009: 75% of members will commute 25% of pension).

It has been assumed that 66% 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.

Pensions – Defined Contributions

The JSG Pension Plan is a defined contribution scheme. The total cost for the year was £1.3 million (2009: £1.4 million), none of which related to discontinued operations (2009: £0.1 million related to discontinued operations).

The SGP Property Services Group Pension Plan is a defined contribution scheme. The cost for the year was £0.1 million (2009: £0.1 million), all of which relates to continuing operations.

Private Healthcare

The Group operates an unfunded defined benefit private healthcare scheme for eligible retirees. The Company accounted for a current service cost of £nil and an interest cost of £81,000 in the Income Statement (2009: £1,000 and £79,000 respectively) and expects this to remain unchanged in 2011.

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.

Notes to the Financial Statements

25 Retirement Benefits continued

Retirement benefit disclosures

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

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

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

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

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

December 2006	UK Pension Schemes Long Term Rate of Return	UK Pension Schemes Value £m	Post Retirement Healthcare Long Term Rate of Return	Post Retirement Healthcare Value £m	Total Plans £m
Equities	7.60%	101.2	–	–	101.2
Bonds	4.70%	64.1	–	–	64.1
Other	5.00%	2.2	–	–	2.2
Total market value of assets		167.5		–	167.5
Present value of scheme liabilities		(196.8)		(1.4)	(198.2)
Liability recognised in the Balance Sheet		(29.3)		(1.4)	(30.7)

25 Retirement Benefits continued

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

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

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Fair value of scheme assets at beginning of the year	160.9	145.3	172.1	167.5	156.9
Expected return on scheme assets	11.1	10.0	11.5	10.7	9.5
Actuarial gains/(losses)	6.7	12.3	(36.0)	(4.4)	2.2
Employer contributions (including benefits paid and reimbursed)	2.5	2.5	5.8	5.0	6.3
Members' contributions	0.4	0.4	0.5	0.6	0.5
Benefits paid	(9.3)	(9.6)	(8.6)	(7.3)	(7.9)
Fair value of scheme assets at end of the year	172.3	160.9	145.3	172.1	167.5

The actual return on scheme assets was as follows:

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Actual return on scheme assets	17.8	22.3	(24.5)	6.3	11.7
Movements in the defined benefit obligations were as follows:					
At beginning of year	(181.3)	(165.9)	(187.9)	(198.2)	(207.3)
Current service cost	(0.5)	(0.5)	(0.8)	(1.1)	(1.4)
Past service cost	–	–	–	(0.2)	–
Members' contributions	(0.4)	(0.4)	(0.5)	(0.6)	(0.5)
Interest cost	(10.3)	(10.7)	(10.8)	(9.9)	(10.0)
Actuarial (losses)/gains	(8.2)	(25.9)	25.0	14.8	12.5
Past service gains	2.2	2.5	–	–	0.6
Pension curtailment gain	–	9.9	–	–	–
Utilisation of healthcare provision	0.1	0.1	0.5	–	–
Benefits paid	9.3	9.6	8.6	7.3	7.9
At end of year	(189.1)	(181.3)	(165.9)	(187.9)	(198.2)

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

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Current service cost	0.5	0.5	0.8	1.1	1.4
Past service cost	–	–	–	0.2	–
Past service credits	–	–	–	–	(0.6)
Amounts charged to administrative expenses	0.5	0.5	0.8	1.3	0.8
Past service credits (net of associated expenses)	(2.2)	(2.2)	–	–	–
Pension curtailment gain (net of associated expenses)	–	(9.8)	–	–	–
Amounts credited as an exceptional item	(2.2)	(12.0)	–	–	–
Interest on scheme liabilities	10.3	10.7	10.8	9.9	10.0
Expected return on scheme assets	(11.1)	(10.0)	(11.5)	(10.7)	(9.5)
Amounts (credited)/charged to finance costs	(0.8)	0.7	(0.7)	(0.8)	0.5

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

Notes to the Financial Statements

25 Retirement Benefits continued

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

	2010 £m	2009 £m	2008 £m	2007 £m	2006 £m
Difference between actual and expected return on scheme assets	6.7	12.3	(36.0)	(4.4)	2.2
Experience gains on scheme liabilities	–	–	0.4	3.3	–
Changes in actuarial assumptions	(8.2)	(25.9)	24.6	11.5	12.5
	(1.5)	(13.6)	(11.0)	10.4	14.7

	2010 % of Scheme Assets	2009 % of Scheme Assets	2008 % of Scheme Assets	2007 % of Scheme Assets	2006 % of Scheme Assets
Difference between actual and expected return on scheme assets	3.9	7.6	(24.8)	(2.6)	1.3
Experience gains on scheme liabilities	–	–	0.3	1.9	–
Changes in actuarial assumptions	(4.8)	(16.1)	16.9	6.7	7.4
	(0.9)	(8.5)	(7.6)	6.0	8.7

26 Financial Instruments

Policies and Strategies

Details of the Group's policies and strategies in relation to financial instruments are given in the paragraphs on Policies and Strategies, Interest Rate Risk, Liquidity Risk and Foreign Currency Risk in the Financial Review on pages 14 and 15.

IAS 32, Financial Instruments: Presentation, IAS 39, Financial Instruments: Recognition and Measurement and IFRS 7, Financial Instruments: Disclosures, also require numerical disclosures in respect of financial assets and liabilities and these are set out below and in note 19. Financial assets and liabilities are stated at fair value.

Financial Assets

	2010 £m	2009 £m
Cash at bank and in hand		
– Sterling	2.2	2.6
– Euros	–	0.1
At 31st December	2.2	2.7

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

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

	Rating	2010 £m	2009 £m
Cash at bank and in hand (excluding Lifecycle funds)			
– Royal Bank of Scotland	A-1	0.3	0.6
– Santander	A-1+	–	2.1
– Barclays	A-1+	0.1	–
		0.4	2.7
Cash at bank and in hand (Lifecycle funds)			
– Barclays	A-1+	1.8	–
		1.8	–
Total cash and cash equivalents		2.2	2.7

The Group refers to Standard and Poor's short-term issue credit ratings when determining with which financial institutions to deposit its surplus cash balances. A short-term obligation rated 'A-1' is rated in the highest category by Standard and Poor's. The obligor's capacity to meet its financial commitment on the obligation is strong. Within this category, certain obligations are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitment on these obligations is extremely strong.

26 Financial Instruments continued

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

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

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

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

Financial Liabilities

	2010			2009		
	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
Overdraft	3.6	–	3.6	2.5	–	2.5
Bank Loans	54.9	6.3	61.2	66.7	10.4	77.1
Finance Leases	1.4	0.1	1.5	1.2	0.2	1.4
Provisions	13.8	0.3	14.1	10.0	–	10.0
Derivative Financial Instruments	1.5	–	1.5	–	–	–
	75.2	6.7	81.9	80.4	10.6	91.0

Liquidity Risk

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

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

	Overdrafts £m	Bank Loans £m	Finance Leases £m	Provisions £m	Derivative Financial Instruments £m	Total £m
As at December 2010						
Due within one year	3.6	5.3	0.7	5.1	0.8	15.5
Due within one to two years	–	5.2	0.2	4.2	0.7	10.3
Due within two to five years	–	50.7	0.6	2.1	–	53.4
Due after more than five years	–	–	–	2.7	–	2.7
	3.6	61.2	1.5	14.1	1.5	81.9
As at December 2009						
Due within one year	2.5	10.7	0.9	3.6	–	17.7
Due within one to two years	–	5.6	0.5	4.3	–	10.4
Due within two to five years	–	60.8	–	0.7	–	61.5
Due after more than five years	–	–	–	1.4	–	1.4
	2.5	77.1	1.4	10.0	–	91.0

Interest Rate Risk Profile

	Fixed Rate Financial Liabilities £m	Floating Rate Financial Liabilities £m	Financial Liabilities on which no Interest is paid £m	Total £m
As at December 2010				
Sterling	40.9	20.0	14.3	75.2
As at December 2009				
Sterling	1.2	69.2	10.0	80.4

Notes to the Financial Statements

26 Financial Instruments continued

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 2010 the Group's fixed rate financial liabilities relate to bank borrowings that are covered by interest rate swaps and assets held under finance leases (2009: Assets held under finance leases).

For assets held under finance leases the average interest rate incurred is 5.0% (2009: 5.4%) and the weighted average period remaining is 41 months (2009: 23 months).

On 8th January 2010 the Group entered into a number of interest rate swaps the effect of which is, from 8th January 2010, to classify £40.0 million of the Group's borrowings as fixed rate. The details of these swaps are as follows:

- Interest swaps classifying £20.0 million of debt as fixed rate from 8th January 2010 to 8th January 2013. The rate, excluding margin is 2.62%.
- Interest swaps classifying £20.0 million of debt as fixed rate from 8th January 2010 to 10th January 2011. The rate, excluding margin is 1.17%.
- Interest swaps classifying £20.0 million of debt as fixed rate from 10th January 2011 to 8th January 2013. The rate, excluding margin is 3.41%.

Gains and losses recognised in the hedging reserve in equity on interest swap contracts as of 31st December 2010 will be continuously released to the Income Statement within finance costs until the end of the hedged period.

The total fixed rate financial liability shown on the table above is shown net of £0.5 million of unamortised bank fees in relation to the £40 million of term loan which is classed as fixed rate.

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 23 months (2009: 35 months).

The variation in the interest rate of floating rate financial liabilities (with all other variables held constant) required to increase post-tax profit for the year by £0.1 million is 50 basis points (2009: 10 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 50 basis points (2009: 10 basis points).

Fair Values of Financial Liabilities

Bank loans are drawn down and interest set for no more than a six month period (2009: six month period). In view of this the fair value of bank loans is not materially different from the book value. The fair value of other financial liabilities was not materially different from the book value.

The fair value of derivative instruments held at the year end is given in the table below:

	Book and Fair Value 2010 £m	Book and Fair Value 2009 £m
Derivative financial instruments held to manage the interest and exchange rate profile:		
– Interest rate products	(1.5)	–
– Exchange rate products	–	–

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

Foreign Currency Risk

The Group purchases a proportion of its inventory in US dollars and Euros. If the Sterling/US dollar exchange rate in 2010 on average had varied from that actually achieved, it would have added to or reduced cost of inventory by £0.1 million for every 10 cents of variation had no mitigating action been taken. If the Sterling/Euro rate in 2010 on average had varied from that actually achieved, it would have added to or reduced cost of inventory by £0.2 million for every 10 cents of variation if no mitigating action had been taken.

Capital Risk Management

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

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (as shown in the consolidated Balance Sheet) less cash and cash equivalents (excluding Lifecycle fund cash). Total capital is calculated as 'total equity' as shown in the Consolidated Balance Sheet plus net debt.

26 Financial Instruments continued

The gearing ratios at 31st December 2010 and 2009 were as follows:

	2010 £m	2009 £m
Current borrowings	2.8	7.7
Non-current borrowings	53.5	60.2
	56.3	67.9
Add/(less) Cash and cash equivalents (excluding Lifecycle funds)	3.2	(0.2)
Net debt	59.5	67.7
Total equity	70.5	70.8
Total capital	130.0	138.5
Gearing Ratio	45.8%	48.9%

27 Contingent Liabilities

Group

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

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

At 31st December 2010 there were no other contingent liabilities except for those arising from the ordinary course of the Group's business (2009: nil).

Company

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

The Company has entered into 17 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 begins to amortise from December 2013 and expires in June 2016. No loss is expected to result from this arrangement.

The Company has guaranteed the obligations of Johnsons Apparelmaster Limited to Johnson Clothing Limited following the hive up of the CCM business on 19th March 2008. No loss is expected to result from this arrangement.

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

28 Share Capital

Group and Company	2010 £m	2009 £m
Authorised		
383,025,739 (2008: 383,025,739) Ordinary shares of 10p each	38.3	38.3

	2010 Shares	2010 £m	2009 Shares	2009 £m
Issued and Fully Paid				
Ordinary shares of 10p each:				
At start of period	249,302,482	24.9	249,302,482	24.9
New shares issued	701,061	0.1	–	–
At end of period	250,003,543	25.0	249,302,482	24.9

Issue of Ordinary shares of 10p each

During the year 51,924 share options were exercised with a total nominal value of £5,192. In addition, 649,137 warrants were exercised with a total nominal value of £64,914. The total proceeds received on allotment in respect of these transactions were £0.1 million.

No options or warrants were exercised during 2009.

Notes to the Financial Statements

28 Share Capital continued

Potential issues of Ordinary shares of 10p each

Share Options

As at the balance sheet date, certain senior executives hold options in respect of potential issues of Ordinary shares of 10p each granted pursuant to the 2003 Discretionary Unapproved Share Option Plan, the 2003 Discretionary Approved Share Option Plan, the 2009 Long-Term Incentive Plan and the 2009 Long-Term Incentive Plan Approved Section (together referred to as 'Executive' schemes) at prices ranging from nil to 394.50p.

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 16.0p to 335.0p.

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 options under each scheme which were outstanding at 31st December 2010, the periods in which they were granted and the periods in which they may be exercised are given below:

Scheme	Date Options Granted	Number of Shares	Date Exercisable	Exercise Price per Share
Executive	24th June 2003	64,866	24th June 2006	297.00p
Executive	22nd April 2004	18,018	22nd April 2007	394.50p
SAYE	6th October 2005	37,458	1st December 2010	335.00p
SAYE	5th October 2006	69,204	1st December 2011	281.00p
SAYE	3rd October 2007	92,000	1st December 2010	246.00p
SAYE	3rd October 2007	50,508	1st December 2012	246.00p
Executive (note 1)	8th July 2008	3,050,000	September 2011	19.25p
Executive (note 1)	25th September 2008	800,000	September 2011	19.25p
SAYE	6th October 2008	4,363,200	1st December 2011	16.00p
SAYE	6th October 2008	1,654,868	1st December 2013	16.00p
Executive (note 1)	8th July 2009	1,261,538	September 2011	19.25p
Executive (note 1)	8th July 2009	3,477,879	–	nil
Executive (note 1)	8th July 2009	6,955,757	September 2011	nil
SAYE	1st April 2010	1,659,989	1st June 2013	18.00p
SAYE	1st April 2010	750,506	1st June 2015	18.00p
		24,305,791		

Note 1: as disclosed within the Board Report on Remuneration, subsequent to the year end these awards were waived without payment to the holders, and replaced with similar awards under the 2009 Long-Term Incentive Plan and the 2009 Long-Term Incentive Plan Approved Section. Full details are provided on pages 32 and 33.

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

Warrant Instruments

On 11th April 2008, the Company executed a warrant instrument pursuant to which it issued Warrants to its lending banks over 2,957,636 Ordinary shares. The Warrants were originally exercisable from 11th April 2008 until 31st December 2011 at an exercise price of 10 pence per Ordinary share, which represents the par value of an Ordinary share. On 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 Facility. A Warrant Reserve for the total cost was recognised (within Other Reserves) and was amortised as a finance cost through the Income Statement, with a corresponding reserve transfer between the Warrant Reserve and Retained Earnings.

Warrants over 649,137 shares were exercised during the year leaving 2,308,499 warrants outstanding at 31st December 2010. Of the warrants outstanding 865,908 are exercisable prior to 31st December 2011 and the remaining 1,442,591 are exercisable prior to 30th April 2013.

29 Share Based Payments

2003 Discretionary Share Option Plan

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

2009 Long-Term Incentive Plan

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

SAYE Schemes

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

	2010		2009	
	Number of Options	Weighted Average Exercise Price (£)	Number of Options	Weighted Average Exercise Price (£)
Executive schemes				
Outstanding at beginning of the period	15,788,058	0.08	6,703,030	0.18
Granted during the period	–	–	19,414,248	0.01
Lapsed during the period	(160,000)	0.19	(357,122)	0.62
Waived during the period	–	–	(9,972,098)	–
Outstanding at the end of the period	15,628,058	0.08	15,788,058	0.08
Exercisable at the end of the period	82,884	3.18	82,884	3.18
SAYE schemes				
Outstanding at beginning of the period	7,338,717	0.32	8,518,893	0.39
Granted during the period	2,472,807	0.18	–	–
Exercised during the period	(51,924)	0.16	–	–
Lapsed during the period	(1,081,867)	0.67	(1,180,176)	0.83
Outstanding at the end of the period	8,677,733	0.24	7,338,717	0.32
Exercisable at the end of the period	129,458	2.72	164,440	2.94

The aggregate gain made by Directors on the exercise of share options during the period was £nil (2009: £nil). Further details are disclosed within the Board Report on Remuneration on pages 28 to 40.

The average share price of Johnson Service Group PLC during the period was £0.21 (2009: £0.16).

For options outstanding at 31st December 2010, the exercise date and the exercise price are disclosed within Note 28.

The fair value of options awarded to employees is determined by reference to option pricing models, principally Binomial for SAYE schemes and Monte Carlo models for all other schemes. The inputs into the Binomial and Monte Carlo models are as follows:

	Options Granted During 2010	Options Granted During 2009
Weighted average share price (£)	0.19	0.22
Weighted average exercise price (£)	0.18	0.01
Weighted average fair value (£)	0.10	0.13
Expected volatility (%)	90.93	81.50
Expected life (years)	3.86	3.00
Risk free interest rate (%)	2.24	4.42
Expected dividend yield (%)	5.00	–

Notes to the Financial Statements

29 Share Based Payments continued

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 £0.9 million (2009: £1.0 million) in relation to equity-settled share based payment transactions.

30 Share Premium

Group and Company	2010 £m	2009 £m
Balance brought forward and carried forward	13.7	13.7

31 Own Shares

Group	2010 £m	2009 £m
Balance brought forward	0.4	0.4
New shares purchased	–	–
Balance carried forward	0.4	0.4

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

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

	Group		Company	
	2010	2009	2010	2009
Number of shares held	1,286,531	1,088,131	343	343
Market value £m	0.4	0.3	–	–

32 Reconciliation of Movements in Shareholders' Funds

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Profit/(loss) for the period	3.2	11.4	4.3	(3.9)
Dividends	(1.9)	(0.6)	(1.9)	(0.6)
	1.3	10.8	2.4	(4.5)
Other recognised gains and losses relating to the year:				
Issue of share capital	0.1	–	0.1	–
Transfer to share option reserve	0.7	0.9	0.7	0.4
Actuarial losses (net of taxation)	(1.1)	(9.8)	(1.0)	(8.8)
Change in deferred tax due to change in tax rate	(0.2)	–	(0.2)	–
Cash flow hedges movement	(1.1)	0.8	(1.1)	0.8
Net (reduction)/addition to Shareholders' funds	(0.3)	2.7	0.9	(12.1)
Opening Shareholders' funds	70.8	68.1	85.5	97.6
Closing Shareholders' funds	70.5	70.8	86.4	85.5

33 Business Combinations and Discontinued Operations

Acquisitions

During the year the Group acquired seven Facilities Management contracts with six related special purpose companies ("SPC") from Jarvis PLC (in administration).

Details of the acquired contracts are given below:

Date of Acquisition	Facilities Management Contract	Name of Related SPC	Country of Incorporation
6th May 2010	Hospital in Newbury	N/A	N/A
3rd June 2010	School in Dorset	Colfox School Services Limited	England
28th June 2010	School in Leeds	Cardinal Heenan School Services Limited	England
27th August 2010	Hospital in Dundee	Dundee Healthcare Services Limited	Scotland
16th September 2010	School in Hillingdon, London	Barnhill School Services Limited	England
1st December 2010	School in Stirlingshire	Balfron Schools Services Limited	Scotland
23rd December 2010	Two schools in East Renfrewshire	East Ren Schools Services Limited	Scotland

In all cases 100% of the share capital of the SPC has been acquired.

All contracts not already acquired by 3rd July 2010 have been operated under license from that date up to the date of acquisition.

On 27th August 2010 Johnsons Apparelmaster Limited acquired certain trade and assets from a small independent supplier of personal protective equipment.

Acquisitions during the year are as follows:

	Consideration	Net Assets/ Liabilities Acquired £m	Fair Value Adjustments £m	Fair Value of Assets Acquired £m
Facilities Management contracts and related companies	2.6	(1.0)	3.6	2.6
Textile Rental trade and assets	0.1	–	0.1	0.1
Total	2.7	(1.0)	3.7	2.7

All of the consideration was paid in cash during the year.

Analysis of the assets and liabilities acquired is provided below:

	Net Assets/ Liabilities Acquired £m	Fair Value Adjustments £m	Fair Value of Assets Acquired £m
Intangible assets – contracts acquired	–	4.1	4.1
Receivables	1.1	(0.1)	1.0
Cash – Lifecycle funds	2.3	–	2.3
Cash – Other	1.1	–	1.1
Payables	(5.5)	(0.3)	(5.8)
Total	(1.0)	3.7	2.7

In addition professional fees of £1.4 million have been charged to the Income Statement in respect of business acquisition activity. Of this amount £0.2 million remains payable at the year end.

An analysis of net cash flows in respect of business acquisition activity is provided below.

	£m
Consideration paid	2.7
Professional fees paid	1.2
Cash acquired – Lifecycle funds	(2.3)
Cash acquired – Other	(1.1)
Total	0.5

Since acquisition (or, if earlier, since being operated under license) the acquired Facilities Management contracts and related companies have generated profits of £0.3 million on revenue of £5.6 million. Had all contracts and companies been owned from the start of the year the anticipated overall profit generated would have been £0.6 million on revenue of £10.0 million.

Notes to the Financial Statements

33 Business Combinations and Discontinued Operations continued

Disposals

There were no business disposals during the year.

On 14th December 2009 Workplace Engineering Limited, disposed of its trade and certain assets for an initial cash consideration of £0.2 million. A further £0.1 million of deferred consideration was received during 2010.

The revenue and result from discontinued operations (including £1.6 million goodwill impairment in 2009) together with the post-tax profit or loss on disposal is detailed below:

	2010 £m	2009 £m
Revenue from discontinued operations	–	4.0
Loss before taxation from discontinued operations	(0.2)	(4.3)
Taxation	0.1	0.9
Loss for the period	(0.1)	(3.4)
Consideration (net of disposal costs)	0.1	0.2
Total net assets disposed of	–	(0.3)
Pre-tax gain/(loss) on disposal	0.1	(0.1)
Taxation	–	–
Gain/(loss) on disposal	0.1	(0.1)
Retained loss from discontinued operations	–	(3.5)

Total Net Assets disposed of:

	2010 £m	2009 £m
Property, plant and equipment	–	0.1
Intangible assets	–	0.1
Stock	–	0.1
Trade and other receivables	–	0.4
Trade and other payables	–	(0.4)
	–	0.3

Cash Received from Disposals

	2010 £m	2009 £m
Cash received in the year from the disposal of Workplace Engineering	0.1	0.2
Total Cash received in respect of Disposals included within the Cash Flow Statement	0.1	0.2

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

	2010 £m	2009 £m
Net cash (used in)/generated from operating activities	(0.6)	0.1
Net cash used in investing activities	–	(0.2)
Net cash flow	(0.6)	(0.1)

34 Analysis of Net Debt

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

Group

December 2010	At 1st January 2010 £m	Cash Flow £m	Other Non-Cash Changes £m	At 31st December 2010 £m
Cash and cash equivalents (per Statement of Cash Flows)	0.2	(1.6)	–	(1.4)
Less: Lifecycle funds	–	(1.8)	–	(1.8)
Cash and cash equivalents (excluding Lifecycle funds)	0.2	(3.4)	–	(3.2)
Debt due within one year	(7.2)	5.0	–	(2.2)
Debt due after more than one year	(59.5)	7.5	(0.7)	(52.7)
Finance leases	(1.2)	0.8	(1.0)	(1.4)
	(67.7)	9.9	(1.7)	(59.5)

December 2009	At 1st January 2009 £m	Cash Flow £m	Other Non-Cash Changes £m	At 31st December 2009 £m
Cash and cash equivalents	5.2	(5.0)	–	0.2
Debt due within one year	(3.1)	(4.8)	0.7	(7.2)
Debt due after more than one year	(78.6)	18.5	0.6	(59.5)
Finance leases	(2.0)	0.8	–	(1.2)
	(78.5)	9.5	1.3	(67.7)

Company

December 2010	At 1st January 2010 £m	Cash Flow £m	Other Non-Cash Changes £m	At 31st December 2010 £m
Cash and cash equivalents	(0.7)	(4.2)	–	(4.9)
Debt due within one year	(7.2)	5.0	–	(2.2)
Debt due after more than one year	(59.5)	7.5	(0.7)	(52.7)
	(67.4)	8.3	(0.7)	(59.8)

December 2009	At 1st January 2009 £m	Cash Flow £m	Other Non-Cash Changes £m	At 31st December 2009 £m
Cash and cash equivalents	(0.2)	(0.5)	–	(0.7)
Debt due within one year	(3.1)	(4.8)	0.7	(7.2)
Debt due after more than one year	(78.6)	18.5	0.6	(59.5)
	(81.9)	13.2	1.3	(67.4)

Notes to the Financial Statements

35 Reconciliation of Net Cash Inflow to Movement in Net Debt

	Group	
	2010 £m	2009 £m
Decrease in cash in year – per Statement of Cash Flows	(1.6)	(5.0)
Movement in Lifecycle funds	(1.8)	–
Decrease in cash excluding Lifecycle funds	(3.4)	(5.0)
Cash outflow on change in debt and lease financing	13.3	14.5
Change in net debt resulting from cash flows	9.9	9.5
Movement in unamortised issue costs of bank loans	(0.7)	1.0
New finance leases	(1.0)	–
Other non cash movement in net debt	–	0.3
Movement in net debt in year	8.2	10.8
Opening net debt	(67.7)	(78.5)
Closing net debt	(59.5)	(67.7)

	Company	
	2010 £m	2009 £m
Decrease in cash in year – per Statement of Cash Flows	(4.2)	(0.5)
Cash outflow on change in debt and lease financing	12.5	13.7
Change in net debt resulting from cash flows	8.3	13.2
Movement in unamortised issue costs of bank loans	(0.7)	1.0
Other non cash movement in net debt	–	0.3
Movement in net debt in year	7.6	14.5
Opening net debt	(67.4)	(81.9)
Closing net debt	(59.8)	(67.4)

36 Financial Commitments

Capital Expenditure

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

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Intangible assets	–	–	–	–
Property, plant and equipment	0.4	0.3	–	–
	0.4	0.3	–	–

Revenue Expenditure

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

	Group		Company	
	2010 £m	2009 £m	2010 £m	2009 £m
Land and buildings				
– within one year	14.5	14.6	0.1	0.1
– between two and five years	45.1	46.3	0.3	0.3
– in five years or more	41.7	49.6	0.1	0.2
	101.3	110.5	0.5	0.6
Plant and machinery				
– within one year	2.1	1.8	0.1	–
– between two and five years	2.6	3.3	0.1	0.1
	4.7	5.1	0.2	0.1

The total of future minimum sublease payments to be received under non-cancellable leases at the balance sheet date is £6.6 million (2009: £5.6 million).

37 Related Party Transactions

Transactions during the year between the Company and its subsidiaries, which are related parties, have been conducted on an arms length basis and eliminated on consolidation.

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

	2010 £m	2009 £m
Dividends received	9.7	–
Interest received	1.7	1.4
Interest paid	(3.1)	(3.6)
	8.3	(2.2)

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

38 Events after the Balance Sheet

There were no events occurring after the Balance Sheet date that would require disclosure in accordance with IAS 10, 'Events after the reporting period'.

39 Principal Subsidiaries

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

Johnson Service Group PLC owns directly or indirectly the entire share capital of each of these companies. The share capital of the companies annotated * are held through intermediate holding companies. All companies above are incorporated in Great Britain and registered in England apart from those annotated # which are registered in Scotland

A full list of subsidiary undertakings will be annexed to the next Annual Return of Johnson Service Group PLC to be filed with the Registrar of Companies.

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 consult an independent advisor authorised under the Financial Services and Markets Act 2000.

NOTICE is hereby given that the Annual General Meeting of Johnson Service Group PLC will be held at The Park Royal Hotel, Stretton Road, Stretton, Warrington, Cheshire WA4 4NS on Thursday 5th May 2011 at 3pm.

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 the financial statements for the year ended 31st December 2010 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 28 to 40 of the 2010 Annual Report.

3. To confirm the payment of the interim dividend and to declare a final dividend for the year ended 31st December 2010.

4. To re-elect Mr. J. Talbot, who retires in accordance with article 55 (a) (ii) of the articles of association of the Company ("Articles of Association") and who, being eligible, offers himself for re-election as a director.

5. To re-elect Mrs. Y. Monaghan, who retires in accordance with article 55 (a) (ii) of the Articles of Association and who, being eligible, offers herself for re-election as a director.

6. To re-elect Mr. M. Del Mar, who retires in accordance with article 55 (a) (ii) of the Articles of Association and who, being eligible, offers himself for re-election as a director.

7. To re-appoint PricewaterhouseCoopers LLP as Auditors of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and to allow their remuneration to be fixed by the Audit Committee.

Special Business

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

   "That, in substitution for all existing and unexercised authorities and powers, the Directors of the Company be and they are hereby generally and unconditionally authorised for the purposes of section 551 of the Companies Act 2006 to exercise all powers of the Company to allot equity securities (as defined in section 560 of the Companies Act 2006) ("Equity Securities") to such persons at such times and on such terms and conditions as the Directors may determine and subject always to the Articles of Association, provided that the aggregate of the nominal amount of such Equity Securities that may be allotted under this authority shall not exceed £10,652,056.

   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 2012, 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)."

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

   "That, subject to and conditional upon the passing of the Ordinary Resolution numbered 8 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 8 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 8 in this notice of Annual General Meeting up to an aggregate nominal amount of £1,250,060 (representing approximately 5% of the Company's share capital as at 8th March 2011).

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 2012, 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."

10. 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:

(a) the maximum number of Ordinary Shares that may be purchased under this authority is 25,001,191;

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

(c) 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 2012 save in relation to purchases of Ordinary Shares the contract for which was concluded before the expiry of this authority and which will or may be executed wholly or partly after such expiry, where the Company may make a purchase of Ordinary Shares in pursuance of any such contract.

All previous unutilised authorities for the Company to make market purchases of Ordinary shares are revoked, except in relation to the purchase of shares under a contract or contracts concluded before the date of this resolution and where such purchase has not yet been executed.

All Shareholders will find enclosed with this document a form of proxy to be used in connection with the Annual General Meeting. A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and to speak and vote in his stead. The proxy need not be a member of the Company."

By Order of the Board
Yvonne Monaghan
Company Secretary
Abbots Park, Monks Way
Preston Brook, Cheshire
WA7 3GH
9th March 2011

Notice of Annual General Meeting

Company Number: 00523335

Accompanying Notes

1. A member of the Company entitled to attend and vote at the Annual General Meeting may appoint one or more persons as his/her proxy to exercise all or any of his/her rights to attend, speak and vote at the Annual General Meeting of the Company. A member may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise rights attached to a different share or shares held by him/her. A proxy need not be a member of the Company. The form of proxy is enclosed. The form of proxy and power of attorney or other authority, if any, under which it is signed or a certified copy of such power of authority must be received by the Company's Registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU not later than 48 hours prior to the commencement of the Annual General Meeting. Completion of the form will not prevent you from attending and voting at the meeting instead of the proxy, if you wish.

   To appoint more than one proxy, additional proxy forms may be obtained by contacting the Registrars or you may photocopy the proxy form. Please indicate in the box next to the proxy holder's name the number of shares in relation to which they are authorised to act as your proxy. Please also indicate by ticking the box provided if the proxy instruction is one of multiple instructions being given. All forms must be signed and returned in the same envelope.

   In accordance with Section 325 of the Companies Act 2006, the right to appoint proxies does not apply to persons nominated to receive information rights under Section 146 of the Companies Act 2006. Persons nominated to receive information rights under Section 146 of the Companies Act 2006 who have been sent a copy of this notice of meeting are hereby informed, in accordance with Section 149 (2) of the Companies Act 2006, that they may have a right under an agreement with the registered member by whom they were nominated to be appointed, or to have someone else appointed, as a proxy for this meeting. If they have no such right, or do not wish to exercise it, they may have a right under such an agreement to give instructions to the member as to the exercise of voting rights. Nominated persons should contact the registered member by whom they were nominated in respect of these arrangements.

   In order to facilitate voting by corporate representatives at the meeting, arrangements will be put in place at the meeting so that (i) if a corporate Shareholder has appointed the Chairman of the meeting as its corporate representative with instructions to vote on a poll in accordance with the directions of all of the other corporate representatives for that Shareholder at the meeting, then on a poll those corporate representatives will give voting directions to the Chairman and the Chairman will vote (or withhold a vote) as corporate representative in accordance with those directions; and (ii) if more than one corporate representative for the same corporate Shareholder attends the meeting but the corporate Shareholder has not appointed the Chairman of the meeting as its corporate representative, a designated corporate representative will be nominated, from those corporate representatives who attend, who will vote on a poll and the other corporate representatives will give voting directions to that designated corporate representative.

   Corporate Shareholders are referred to the guidance issued by the Institute of Chartered Secretaries and Administrators on proxies and corporate representatives – www.icsa.org.uk – for further details of this procedure. The guidance includes a sample form of representation letter if the Chairman is being appointed as described in (i) above.

   Under section 319A of the Companies Act 2006, a member attending the meeting has the right to ask questions in relation to the business of the meeting. The Company must cause to be answered any such question relating to the business being dealt with at the meeting but no such answer need be given if (a) to do so would interfere unduly with the preparation for the meeting or involve the disclosure of confidential information, (b) the answer has already been given on a website in the form of an answer to a question, or (c) it is undesirable in the interests of the Company or the good order of the meeting that the question be answered.

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 make the appropriate action on their behalf.

   In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message (regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy) must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID "RA10") by the latest time(s) for receipt of proxy appointments specified in, or in a note to, the Notice of Meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members (and, where applicable, their CREST sponsors or voting service providers) should note that CREST does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members (and, where applicable, their CREST sponsors or voting service providers) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

3. The following documents will be available for inspection at the Registered Office of the Company during normal business hours on any business day (Saturdays, Sundays and public holidays excluded) from the date of this Notice until the close of the meeting and at the place of the meeting for 15 minutes prior to and during the meeting:

    3.1. the Register of Directors' interests kept by the Company under Section 809 of the Companies Act 2006;

    3.2. copies of all service contracts between the Directors and the Company together with other appropriate documentation; and

    3.3. copies of the terms and conditions of appointment of the Non-Executive Directors.

4. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those Shareholders registered in the Register of Members of the Company as at 6.00pm on 3rd May 2011, 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 3rd May 2011 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 8th March 2011 (being the last business day prior to publication of this notice) the Company's issued share capital consists of 250,011,907. Ordinary Shares carrying one vote each. The total voting rights in the Company as at 8th March 2011 are, therefore, 250,011,907.

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 sections 338 and 338A 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 authorised by the person or persons making it, must be received by the Company not later than 23rd March 2011 being the date 6 clear weeks before the meeting, and (in the case of a matter to be included in the business only) must be accompanied by a statement setting out the grounds for the request.

Explanatory Notes

The notes on the following pages give an explanation of the proposed resolutions.

Resolutions 1 to 8 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 9 and 10 are proposed as Special resolutions. This means that for each of those resolutions to be passed, at least three-quarters of the votes cast must be in favour of the resolution.

Your Directors consider the passing of all of the Resolutions to be in the best interests of the Company and its Shareholders and accordingly recommend that you vote in favour of these Resolutions as they intend to do in respect of their own shareholdings.

Report and Accounts (Resolution 1)

The Directors of the Company must present the accounts to the AGM.

Notice of Annual General Meeting

Company Number: 00523335

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 2010, as set out on pages 28 to 40 of the Company's Annual Report, be approved.

The Board Report on Remuneration contains, inter alia, details of the Directors who were members of the Remuneration Committee, a forward looking statement of the Company's policy on Directors' remuneration for subsequent financial years, a performance graph showing the Company's Total Shareholder Return compared with the return on the FTSE AIM All-Share Index, the FTSE Support Services Index and the FTSE Small Cap Index (excluding Investment Companies), details of the Directors' service contracts and specific disclosures relating to each Director's remuneration.

Declaration of a Dividend (Resolution 3)

A final dividend can only be paid after the Shareholders at a general meeting have approved it. A final dividend of 0.50 pence per Ordinary Share is recommended by the Directors for payment to Shareholders who are on the Register at the close of business on 23rd April 2011. If approved, the date of payment of the final dividend will be 20th May 2011. An interim dividend of 0.27 pence per Ordinary share was paid on 12th November 2010.

Re-election of Directors (Resolutions 4, 5 and 6)

The Company's Articles of Association require that all Directors retire at least every three years and that all newly appointed Directors retire at the first Annual General Meeting following their appointment. At this Annual General Meeting, Mr. J. Talbot, Mrs. Y. Monaghan and Mr. M. Del Mar will retire and stand for re-election as it has been three years since they were last elected.

Biographies of Mr. J. Talbot, Mrs. Y. Monaghan and Mr. M. Del Mar, together with biographies of all Directors serving as at the date of the Annual Report, can be found on pages 18 and 19 of the 2010 Annual Report and appear on the Company's website at www.johnsonplc.com.

Reappointment and Remuneration of Auditors (Resolution 7)

This resolution proposes the reappointment of PricewaterhouseCoopers LLP as Auditors of the Company and that the Directors be authorised to set their remuneration.

Renewal of Directors' Authority to Allot Securities (Resolution 8)

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 2012 or, if earlier, the close of business on 1st July 2012.

If passed, the authority will be limited to an aggregate nominal value of £10,652,056 of Ordinary Shares which represents approximately 42.6 per cent of the Ordinary share capital in issue at the date of this Notice. This limit comprises a number of Ordinary Shares equivalent to approximately one third of the Ordinary Shares in issue as at 8th March 2011 (being the latest practicable date prior to publication of this notice) and a further number of Ordinary Shares set aside for issue on the exercise of outstanding share options.

The Directors have no present intention of exercising this authority. However, it is considered prudent to maintain the flexibility that this authority provides. The Company's Directors intend to renew this authority annually.

Renewal of Disapplication of Pre-emption Rights (Resolution 9)

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 9 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 £1,250,060 (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 8th March 2011 (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 2012 or, if earlier, the close of business on 1st July 2012. The Company's Directors intend to renew this authority annually.

Renewal of Company's authority to purchase Ordinary Shares (Resolution 10)

In certain circumstances it may be advantageous for the Company to purchase its own shares and Resolution 10 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 24,932,443 of its Ordinary Shares at the AGM held on 5th May 2010 (being equal to approximately 10 per cent of the Company's issued Ordinary share capital as at 11th March 2010, the latest practicable date prior to the publication of the notice for the AGM held on 5th May 2010). This authority is due to expire at the end of the AGM and it is proposed that the Company be authorised to continue to make market purchases up to an aggregate of 25,001,191 Ordinary Shares, representing approximately 10 per cent of the Company's issued Ordinary share capital as at the 8th March 2011, 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 8th March 2011 (being the latest practicable date prior to publication of this Notice) was 25,613,045. The proportion of issued share capital that they represented at that time was 10.2 per cent and the proportion of issued share capital that they will represent if the full authority to purchase shares (existing and being sought) is used is 11.4 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 Annual General Meeting of the Company, or, if earlier, 1st July 2012. It is the present intention of the Directors to seek renewal of this authority annually.

Directors and Advisors

Directors

John Andrew Talbot FCA
Executive Chairman
Chairman of Nomination Committee

Yvonne May Monaghan BSc (Hons), FCA
Finance Director

Kevin Paul Elliott CIPS
Managing Director of the Facilities Management Division

Paul Derek Ogle MIOD
Managing Director of the Drycleaning Division
Director responsible for Health, Safety and the Environment

Christopher Sander
Managing Director of the Textile Rental Division

Michael Bernard Del Mar
Non-Executive
Senior Independent Director
Chairman of Remuneration Committee
Member of Nomination Committee
Member of Audit Committee

Paul Stephen Moody
Non-Executive
Member of Remuneration Committee
Member of Nomination Committee
Member of Audit Committee

William Mervyn Frew Carey Shannon CA
Non-Executive
Member of Remuneration Committee
Member of Nomination Committee
Chairman of Audit Committee

Company Secretary

Yvonne May Monaghan BSc (Hons), FCA

Group Financial Controller

Timothy James Morris BA (Hons), ACA

Registered Office

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

Advisors

Nominated Advisor, Financial Advisor and Stockbrokers
Investec Investment Banking
2 Gresham Street
London EC2V 7QP

Bankers
Barclays Bank plc
7th Floor
1 Marsden Street
Manchester M2 1HW

Lloyds TSB Bank plc
40 Spring Gardens
Manchester M2 1EN

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

Santander Corporate Banking
298 Deansgate
Manchester M3 4HH

Lawyers
Beachcroft LLP
7 Park Square East
Leeds LS1 2LW

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

Registrar and Transfer Office
Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Independent Auditors
PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
101 Barbirolli Square
Lower Mosley Street
Manchester M2 3PW

Electronic Communications

The Company offers Shareholders the opportunity to receive communications such as notices of Shareholder meetings and the annual report and accounts electronically. The Company encourages the use of electronic communication as, not only does it save the Company printing and mailing costs, it is also a more convenient and prompt method of communication.

If you decide to receive communications electronically, you will be sent an email message each time a new Shareholder report or notice of meeting is published. The email will contain links to the appropriate website where documents can be viewed. It is possible to change your instruction at any time by amending your details on the register.

If you would like to receive electronic communications, you will need to register your email address by accessing the Shareholder Services page within the Investor Relations section of the Company's website at www.johnsonplc.com. This will link you to the service offered by the Company's Registrar. If you decide not to register an email address with the Registrar, you will continue to receive all communications in hard copy form.

Those Shareholders who are CREST members and who wish to appoint a proxy or proxies utilising the proxy voting service please refer to Note 2 of the Notice of Annual General Meeting.

If you have any queries regarding electronic communications, please contact the Company's registrar, Capita Registrars, on 0871 664 0300 (calls cost 10p per minute plus network extras, lines are open 8.30am-5.30pm Mon-Fri).

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.

Designed and produced by
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