Directors' Report

The Directors present their Annual Report and the audited Consolidated and Company Financial Statements for the year ended 31 December 2020.

The Corporate Governance Report on pages 55 to 66, and the Environmental and Social Responsibility Report on pages 28 to 37 (with regard to information about the employment of disabled persons, employee involvement and share schemes) are also incorporated into this Report by reference.

Principal Activities and Business Overview

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

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

Results and Dividends

The Group retained loss after taxation for the year from all operations amounted to £27.1 million (2019: £30.9 million retained profit after taxation).

We recognise the importance of a dividend to our shareholders, however, the Board had to balance this with the impact the COVID-19 pandemic has had on our business and the resultant need for prudent cash management. As a result, on 20 March 2020, the Board issued a market update regarding the impact of COVID-19 on the business and confirming that, it would, at the upcoming Annual General Meeting on 5 May 2020, withdraw Resolution 3 in the Notice of Annual General Meeting relating to the final dividend payment in respect of 2019 of 2.35 pence per Ordinary share. Furthermore, and as previously announced on 5 May 2020, we have decided not to pay dividends for the financial year ended 31 December 2020. In reaching these decisions, the Board considered the importance of a dividend to the Company's shareholders, the need to preserve the Company's liquidity and the exceptional circumstances that COVID-19 represented. The Board will keep future dividends under review and will look to reinstate its dividend policy as trading returns to more normalised levels.

In respect of the financial year ended 31 December 2019, an interim dividend of 1.15 pence per Ordinary share was paid to Shareholders in November 2019, amounting to a distribution for the year of £4.3 million.

Share Capital

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

The total issued share capital at the end of the year and the outstanding share options are given in note 29 to the Consolidated Financial Statements.

Major Interests in the Company's Share Capital

At 18 March 2021, this being the latest practicable date prior to publication of this document, the Company had advised of the following interests, of a material nature, in its share capital:

	Shareholding (%)
PrimeStone Capital LLP	**14.33%**
Invesco Limited	**9.86%**
Octopus Investments Nominees Ltd	**4.29%**
Wasatch Advisors Inc	**3.02%**
Artemis Investment Management LLP	**Below 5%**

The information provided above was correct as at the date of notification, however, it should be noted that these holdings may have changed since the Company was notified. Notification of any change is not required until the next notifiable threshold is crossed.

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

At the 2020 Annual General Meeting, Shareholders authorised the Company to make market purchases of up to a maximum aggregate of 36,976,082 Ordinary shares, which represented approximately 10% of the Company's issued Ordinary share capital on the latest practicable date prior to publication of the 2020 Notice of Annual General Meeting. The minimum price allowed for such purchases is 10 pence and the maximum is 105% of the average of the middle market quotation of such shares for the five business days immediately preceding the day of purchase. Except for amending the maximum number of shares subject to the authority, the Directors intend to seek renewal of this authority, which is due to expire at the conclusion of the 2021 Annual General Meeting. Further details are given in the 2021 Notice of Annual General Meeting.

Acquisitions and Discontinued Operations

There were no business combinations or disposals during the year. However, on 28 February 2020, the purchase of a number of contracts which were transferred into our Shaftesbury site was completed. The purchase of these contracts did not meet the eligibility criteria set out within IFRS 3 'Business Combinations' and hence they are not recognised as a business combination.

Details of prior year acquisitions, together with any fair value adjustments recognised during the current year, are given in note 34 of the Consolidated Financial Statements.

Details of discontinued operations are provided in note 35 to the Consolidated Financial Statements.

Events after the Reporting Period

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

Directors

Details of the Directors of the Company are shown on page 48. With the exception of Jock Lennox, who was appointed to the Board on 5 January 2021, they all held office throughout the year and up to the date of approving this Report.

Directors' Report
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Directors' Interests

Share Capital
The interests of the Directors who were in office at 31 December 2020, together with the interests of their close family, in the shares of the Company at the commencement or, if later, date of appointment, and close of the financial year are disclosed in the Directors' Remuneration Report. Details of the Company's interest in its own shares are disclosed in note 32 to the Consolidated Financial Statements.

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

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

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

Political Donations
It is the Company's policy not to make political donations. The Directors confirm that no donations for political purposes were made during the year (2019: £nil).

Independent Auditors
During the year, the Audit Committee led a formal competitive tender process for the appointment of a new external auditor. As announced in November 2020, and subject to Shareholder approval at the 2021 Annual General Meeting, the Board has approved the proposed appointment of Grant Thornton UK LLP ("Grant Thornton") as its external auditor to take effect from, and including, the financial year ending 31 December 2021. Further details of the audit tender process can be found on pages 75 to 76.

In accordance with the recommendation of the Audit Committee, as disclosed on page 73, and as required by Section 489 of the Companies Act 2006, a resolution to reappoint Grant Thornton as the external auditor will be proposed at the Annual General Meeting.

Statement on Engagement with Stakeholders
The success of our strategy is reliant on the support and commitment of all our stakeholders. Their interests are important to us and we are committed to maintaining strong, positive relationships with them, built on a foundation of mutual respect, trust and understanding. The table on page 29 and the section 172(1) statement on page 13 provide a high-level overview of how we engage with our stakeholders.

COVID-19 has had a profound impact on all of our stakeholders and throughout this Annual Report there are examples of measures that were taken by the Board to protect the Company and to manage the expectations of stakeholders.

Policy on Payment to Suppliers

Prompt Payment Code
The Company and its subsidiaries fully support the standards set out within the Prompt Payment Code ('PPC') in respect of all suppliers. The PPC sets standards for payment practices and best practice and is administered by the Chartered Institute of Credit Management. The main features of the PPC are that payment terms are agreed at the outset of a transaction and are adhered to; that there is a clear and consistent policy that bills will be paid in accordance with the contract; and that there are no alterations to payment terms without prior agreement.

Payment Practice Reporting
Regulations made under Section 3 of the Small Business, Enterprise and Employment Act 2015 introduced a requirement on the UK's largest companies to report on a half-yearly basis their payment practices, policies and performance. The requirement to report is based upon a company having annual revenue of £36.0 million or more; the Parent Company has revenue of £nil hence the Group has reported under its main trading subsidiary, Johnsons Textile Services Limited.

Johnsons Textile Services Limited was required to publish supplier payment information for the six months ended 30 June 2020 and for the six months ended 31 December 2020. The average time taken to pay invoices in each of those periods was 56 days and 50 days respectively. The comparative figures for 2019 were 56 days and 55 days respectively. Johnsons Textile Services Limited trades through a number of brands, each of which have varying payment terms with their suppliers, however, such terms typically range from 60 days from date of invoice through to 60 days from end of the month in which the invoice was raised.

Further information was published through an online service provided by the Government and can be viewed by visiting https://check-payment-practices.service.gov.uk/company/00464645/reports.

Dispute Resolution Process

We seek to resolve any issues in the first instance between the most relevant representatives of our Company and the supplier. If the matter cannot be resolved it may then be escalated to senior members of both the supplier and ourselves. We are very proud to have built up longstanding relationships with a significant proportion of our suppliers and will always endeavour to work in a collaborative manner with them in order to resolve any disputes that may arise. Once resolved, we would aim to pay the supplier within the agreed contractual terms between us or, if the contractual due date has passed, at the next available opportunity.

Streamlined Energy and Carbon Reporting (SECR)

The Group is required to report, in accordance with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, its energy use and carbon emissions for the financial year ending 31 December 2020. As allowed by the legislation, and in order to allow for sufficient time to compile the data and complete the reporting, the annual period used to calculate energy use and emissions was set as the 12 months ending 30 September 2020.

Relevant disclosures are provided on page 36.

Financial Risk Management

The Directors acknowledge that the Group's activities expose it to a variety of financial risks, including interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out centrally under policies approved by the Board. Further details are set out within the Audit Committee Report on page 74.

Half Yearly Reporting

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

2021 Annual General Meeting

The 2021 Annual General Meeting (the 'Meeting' or the 'AGM') of Johnson Service Group PLC (the 'Company') will be held at Johnson House, Abbots Park, Monks Way, Preston Brook, Cheshire, WA7 3GH on Wednesday 5 May 2021 at 11:00.

At the time of writing, Government measures are in force restricting physical public gatherings and unnecessary travel, due to COVID-19. In view of these measures and our responsibility to protect the health and safety of our Shareholders and employees, we are currently planning that our AGM will be held as a closed meeting. Shareholders will be able to follow the proceedings of the Meeting via an electronic listen-only webcast facility.

Furthermore, and in order to reduce the Company's environmental impact, our intention is to remove paper from the voting process as far as possible. As a result, Shareholders will not receive a hard copy form of proxy for the AGM but will instead be able to register their vote electronically.

Further details on how to access the webcast, electronic voting together with an explanation of the resolutions to be proposed at the Meeting are included in the Notice of Annual General Meeting accompanying this Annual Report. The measures being taken by the UK Government to help contain the spread of COVID-19 are subject to change, therefore, Shareholders are strongly urged to check the Company's website (www.jsg.com) in advance of the AGM in case there are further changes to the arrangements for the AGM.

Directors' Report
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Going Concern

Background and Summary

The Directors have adopted the going concern basis in preparing these financial statements after careful assessment of identified principal risks and, in particular, the possible adverse impact on financial performance, specifically on revenue and cash flows, of restrictions imposed by the UK Government and the devolved authorities in response to COVID-19. The process and key judgments in coming to this conclusion are set out below.The going concern status of the Company is intrinsically linked to that of the Group.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Chairman's Statement, the Strategic Review and Chief Executive's Operating Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review. In addition, note 26 to the Consolidated Financial Statements includes the Group's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities, and its exposure to credit risk and liquidity risk.

Going Concern Assessment

The Group has reacted quickly and decisively to the COVID-19 pandemic, implementing a range of prudent cost management and cash preservation actions, securing additional funding facilities, revising bank covenants and raising equity in order to protect the business from any potential adverse impact. Notwithstanding all of these actions, there continues to be uncertainty surrounding the resolution of the pandemic and the impact on the wider economy.

The current and plausible future impact of COVID-19 and the related macroeconomic environment on the Group's activities and performance has been considered by the Board in preparing its going concern assessment. The Group has prepared a base case scenario, reflecting an initial set of assumptions around financial projections and trading performance, together with various, more pessimistic, expectations for market developments over the remainder of 2021 and 2022 to reflect subdued trading conditions. The specific assumptions used within the base case scenario, with regard to the assumed dates for the staged reopening of hospitality, follow those set out within the UK Government's recently announced four-step roadmap for the easing of restrictions across England. It is assumed that arrangements within the devolved geographies will follow a similar roadmap.

The Board is required to assess going concern at each reporting period. These assessments are significantly more difficult currently given the uncertainties about the impact of COVID-19, the extent and duration of social distancing measures and the impact on the markets in which we operate. The level of judgment to be applied has therefore increased considerably. The Directors have considered three main factors in reaching their conclusions on going concern, as set out below.

1) Cash Flows and Sensitivity Analysis

In assessing going concern, the Directors considered a variety of scenarios in the context of the COVID-19 pandemic. These scenarios are not the forecasts of the Group or Company but are designed to stress test liquidity and covenant compliance. EBITDA used within the scenarios is that used for bank covenant purposes which, for 2021, is defined as adjusted operating profit before property, plant and equipment depreciation, rental stock depreciation and software amortisation. In 2022, the definition is amended to also exclude right of use asset depreciation. The three most relevant scenarios, in ascending order of severity, reviewed to test going concern are as follows:

Base Case Scenario

This scenario assumes that the HORECA market gradually begins to reopen during the second quarter. April assumes a modest increase in current volumes, based on the planned reopening of gyms, outdoor hospitality and self-catering holiday accommodation on 12 April whilst May assumes a more stepped increase as a result of the planned reopening of indoor hospitality (pubs and restaurants), hotels and B&Bs on 17 May. By June 2021, this scenario assumes that volumes have reached 50% and 70% of normalised levels, such range reflecting the nuances of specific sub-markets within the overall HORECA market, for example, restaurants, hotels, contract catering. Volumes increase month on month thereafter, reaching a maximum of 85% of normalised volumes by September 2021 with modest increases thereafter to reach 90% of normalised volumes by December 2021. Further modest monthly increases are then assumed throughout 2022.

Delay in Lifting of Restrictions Scenario

In this scenario the gradual recovery in the HORECA market that is assumed within the Base Case is delayed by two months, up to and including September 2021, reaching a maximum of 75% of normalised volumes in September 2021. Revenue in, and beyond, the final quarter of 2021 is then consistent with that assumed in the Base Case, reflective of a successful vaccine rollout and pent-up consumer demand.

Severe but Plausible Scenario

This scenario largely mirrors that within the 'Delay in Lifting of Restrictions Scenario' above, however, further restrictions are assumed during the winter months (for example, maximum group sizes of six) which subdues volumes further.

2) Covenants

As previously announced, at the same time as extending its bank facilities in 2020, the Group also renegotiated its banking covenants such that the pre-existing covenants were replaced, up to and including until the December 2021 covenant test date, with a maximum net debt and a minimum EBITDA threshold. From March 2022, the covenants will revert to a leverage and interest covenant test. In all three scenarios above, the financial projections indicate that the Group would remain in compliance with the financial covenants in its bank facilities. A decline in underlying EBIT/EBITDA well in excess of that contemplated in the scenarios would need to persist throughout the period for a covenant breach to occur. The Directors do not consider such a scenario plausible.

The Group also has a number of mitigating actions under its control (not all of which were included in the scenarios) including minimising capital expenditure to critical requirements, further reducing levels of discretionary spend and rationalising its overhead base in order to be able to meet the covenant tests.

3) Liquidity

The Group extended its committed debt facilities in May 2020. The revised facilities comprise a £135 million revolving credit facility, which matures in August 2023, together with a £40 million accordion facility, which is due to mature in May 2022 but which may be extended for a further one year, subject to lender approval. Quarterly covenant tests allow for maximum bank borrowings of £155 million at each quarter end from September 2020 through to September 2021, reducing to £145 million for the quarter ending December 2021. Thereafter, the maximum net debt covenant falls away and is effectively replaced with a leverage covenant.

Following the successful equity placement that raised net proceeds of £82.7 million, the Group repaid its bank borrowings. As a consequence, the bank facilities available to the Group provide significant liquidity in all scenarios modelled.

Going Concern Statement

After considering the current financial scenarios, the severe but plausible sensitivities and the facilities available to the Group and Company, the Directors have a reasonable expectation that the Group and Company have adequate resources for their operational needs, will remain in compliance with the financial covenants set out in the bank facility agreement and will continue in operation for at least the next 12 months from the date of approving both the Group and Company financial statements. As a consequence, and having reassessed the principal risks and uncertainties, the Directors considered it appropriate to adopt the going concern basis in preparing the Group and Company financial statements.

Viability Statement

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

By order of the Board

Tim Morris
Company Secretary

19 March 2021

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