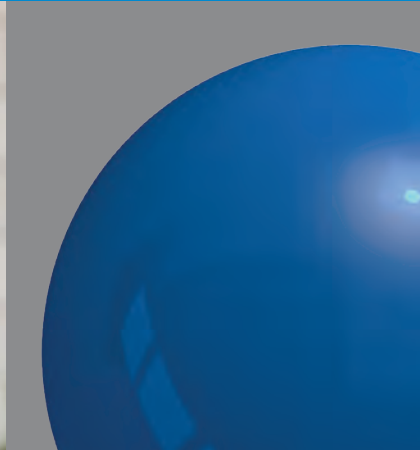




# Positive about future growth

2023 Annual Report & Accounts





# 2023

## ANNUAL REPORT & ACCOUNTS



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# 01

# Strategic Report



# The Board remains confident about the growth opportunities available to the Group



Our employees are the foundation of our business, with a continued focus on delivering outstanding customer service

Progressive dividend policy

Identification of earnings enhancing acquisition opportunities

Completed £10.0 million share buyback programme launched in September 2023

New HORECA site development in Crawley



Acquisitions of Celtic Linen in the Republic of Ireland and Regency in Corsham

Strong balance sheet and capacity for further investment

Operating margin of each individual Division can return towards the historic levels achieved in 2019

Continued capital investment across the estate to increase efficiencies and underpin capacity

The Board remains confident about the growth opportunities available to the Group

"We are pleased to report a strong performance for the year, demonstrating the resilience of our business model against a backdrop of macroeconomic pressures, the strength of our relationships with our customers and business suppliers and the hard work of our employees."

# FINANCIAL HIGHLIGHTS 2023

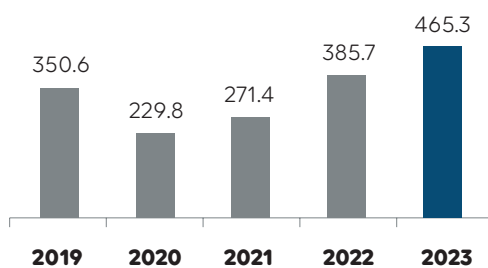


## GROUP OVERVIEW AND HIGHLIGHTS

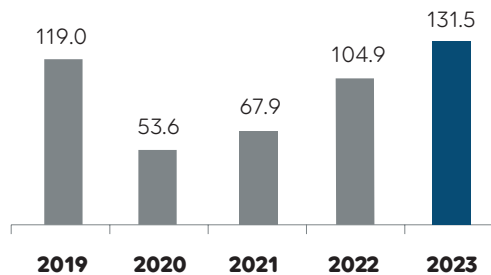
# There is continuing positive momentum moving into 2024

"We remain focused on organic growth initiatives, optimising operational efficiencies and continuing to expand our geographical coverage through the successful execution of our strong M&A pipeline."

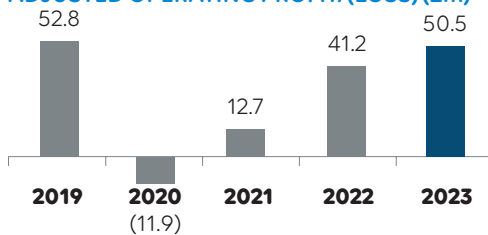
## REVENUE (£m)<sup>1</sup>



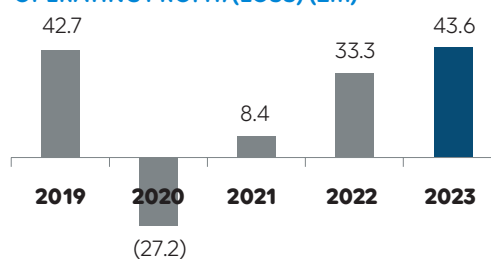
## ADJUSTED EBITDA (£m)<sup>1,2</sup>



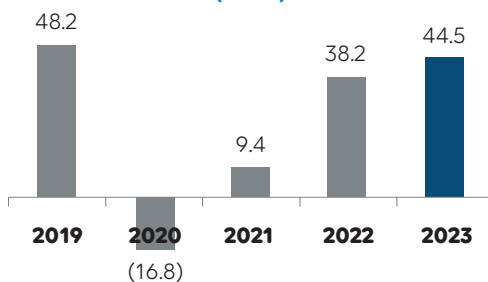
## ADJUSTED OPERATING PROFIT/(LOSS) (£m)<sup>1,3</sup>



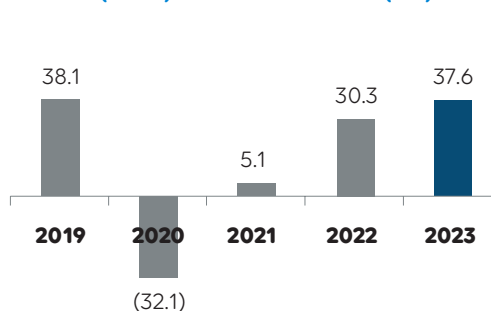
## OPERATING PROFIT/(LOSS) (£m)<sup>1</sup>



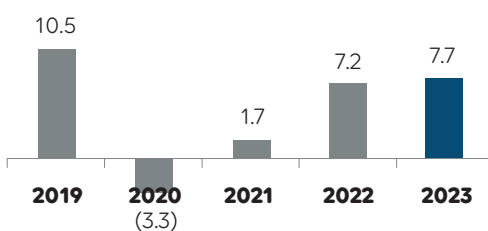
## ADJUSTED PROFIT/(LOSS) BEFORE TAXATION (£m)<sup>1,4</sup>



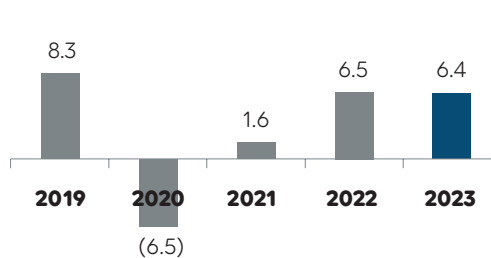
## PROFIT/(LOSS) BEFORE TAXATION (£m)<sup>1</sup>



## ADJUSTED DILUTED EARNINGS/(LOSS) PER SHARE (p)<sup>1,5</sup>



## DILUTED EARNINGS/(LOSS) PER SHARE (p)<sup>1</sup>



### Notes

- All figures are from Continuing Operations.
- "Adjusted EBITDA" is calculated as Adjusted Operating Profit/(Loss) plus the depreciation charge for property, plant and equipment, right of use, textile rental items plus software amortisation.
- "Adjusted Operating Profit/(Loss)" refers to operating profit/(loss) before amortisation of intangible assets (excluding software amortisation), goodwill impairment and exceptional items.
- "Adjusted Profit/(Loss) Before Taxation" refers to Adjusted Operating Profit/(Loss) less finance costs.
- "Adjusted Diluted Earnings/(Loss) per Share" refers to diluted earnings per share calculated based on adjusted profit/(loss) after taxation and, in 2021, 2022 and 2023, excludes the benefit of the capital allowances super deduction which offers 130% first year relief on qualifying spend.

# Chair's Statement

"... the Group has achieved an excellent result for the financial year ..."

## Dear Shareholder

I am delighted to report that the Group has achieved an excellent result for the financial year ended 31 December 2023, positioning the Group well for further sustained growth in the longer term. This success underscores the strength and resilience of our business model, operational expertise, the strength of relationships with our customers and suppliers and, crucially, the dedication and commitment of all of our employees, led so energetically by Peter Egan, our CEO, and his executive leadership team. I wish to express my sincere thanks, on behalf of the Board, to all of our employees for everything that they have done and continue to do for the Group. I also wish to recognise and thank all of our stakeholders for their continued support. As we move into 2024, the Board remains focused on executing the Group's strategy and capitalising on growth opportunities in our markets.

## Financial Results

Total revenue for the year increased by 20.6% to £465.3 million (2022: £385.7 million). This increase delivered an adjusted profit before taxation of £44.5 million (2022: £38.2 million). This performance reflects sustained endeavour across the Group shaped by the strong and energetic leadership of Peter and Yvonne, your Executive Directors, and their management team. Volatility and uncertainty have been a continuing context for our businesses; notwithstanding this, the businesses have sought to satisfy our customers and employees in line with our purpose. Further details of our operational and financial performance can be found on pages 18 to 27.

## Dividends

As determined by our progressive dividend policy, an interim dividend of 0.9 pence per share was paid on 3 November 2023. The Board is pleased to recommend a final dividend of 1.9 pence per share, which reflects the Board's confidence in the prospects of the business. Together with the interim dividend this takes the total dividend for the year to 2.8 pence per share.

## Acquisitions

As previously reported, we completed the acquisition of Regency Laundry Limited ("Regency") on 13 February 2023 and Celtic Linen (comprising Harkglade Limited and its subsidiaries Celtic Linen Limited and Millbrook Linen Limited, (together "Celtic Linen")) on 31 August 2023. The total consideration for these acquisitions was approximately £33.0 million, reflecting our continuing strategy to grow by acquisition, alongside our organic development, where the price is reasonable.

Regency has provided an increased presence in the luxury/ bespoke segment of HORECA in the UK. Celtic Linen, in the Republic of Ireland, represents a step outside of the UK. Additionally, over 50 per cent of Celtic Linen's revenue is in the Irish Healthcare sector (and is the largest linen supplier in the sector), with the balance in HORECA. Both are important strategically and will provide further opportunities for investment and development. We are delighted to welcome all of our new management teams and colleagues and are already seeing ideas and best practice being shared to and from the wider JSG family.

We anticipate that there will be further opportunities for us to invest to strengthen our market positions. Our pipeline remains healthy as we continue to invest in building relationships with independent players. We are also seen as a good "parent" that supports the further development of these businesses.

## A Strong Capital Base

The Group maintains a strong balance sheet and is well positioned to continue to invest in the business to support our long-term growth prospects. The Group's objective is to employ

a disciplined approach to investment, returns and capital efficiency to deliver sustainable compounding growth whilst also maintaining a strong balance sheet. In September 2023, following the ending, on 4 May 2023, of the Group's first share buyback programme of the Company's ordinary shares for up to a maximum aggregate consideration of £27.5 million (excluding expenses), launched in September 2022, the Group launched another share buyback programme of the Company's ordinary shares for up to a maximum aggregate consideration of £10.0 million (excluding expenses) which completed on 27 November 2023.

Our capital allocation policy remains unchanged and considers maintaining a strong balance sheet, ongoing capital investment in our estate, accretive acquisitions, a progressive dividend policy and distributing any surplus cash to Shareholders. Further details of our capital allocation policy are provided on page 27 and further details of the share buyback programmes can be found on page 56.

### Governance and the Board

Companies today are judged, rightly, by their integrity and trustworthiness as well as their financial performance. One of my key responsibilities as Chair is to ensure good governance for the Group. I am extremely well supported in this regard by all the members of the Board, and our General Counsel & Company Secretary, who bring a wealth of skills and experience that complements the talents of our Group management teams. In August, the Board welcomed the appointment of Kirsty Homer as an additional Independent Non-Executive Director. Kirsty has assimilated her role quickly and is already bringing her experience to bear. I would like to thank all of my Board colleagues for their support and valuable contributions as we continue to undertake oversight of the strategic, operational and compliance risks and opportunities across the Group, define our path to success and uphold the high standards expected of us.

The Board conducted a Board evaluation within the Company in the final quarter of 2023. Further details of the evaluation are set out within the Corporate Governance Report on page 74. The 2023 evaluation concluded that the performance of the Board and its Committees continued to be effective in dealing with both day-to-day and ongoing strategic issues and that the Board and Committee structure ensured that the governance requirements of the business were met. Overall, the feedback from Board members was positive, indicating a desire to continue the Board's focus in 2024, primarily, on: strategic development and succession planning; whilst effectively exploiting the growth opportunities that are available to the Group; delivering on the Group's sustainability aims; and continuing to develop and encourage our people.

The CEO and CFO meet regularly with institutional investors to discuss strategic matters and to make presentations on the Group's results. As previously, I also met with a number of our major Shareholders in order to understand more fully their views



and to provide them with an opportunity to raise any questions they had outside of the normal Investor Relations process. The feedback I received from major Shareholders was consistent with that given to the CEO and CFO. My intention is to once again extend this invitation to our major Shareholders during 2024.

### Sustainability

Our belief that embedding a best-in-class sustainability programme throughout our operations will help position us as a leader in responding to the challenges faced by the textile services industry and prove to be a differentiator for our customers remains unchanged. Following the launch of 'The Johnsons Way', our group-wide approach to sustainability, we continue to make excellent progress, refining and executing our strategy around the four 'Pillars' of 'Our Family', 'Our World', 'Our Integrity' and 'Our Communities' and publishing our second Sustainability Report. Further details are set out in the report on Sustainability on pages 28 to 44. I have been particularly impressed by the continued progress we have made in relation to our carbon emissions and water intensity reduction targets as well as the strong engagement of our employees, who delivered over 1,600 volunteering hours during the year.

### Summary and Outlook

We remain excited about our growth opportunities, both organically and through acquisitions, the potential for further revenue and profit growth, improvements in operational efficiencies and returns to shareholders over time. While mindful of macro-economic and geopolitical factors, we are confident that our strategy, scale, focus on operational excellence and the continued commitment of and investment in our people, means that we are well placed to capitalise on future opportunities and the encouraging start to the year. Accordingly, we expect adjusted operating profit for the current financial year to be in line with current market expectations.

**Jock Lennox**  
Non-Executive Chair

4 March 2024





# Strategic Review

## The Strategic Report

The Strategic Report comprises the Group Overview and Highlights, the Chair's Statement, the Strategic Review, Our Commitment to Section 172(1), the Chief Executive's Operating Review, the Financial Review, the report on Sustainability (including the Group Non-Financial and Sustainability Information Statement) and the Principal Risks and Uncertainties.

## 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 Company and its subsidiaries (together, the 'Group') provide textile rental and related services across the UK and the Republic of Ireland. Our 'Workwear' business is the leading supplier of workwear and protective wear in the UK, offering these services through the Johnsons Workwear brand. Our 'HORECA' business provides linen services to hotel, restaurant and catering customers through the Johnsons Hotel Linen brand, the Johnsons Hotel, Restaurant & Catering Linen brand (which incorporates Stalbridge and South West Laundry) and the Johnsons Restaurant & Catering Linen brand (which incorporates London Linen). Also, within HORECA, our Ireland business, trading as 'Johnsons Belfast' in Northern Ireland and as 'Celtic Linen' in the Republic of Ireland, serves both budget and luxury hotel customers and additionally serves a number of healthcare customers.



<p><b>Our Purpose</b></p> <p>Our purpose sets out why we do what we do:</p>	<p><b>We do our job, so our customers can do theirs</b></p> <p>Our purpose is to be an exceptional textile services provider to thousands of businesses every day, delivering sustainable growth and value to all our stakeholders.</p>
<p><b>Our Vision</b></p> <p>Our vision sets out where we want to be:</p>	<p><b>We want to be number one</b></p> <p>Our vision is to be recognised as the home of exceptional quality and sustainable textile services, where our people are integral to our success and where we lead the industry, setting the standards against which others aspire to.</p>
<p><b>Our Mission</b></p> <p>Our mission sets out what we do and how it will contribute to achieving our vision:</p>	<p><b>We do textile services</b></p> <p>Our mission is to provide valuable textiles services by building strong partnerships with our customers and providing exceptional service, quality products and sustainable innovation.</p>
<p><b>Our Values</b></p> <p>Our values set out what we collectively believe in and guide our behaviours – they act as our moral compass as a company:</p>	<p><b>Delivering exceptional service</b></p> <ul style="list-style-type: none"> <li>• We take pride in providing a professional, efficient, reliable and friendly service to our customers.</li> <li>• We are committed to disciplined management of our operations to deliver consistent standards of exceptional quality and to provide a service that our customers can trust.</li> </ul> <p><b>Championing our people</b></p> <ul style="list-style-type: none"> <li>• We embody a culture that recognises and respects the diversity and contribution of all our people and where everyone feels valued.</li> <li>• We promote a work environment where the health, safety and wellbeing of our people is a priority and which provides opportunities and support for everyone to grow and succeed.</li> </ul> <p><b>Caring for our environment</b></p> <ul style="list-style-type: none"> <li>• We care about our impact on the environment and consider ways to protect and enhance it.</li> <li>• We minimise the use of natural resources where possible and make sustainable purchasing choices so that we can leave a positive legacy.</li> </ul> <p><b>Acting in a responsible way</b></p> <ul style="list-style-type: none"> <li>• Operating from a resilient financial platform, we act with professionalism, integrity and the highest ethical standards in everything that we do.</li> <li>• We expect all our relationships to be based on honesty, respect, fairness and a commitment to openness and transparency.</li> </ul> <p><b>Supporting our communities</b></p> <ul style="list-style-type: none"> <li>• We collaborate with our neighbours and wider communities to create strong, long-lasting relationships.</li> <li>• We take part in programmes and activities that directly and indirectly support our communities to grow and thrive.</li> </ul>

Further information covering the activities of the business during the year are set out within the Chair's Statement and the Chief Executive's Operating Review.

# Strategic Review

Continued >



## Our Business Model

The Board's strategy has been to focus the Group on our core businesses, increase the scale of our business both organically and through targeted strategic acquisitions and to be the market leader in textile services in all geographies in which we operate.

The Group's business model, which supports this strategy and aims to increase both profitability and shareholder value, focuses on delivering exceptional customer service across all of our businesses in order to increase customer satisfaction and loyalty and attract new customers.

Like many businesses, we face a number of external cost pressures, in particular those arising as a result of the challenging macro-economic environment, however, in the ordinary course our business model seeks to generate efficiencies in order to mitigate those pressures and to allow us to maintain divisional margin over the medium term. Such efficiencies include:

- investing in the latest machinery technology in order to increase capacity and productivity whilst at the same time reducing energy costs and water consumption;
- taking advantage of operational synergies, for example, redistributing the processing of customer work across our estate of sites in order to take advantage of reduced distribution costs; and
- diligently managing our cost base, including in relation to energy costs.

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

The scale and geographic coverage of our business, together with our focus on customer service, cost control and efficiencies, give us a competitive advantage. We can provide our customers with the best value in terms of quality and cost and this helps drive long term and sustainable organic revenue growth.

We continue to identify opportunities to grow the business organically and actively pursue strategic acquisition opportunities which will broaden our services and geographic spread, add value for Shareholders and consolidate our position as the market leader in textile services in all geographies in which we operate.

## Key Performance Indicators (KPIs)

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



## Viability Statement

The Board is acutely aware that an understanding of the future prospects of the Group is of vital importance to all stakeholders and, as such, a statement, on behalf of the Board, is set out below on the future prospects of the Group.

*"The Directors confirm that, based upon the information and knowledge of which they can be reasonably expected to be aware, they have a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due for a period of not less than 36 months from the balance sheet date."*

The Directors acknowledge the heightened uncertainty of the Group's strategic plans in the current macro-economic environment and, as a result, have considered a range of different scenarios. Financial forecasts are reviewed and approved by the Board, with involvement throughout from the Group CEO, Group CFO and the Group Management Board. Part of the Board's role is to consider the appropriateness of key assumptions, considering the external environment, business strategy and business model of the Group.

Whilst the Directors expect the future prospects of the Group to extend beyond the 36-month period referred to above, this period has been selected, for the purpose of this statement, as:

- it is concurrent with the most recently available financial modelling for the Group;
- the situation with respect to the UK's current macro-economic environment remains uncertain and is likely to continue impacting the Group in the medium term, albeit to a significantly lesser extent than the impact of COVID-19;
- it is consistent with the average contract life of key customers, which provide stable revenue streams, being approximately 36 months;
- the Group has committed banking facilities which although ultimately expire prior to the end of this period, in August 2026, will likely be extended, subject to bank consent, by way of exercising the remaining, one-year, extension option; and
- projections looking out further than 36 months become significantly less meaningful in the context of the Group's operations and markets.

The Directors have a reasonable expectation, having taken into consideration the principal risks and uncertainties facing the Group (as set out on pages 45 to 51) and, inter alia, the points set out below, that the trading performance and cash generation of the Group will not be materially adversely affected within that time frame, as:

- the Group has a committed revolving credit facility of £120.0 million which matures in August 2026, the terms of which provide an option to extend the term for up to a further one year and an option to increase the facility by up to a further £15.0 million, both with bank consent, with significant headroom in terms of availability, which is considered to be sufficient to meet the Group's current requirements throughout that period;
- our diversified customer base, the majority of which have a formal contract in place with varying expiry dates of up to five years, provides a secure future income stream whilst at the same time ensuring that the loss of any single key customer would not materially impact the Group's future trading performance and cash flows;

- the diverse and unrelated nature of the Group's customer base limits concentration of credit risk;
- the Group has prepared financial modelling, covering a three-year period, which has been approved by the Board. Prior to approving the financial modelling, the Board reviewed, challenged and stress tested the financial projections and assumptions contained within the forecasts. The stress tests were designed to determine the performance level that would result in a reduction in headroom against the Group's committed facilities to nil or a breach of covenants. The Directors did not consider such a reduction in performance to be likely and hence were able to conclude that there were no indications of a significant threat to the future prospects of the Group;
- the Group continuously strives to seek out and invest in plant and equipment that will help drive operational efficiencies;
- a significant number of the Group's key processing sites are owned on either a freehold or long leasehold basis thereby providing security of tenure;
- the wide geographic spread of processing sites mitigates the effect of a loss of any single processing facility (as demonstrated during 2020 following serious fire damage at one of our sites and flood damage at another of our sites) and, furthermore, appropriate insurance cover is in place such that the increased cost of working following a loss of processing capacity may, in some circumstances, be recovered; and
- the Group continuously reviews the adequacy and strength of its management teams to ensure that appropriate experience and training is given and develops succession planning as part of the development programmes for our people.

Although the Board is confident of the future prospects of the Group, there remain a number of risks and uncertainties, which are often beyond the control of the Directors, which could mean that actual results and events may differ from those budgeted.

## Strategic Report Approval

The Strategic Report, outlined on pages 4 to 51, incorporates the Group Overview and Highlights, the Chair's Statement, the Strategic Review, Our Commitment to Section 172(1), the Chief Executive's Operating Review, the Financial Review, the report on Sustainability (including the Group Non-Financial and Sustainability Information Statement) and the Principal Risks and Uncertainties.

The Strategic Report was approved by the Board on 4 March 2024.

By order of the Board.

**Christopher Clarkson**  
Company Secretary

4 March 2024

# Our Commitment to Section 172(1)

## Our 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. Our key stakeholders are our people, the communities in which we do business, our customers, our suppliers, our shareholders, non-government organisations as well as Government organisations and regulators. We work hard to ensure that we provide the right resources, energy and focus to meet the expectations of all of our stakeholders. The table below provides a high-level overview of how we engage with our stakeholders. Further details are then provided within the report on Sustainability on pages 28 to 44.

	Description	Areas of focus	Why we engage	How we engage
<b>People</b>	Our employees who work in our business	<ul style="list-style-type: none"> <li>health and wellbeing</li> <li>diversity and inclusion</li> <li>recognition and careers</li> </ul>	Our people are at the heart of our business and key to our ongoing success. We want our people to thrive in a fair and inclusive work environment.	There are many ways we engage, including engagement surveys, employee focus groups, site meetings, internal social media and newsletters.
<b>Communities</b>	The people who live in the local communities around our sites and operations	<ul style="list-style-type: none"> <li>fair employment and equal opportunities</li> <li>local causes and issues</li> <li>health and wellbeing</li> </ul>	To build trust by operating responsibly and sustainably and addressing issues that are material to our communities. To provide employment opportunities to local people to help support the community.	We operate many local employment programmes to recruit and develop people to work in our sites. We partner with charities and organisations to raise awareness and donate funds to help local causes.
<b>Customers</b>	The businesses and organisations to whom we provide goods and services	<ul style="list-style-type: none"> <li>working within defined sectors, we provide solutions to match specific market and customer requirements</li> <li>sustainable customer relationship initiatives</li> <li>technology and innovation to support customer requirements</li> </ul>	By understanding what is important to our customers, we ensure that our services are tailored to support their individual business objectives.	We aim to have open and transparent relationships that are based on honesty and respect. We conduct independent customer surveys which measure satisfaction levels.
<b>Suppliers</b>	Our trusted partners who source and supply products and services to us	<ul style="list-style-type: none"> <li>workplace health and safety</li> <li>supply chain integrity</li> <li>human rights</li> <li>sustainable products</li> </ul>	To develop mutually beneficial and lasting partnerships aimed at addressing shared challenges in responsible and sustainable sourcing and to communicate our supply chain standards, expectations and commitments.	We regularly communicate with our suppliers and we have also hosted multi-supplier conferences. We aim to pay suppliers within agreed contractual terms and endeavour to work in a collaborative manner with them in order to resolve any disputes that may arise.
<b>Shareholders</b>	Individuals or institutions that own shares in Johnson Service Group PLC	<ul style="list-style-type: none"> <li>financial performance</li> <li>competitive positioning</li> <li>strategy and outlook</li> <li>ethical business practices and sound governance</li> <li>leadership and succession planning</li> <li>debt and liquidity</li> <li>sustainability</li> </ul>	Our philosophy is to engage in regular, open and transparent dialogue with our existing and prospective shareholders. We value their thoughts and opinions which are shared with the Board. The Board reviews the feedback and, where relevant, takes appropriate actions to address any concerns.	We engage with our existing investors through one-to-one and group meetings, presentations, conference calls and at our AGM. The Group CEO and Group CFO dedicate significant time to engaging with our major shareholders.
<b>Non-Governmental Organisations (NGOs)</b>	NGOs support us with knowledge and expertise on key industrial, social, environmental and economic issues	<ul style="list-style-type: none"> <li>human rights</li> <li>climate change</li> <li>social issues</li> </ul>	To ensure we stay up to date and develop effective action plans so we can have a positive impact on key social, environmental and economic issues.	We engage with NGOs through regular communications, interactions and meetings as well as through industry association memberships and at forums and conferences.
<b>Government &amp; Regulators</b>	Regional and national government bodies and agencies which implement and enforce applicable laws across our industry	<ul style="list-style-type: none"> <li>public health policies</li> <li>workplace health and safety</li> <li>human rights</li> <li>climate change</li> <li>legal and regulatory compliance</li> </ul>	To communicate our views to those who have responsibility for implementing policy, laws and regulations relevant to our businesses.	We engage through a series of industry consultations, forums and conferences.

## Section 172(1) Statement – Duty to Promote the Success of the Company

Section 172(1) of the Companies Act 2006 (the 'Act') requires the directors of a company to act in a way that they consider, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- a) the likely consequences of any decision in the long term;
- b) the interests of the company's employees;
- c) the need to foster the company's business relationships with suppliers, customers and others;
- d) the impact of the company's operations on the community and the environment;
- e) the desirability of the company maintaining a reputation for high standards of business conduct; and
- f) the need to act fairly between members of the company.

As part of their induction, a Director is briefed on their duties and they can access professional advice on these, either from the Company Secretary or, if they judge it necessary, from an independent advisor. In addition, our nominated advisor (NOMAD) is available to the Board to provide training updates on directors' duties and any relevant legislative changes.

The Board confirms that, during the year, the Board and its individual members have acted in a way that would be most likely to promote the success of the Company, for the benefit of its members as a whole, in the decisions made by the Board during the year. The Directors confirm that the deliberations of the Board, which underpin its decisions, incorporate appropriate regard to the matters detailed in section 172(1) of the Companies Act 2006. During the year, the Board considered information from across the Group's businesses and received presentations from management, reviewed papers and reports and took part in discussions which considered, where relevant, the impact of the Company's activities on its key stakeholders. These activities, together with direct engagement by the Board and individual Directors with the Company's stakeholders, helped to inform the Board in its decision-making processes.

Further details as to how the Directors have fulfilled their duties, together with references to relevant areas within this Annual Report, are set out below. Specific examples of how the Board considered the interests of stakeholders in its principal decision-making are provided on page 67.

The Board acknowledges that balancing the needs and expectations of stakeholders is important, but it often has to make difficult decisions based on competing priorities where the outcome of any decision it makes will not necessarily result in a positive outcome for all of the Group's stakeholders. Decisions are not taken lightly and the decision-making process has been structured to enable directors to evaluate the merit of proposed business activities and the likely consequences of its decisions over the short, medium and long term, with the aim of safeguarding the Company so that it can continue in existence, fulfilling its purpose and creating value for future generations of stakeholders. By considering the Company's purpose, vision and values, together with its strategic priorities and having a process in place for decision-making the Board does, however, aim to make sure that its decisions are consistent and predictable.

## Risk Management

It is vital that we effectively identify, evaluate, manage and mitigate the risks we face as a business. For details of our principal risks and uncertainties, and how we manage our risk environment, please see pages 45 to 51. The Board is also aware that an understanding of the future prospects of the Group is of vital importance to all stakeholders – a statement as such, together with further explanatory information, is set out within our Viability Statement.

## Our Employees

The Group is committed to being a responsible employer. For our business to succeed we need to manage our people's performance and develop and bring through talent while ensuring we operate as efficiently as possible. We recognise that our people are key to the success of the Group and we value the contribution of each and every one of our employees. We strive to create an inspiring working environment where everyone is engaged and motivated. We must also ensure we share common values that inform and guide our behaviour so we achieve our goals in the right way. The Board receives updates on key elements of the people strategy which provides insight into a variety of areas including culture, diversity and inclusion, succession planning, future capabilities and employee engagement. For further details on our employees and equity, diversity and inclusion initiatives within the Group, please see pages 31 to 33.

## Business Relationships

Our strategy prioritises growth, both organically and through acquisition. Organic growth is driven through up-selling services to existing clients as well as bringing new customers into the Group. To do this, we need to develop and maintain strong customer relationships. We value all of our suppliers and have multi-year contracts with our key suppliers. For further details on how we work with our customers and suppliers, please see page 43.

## Community and Environment

The Group's approach is to use our position of strength to create positive change for the people and communities with which we interact, giving back wherever we can. We want to leverage our expertise and enable our people to support the communities around us. We recognise our responsibilities to achieve good environmental practice and to continue to strive for improvement in areas of environmental impact. We are committed to energy efficiency improvement and continue to take steps in a continuous improvement strategy. For further details on how we interact with communities and the environment, please see pages 34 to 39 and page 44.

## Culture and Values

The Board recognises the importance of having the right corporate culture. Our long-term success depends on achieving our strategic goals in the right way, so we look after the best interests of our employees, customers and other stakeholders. Further details on our purpose, mission, vision and values are set out on page 13 whilst details of our corporate culture can be found on page 69.

## Shareholders

The Board is committed to openly engaging with our Shareholders, as we recognise the importance of a continuing effective dialogue, whether with major institutional investors, private or employee Shareholders. It is important to us that Shareholders understand our strategy and objectives, so these must be explained clearly, feedback heard and any issues or questions raised, properly considered. For further details on how we engage with our Shareholders, see pages 68 to 69.

# Chief Executive's Operating Review

"The year has seen significant investment in the business."

## Basis of Preparation

Throughout this statement, and consistent with prior years, a number of alternative performance measures ('APMs') are used to describe the Group's performance. APMs are not recognised under UK-adopted international accounting standards. Whilst the Board uses APMs to manage and assess the performance of the Group, and believes they are representative of ongoing trading, facilitate meaningful year on year comparisons and hence provide useful information to stakeholders, it is cognisant that they do have limitations and should not be regarded as a complete picture of the Group's financial performance. APMs, which include adjusted operating profit, adjusted profit before taxation, adjusted EBITDA, adjusted EPS, adjusted EPS excluding capital allowances super-deduction and adjusted net debt are defined within the Statement of Significant Accounting Policies and are reconciled to statutory reporting measures in notes 2, 8, 11 and 36.

## Trading Performance

### Revenue

Total revenue for the year to 31 December 2023 increased by 20.6% to £465.3 million (2022: £385.7 million). Organic revenue increased 16.3% over 2022, reflecting both an increased volume in hospitality and price increases implemented throughout the year.

### Financial Results

Our 2023 results reflect the increase in revenue offset by the impact of high inflationary pressures on our cost base, particularly in respect of energy and labour. Adjusted operating profit margin was 10.9%, reflecting energy and labour costs, as a percentage of revenue, remaining at an elevated level compared to 2019. As we continue to improve the recovery of these costs, through increasing volumes, efficiencies and price increases, the Board remains of the opinion that the operating margin of each individual Division can return towards the historic levels achieved in 2019.

Adjusted EBITDA increased by 25.4% to £131.5 million (2022: £104.9 million) giving a margin of 28.3% (2022: 27.2%). As expected, we saw this improve from the 26.8% achieved in the first half of the year. Adjusted operating profit was £50.5 million (2022: £41.2 million), an increase of 22.6%, whilst adjusted profit before taxation increased by 16.5% to £44.5 million (2022: £38.2 million).

The exceptional charge of £1.6 million was wholly in respect of costs in relation to business acquisition activity. The exceptional credit of £0.7 million in 2022 was in respect of a £1.5 million insurance receipt, relating to capital items lost in the Exeter fire in 2020, offset by a charge of £0.8 million relating to Exeter site clearance costs.

Statutory operating profit increased to £43.6 million (2022: £33.3 million) whilst statutory profit before taxation, after amortisation of intangible assets (excluding software amortisation) of £5.3 million (2022: £7.2 million), goodwill impairment of £nil (2022: £1.4 million) and the exceptional items referred to above, increased to £37.6 million (2022: £30.3 million).

Adjusted diluted earnings per share was 7.8 pence (2022: 8.0 pence), noting that the prior year materially benefitted from the capital allowances super-deduction. Excluding the benefit of the super-deduction, adjusted diluted earnings per share was 7.7 pence (2022: 7.2 pence).

### Dividend Reflecting Confidence in the Future

An interim dividend of 0.9 pence (2022: 0.8 pence) per share was declared at the time of announcing our interim results. We are pleased to recommend a final dividend of 1.9 pence per share, taking the full year dividend to 2.8 pence (2022: 2.4 pence) per share. Dividend cover was 2.75 times, based on adjusted EPS excluding capital allowances super-deduction, and in line with our commitment to reduce cover to 2.5 times for full year 2024.



### Acquisition of Regency and Celtic Linen

In line with our capital allocation policy, the Group has continued to seek out and acquire businesses which expand our geographic coverage and are earnings enhancing. During 2023, we completed the acquisition of Regency Laundry Limited ('Regency') and Harkglade Limited, along with its wholly owned subsidiaries Celtic Linen Limited and Millbrook Linen Limited ('Celtic Linen').

## Operational Review

### Our Businesses

The Group comprises of Textile Rental businesses which trade through a number of very well recognised brands, servicing the Workwear sector in Great Britain (GB) and the HORECA (Hotel, Restaurant and Catering) sector in GB and in Ireland, both North and South. The 'Johnsons Workwear' brand predominantly provides workwear rental and laundry services to corporates across all industry sectors in GB. Within HORECA in GB, 'Stalbridge' and 'London Linen' provide premium linen services to hotel, restaurant, hospitality and corporate event customers, 'Regency' provides bespoke linen to its four and five-star luxury hotel customers and 'Johnsons Hotel Linen', our high-volume linen business, primarily serves corporate independent and budget hotel customers. Also, within HORECA, our Ireland business, trading as 'Johnsons Belfast' in Northern Ireland and as 'Celtic Linen' in the Republic of Ireland, serves both budget and luxury hotel customers and additionally serves a number of healthcare customers.

The year has seen significant investment in the business, both in terms of improving existing sites and a new build to support future growth, together with expanding our range of services and geographical coverage through acquisition.

### Energy

Energy costs (comprising gas, electricity and diesel) have remained volatile throughout the year and continue to be so, albeit to a lesser extent than experienced during 2022. Costs for 2023 represented 10.0% of revenue and were higher than both 2022 and 2019 (2022: 9.4%; 2019: 6.2%).

We have continued our policy of proactively fixing energy prices and, as at the end of February 2024, we had fixed 96% of our anticipated electricity usage and 91% of our anticipated gas usage for the first half of 2024 and 90% and 87%, respectively, for the second half of 2024. In addition, we have hedged 85% of our anticipated diesel requirement across 2024.

Looking further ahead, we will continue to lock in prices as opportunities allow. For 2025, we currently have, based on our anticipated usage, 62% electricity, 61% gas and 51% diesel at fixed prices, with reducing amounts into 2026.

### Labour

Labour remains the biggest cost of our operations. In the year to 31 December 2023, labour as a percentage of revenue reduced to 44.0%, compared to 45.1% in the six months to 30 June 2023, 47.0% in the year to 31 December 2022 and 43.0% in the year to 31 December 2019. We remain encouraged by the improving efficiency as volumes have returned during 2023 but note that further improvements are challenged by increasing labour rates and a new site opening in 2024.

### Workwear Division

Operating as Johnsons Workwear, we provide workwear rental and laundry services to customers throughout GB, ranging from small local businesses to the largest companies covering food related and other industrial sectors.

Revenue for the Workwear division increased by 5.9% to £142.6 million (2022: £134.6 million). Adjusted EBITDA was £48.6 million (2022: £46.6 million) with a margin of 34.1% (2022: 34.6%). Adjusted operating profit was £21.4 million (2022: £21.9 million), noting that the prior year did benefit from a £1.1 million credit relating to the finalisation of the Exeter insurance claim in respect of additional costs incurred in 2020 and 2021.

Throughout the course of 2023, our focus was directed towards fostering organic growth within the division. The strategy involved meticulous planning, innovative initiatives and strategic investment to ensure a sustainable pathway that aligns with our objectives. Benefitting from this strategy, the sales team is experiencing notable momentum which has resulted in increased activity with prospective customers. New sales during the year reached the highest level since COVID-19 impacted in 2020, with the wins in the final months of 2023 positively impacting into 2024. Our ability to assure the microbiological quality of processed textiles allowed the team to identify and capitalise on new market opportunities, successfully securing a significant contract within a market sector new to the division. Notably, we have continued to attract new customers to the benefits of a textile rental service, with new-to-rental customers representing 25% of our total new sales sold in the year.



# Chief Executive's Operating Review

Continued >

Our sustained commitment to enhancing customer service has yielded tangible results, marked by an improvement in customer satisfaction survey results – the latest new customer survey reporting at 87.0% and existing customers reporting 86.2%. This positive shift can be attributed to a dedicated effort in actively listening and reacting to customer feedback, in addition to investment in training programmes to further equip our colleagues with the skills and knowledge needed to deliver exceptional customer service.

Despite economic uncertainties affecting a small percentage of our customer base, our customer retention remains strong at 91%, highlighting the effectiveness of our service teams' ability in renewing the contracts of existing customers.

Our commitment to advanced automation systems saw the successful installation of a state-of-the-art sortation system at our Hull and Perth sites, boosting our capacity and increasing efficiency. An extensive refurbishment project was undertaken across multiple sites, focusing on enhancing environmental aspects such as lighting, office space and employee welfare facilities. This project was complemented by our ongoing investment in machinery replacement programmes. Investment in our commercial fleet has also continued, with the replacement of forty-three vehicles during the year.

Our procurement department continues to work collaboratively with suppliers and has implemented measures to safeguard the availability and effectiveness of essential items, addressing challenges arising from supply chain disruptions. Notably, a significant milestone was reached during the year with the successful execution of our garment end-of-life programme which ensures that some 95% of garments are recycled with the remainder being repurposed.

## HORECA Division

The total revenue for the HORECA division increased by 28.5% to £322.7 million (2022: £251.1 million). Volumes have continued to increase throughout the year and the division now incorporates the two acquisitions completed during 2023. On an organic basis, revenue increased by 21.9%, benefitting from strong customer retention, higher volumes and price increases implemented across the division in order to help offset the high level of cost inflation experienced. Following significant investment in the division, both in terms of improving existing sites and a new build to support future growth, we are well placed to expand further in this market which an independent study, commissioned by the Group, estimated the total addressable market for commercial laundry services to the HORECA industry in Great Britain to be £1.3 billion.

Adjusted EBITDA for the year increased by 42.4% to £89.7 million (2022: £63.0 million) with a margin of 27.8% (2022: 25.1%). The adjusted EBITDA margin in the second half of the year was 29.9%, compared to 25.2% in the first half. Adjusted operating profit was £36.0 million (2022: £24.1 million). Costs incurred in 2023 in respect of the new Crawley site, which is not yet operational, amounted to £1.0 million and will continue to have an impact on margin as volumes start to build from the second half of 2024.

The Hotel, Restaurant and Catering business, which includes Johnsons Stalbridge and London Linen, has continued to make good progress in 2023.

We have continued to expand and invest in our operating sites. Additional operating space was created in Grantham, Hayle, Shaftesbury and Wrexham through a combination of building improvements and extensions. New and replacement ironer lines came on stream in Glasgow, Grantham, London Linen, Shaftesbury and Wrexham, processing increased volumes, improving production efficiency and reducing energy use. Our use of recycled water has further increased with a now fully operational installation in our Hayle site adding to the original Shaftesbury installation. We continue to examine where else this technology can be best implemented going forward.



We have continued to replace plastic shrink wrap with paper banding whilst Hydrotreated Vegetable Oil, a fossil-free alternative to diesel, is being used to power a small number of our commercial vehicles. We also have six fully electric commercial vehicles operating in central London, where mileage and payloads allow, and all our processing locations have charging points to support our increasing use of electric vehicles in our company car fleet.

New sales remain strong and, as well as achieving above target independent sales, we have signed and installed some multi-site group business. These new wins can be attributed to our reputation for reliability, flexibility and great service delivery. Our service and quality levels have remained high, as evidenced in our annual customer survey results which reflected an improved score of 87.5%, with several of our sites achieving a world class score of over 90.0%.

Work on our new Crawley site is well underway and remains on course to open in the second half of 2024. This new location will support the ongoing successful growth of the business and will promote our commitment to energy and water usage efficiencies. Of the estimated £16.0 million total capital investment, some £6.9 million was spent in 2023.

Since its acquisition in February 2023, Regency continues to make good progress integrating into the wider JSG business and a £1.4 million capital investment project is underway in the Corsham facility to increase capacity and site resilience. Efficiency benefits already coming through in reduced drying times on heavier towelling items are complementing our commitment to improving energy utilisation.

A website rebrand and strong social media presence, further emphasising the quality offering of Regency, went live at the end of 2023. We are pleased to report very strong customer loyalty and retention, whilst also focusing on new sales growth through direct and digital marketing channels. There have been some key wins of luxury four and five-star hotels with over 450 rooms added since acquisition and the geographical reach is being extended east towards London.

Within Hotel Linen, additional new business, as well as organic growth within existing contracts, added to volume. Overall volumes during the second half of 2023 were in line with our expectations. A small number of customers have continued in their revised practices of changing both beds and towels less frequently and the number of independent and group hotels either partly or fully committing to Government contracts and providing accommodation for refugees was maintained at 2022 levels. We have addressed this change in practice by continuing to add rooms from both existing and new hotel groups.

A consistent service, with delivery on time and in full, was a key objective achieved in 2023. Our external Customer Satisfaction survey scored 84.9% with both our Birmingham and Reading sites achieving a world class score in excess of 90.0%. Our new Customer Service Visit App was successfully rolled out, enabling effective real-time feedback from customers. Key performance indicators of shortages and rejects were both below 1%. All new business was installed professionally and efficiently, with excellent feedback from customers.

Our local and national service teams continue to build strong relationships with all customers, with continued positive feedback regarding the online Linen Room and Customer Portal. Price negotiations have been challenging although customers have been understanding and supportive with regard to our cost increases, which is a reflection of our partnership approach.

We have continued to invest in our employee welfare facilities and targeted investment, with a focus on reducing energy and water usage and improving production efficiencies, across the estate through the installation of various items of equipment. A robotic towel folder has recently been installed in Bourne and early indications on its performance are encouraging. Dynamic production data capture has been installed in three sites, with the remaining to follow in the first half of 2024. Furthermore, processing capacity in our Bourne facility will be increased in the first quarter of 2024 with some £3.0 million invested in the site. Lead times for new vehicles improved during the year with some 60 vehicles delivered, including a new double decker trailer and tractor unit, with another two for delivery in the first half of 2024.

# Chief Executive's Operating Review

Continued >

The overall business intelligence, data gathering, reporting and benchmarking continues to be developed with further plans for 2024. Improving the customer experience remains a key focus with all departments demonstrating excellent teamwork to achieve our objectives.

Following the acquisition of Celtic Linen in August 2023, the management of Johnsons Belfast has been integrated with that of Celtic Linen so that the service in Ireland, both North and South, achieves optimum levels. The process of integrating Celtic Linen into the wider JSG family is progressing well and the developments and changes have been welcomed by the team.

Post-acquisition trading levels at Celtic Linen were slightly ahead of our expectations, with the hospitality season performing well post the summer. This was also complemented by the installation of new business in November and December in the form of some 1,200 new rooms. Healthcare continued at expected levels and supply was fully met over the busy Christmas period, with hospitals running at full capacity. A maintained strong focus on customer service levels resulted in customer satisfaction ratings remaining consistently high and customer retention remains very strong.

The capital investment plan for Celtic Linen's Wexford site, which was underway at the time of acquisition, was completed in the final quarter of the year. The installation of the new equipment increases capacity and resilience of the site with the focus on best-in-class processing and energy efficiency. Additional investment in our Belfast site was largely completed during 2023 with additional improvements to the offices planned for 2024.

The previously announced 12% increase to the statutory minimum wage in the Republic of Ireland, effective 1 January 2024, coupled with other changes in employment costs has led to some challenges in what was already a very competitive labour market and we are working through the implications of this with both our customers, in terms of price increases, and internally reviewing our processes to ensure maximum efficiency.

## Sustainability

The Board, as a whole, has overall responsibility for environmental, social and governance matters and we recognise our duty to stakeholders to operate the business in an ethical and responsible manner. We remain committed to further developing our environmental and social responsibility agenda, recognising that it plays a major part in leading and influencing all of our people and operations.

In February 2022, we published 'The Johnsons Way', which sets out the Group's sustainability targets for 2030, and we have since published subsequent Sustainability Reports in February 2022 and October 2023. All documents can be found on our website at [www.jsg.com](http://www.jsg.com).

We have continued to build on the foundations of our sustainability strategy with communication and involvement of employees at all levels being a key focus.

Further details of our achievements during 2023 and our targets for 2024, ongoing initiatives and actions for the future will be set out within the Group's 2023 Annual Report.







## Employees

We would like to welcome all new employees to the Group, particularly those that have joined us through acquisition. Our employees are the foundation of our business and are key in our ability to deliver customer service levels which exceed our customers' expectations. The teamwork, dedication and determination demonstrated in order to deliver a professional and on time service to our customers is a credit to each and every one of them. The Board would like to thank them for their support, hard work and significant contribution to the success of the business over the last 12 months.

Training, educating and developing our employees to their fullest potential remains a key focus of the Group. New training programmes have been implemented to enhance core skills and to provide an environment to support clear pathways for career advancement and succession planning.

Our commitment to employee engagement, fostering a positive work environment and improving employee wellbeing has continued throughout the year. Numerous initiatives have been rolled out during the year and, within the UK, we were delighted that the results from the latest Employee Engagement surveys showed a positive trend and an overall improvement on the previous year. A further survey will be undertaken in the final quarter of 2024 and will also be rolled out to our new colleagues at Celtic Linen and Regency.

## Outlook

Our scale, expertise and operational excellence mean that we are well placed to capitalise on opportunities and the Board remains confident about the growth opportunities available to the Group.

Whilst economic challenges and their impact on customer behaviour remain difficult to predict, we have a resilient business model to help mitigate these challenges and to address inflationary pressures which continue to impact the business. We have continued to fix a proportion of our future energy costs and improve the efficiency of our sites to help offset and stabilise our cost base and we are continuing to engage with our customers regarding the pricing of our services as we advance through 2024. New sales across the business are a focus, particularly in the regions where we are adding capacity.

We have started 2024 positively, with a larger business operating in an expanded geography. We are continuing to focus on expanding the Group through targeted investment in our existing sites together with identifying earnings enhancing acquisition opportunities. We have a strong balance sheet to support these plans.

Given the encouraging start to the year, the Board expects adjusted operating profit for the year to be in line with current market expectations.

**Peter Egan**  
Chief Executive Officer

4 March 2024

# Financial Review

"The Group has undertaken two recent share buyback programmes which, in the period September 2022 to November 2023, utilised cash of £35.5 million, of which £29.9 million was utilised in the twelve months ended 31 December 2023."



## Financial Results

Total revenue for the year to 31 December 2023 increased to £465.3 million (2022: £385.7 million).

Adjusted EBITDA was £131.5 million (2022: £104.9 million) giving a margin of 28.3% (2022: 27.2%) and, in-line with management expectations, improving from the 26.8% margin achieved in the first half of 2023.

Segmental revenue, adjusted EBITDA and adjusted EBITDA margin are as follows:

	2023			2022		
	Revenue £m	Adjusted EBITDA £m	Margin %	Revenue £m	Adjusted EBITDA £m	Margin %
Workwear	142.6	48.6	34.1	134.6	46.6	34.6
HORECA	322.7	89.7	27.8	251.1	63.0	25.1
Central Costs	–	(6.8)	–	–	(4.7)	–
<b>Group</b>	<b>465.3</b>	<b>131.5</b>	<b>28.3</b>	<b>385.7</b>	<b>104.9</b>	<b>27.2</b>

Statutory operating profit was £43.6 million (2022: £33.3 million) whilst adjusted operating profit was £50.5 million (2022: £41.2 million).

The total finance cost was £6.0 million (2022: £3.0 million) and included £3.4 million (2022: £1.6 million) of bank interest, £2.1 million (2022: £1.5 million) of interest in respect of IFRS 16 lease liabilities and £0.5 million (2022: £nil) in respect of notional interest on pension liabilities.

The exceptional charge of £1.6 million (2022: £0.7 million credit) are costs in relation to business acquisition activity. In 2022, the exceptional credit related to another receipt of £1.5 million of insurance proceeds, relating to the final receipt for capital items and property costs in relation to the 2020 Exeter site fire, offset by costs of £0.8 million in relation to Exeter site clearance costs.

Adjusted profit before taxation was £44.5 million (2022: £38.2 million). Statutory profit before taxation, after amortisation of intangible assets (excluding software amortisation) of £5.3 million (2022: £7.2 million) and exceptional items of £1.6 million (2022: £0.7 million credit), was £37.6 million (2022: £30.3 million).

Adjusted diluted earnings per share was 7.8 pence (2022: 8.0 pence). Excluding the benefit of the capital allowances super-deduction, which had limited impact in 2023, the adjusted diluted earnings per share was 7.7 pence (2022: 7.2 pence).

## Financing

Bank debt at the end of the year was £61.7 million (December 2022: £13.7 million) reflecting the improved trading performance, continuing significant capital investment, the acquisition of Regency and Celtic Linen and a cash outflow of £29.9 million in respect of the share buyback programmes completed in the year. Including IFRS 16 liabilities, net debt at December 2023 was £104.9 million (December 2022: £48.0 million).

The Group remains well funded, with access to a committed revolving credit facility of £120.0 million which matures in August 2026. The terms of the facility provide an option to extend the term for up to a further year and an option to increase the facility by up to a further £15.0 million, both with bank consent. The facility is considerably in excess of our anticipated level of borrowings.

Bank covenants comprise gearing and interest cover tests. Gearing, for bank purposes, is calculated as adjusted EBITDA compared to total debt, including IFRS 16 liabilities. The agreed covenant is for the ratio to be not more than three times and the ratio at 31 December 2023 was 0.77 times. Interest cover compares adjusted operating profit to total interest cost, with a minimum covenant ratio of four times. Our current scenario planning provides significant headroom against the covenants.

Interest payable on bank borrowings is based upon SONIA or, in the case of Euro denominated borrowings, EURIBOR, plus a margin linked to our gearing covenant and will range from 1.45% to 2.25%. The current margin is 1.45%.

## Taxation

The tax rate on the adjusted profit before taxation was 25.8% (2022: 6.8%). The rate is above the headline corporation tax rate in the UK of 23.5% due to the effect of expenses not deductible for taxation and short-term timing differences, offset by the tax rate in ROI being 12.5%. The rate is materially higher than the rate in 2022 which was significantly impacted by the capital allowances super-deduction of 130% of capital spend. The super-deduction allowance, which resulted in a permanent reduction in the tax charge whilst in operation, ended on 31 March 2023 and had little impact on the 2023 tax rate.

Corporation tax paid in the year amounted to £1.6 million compared to a refund of £3.5 million in 2022 which was in respect of prior year tax losses. The announcement of full expensing rules for UK capital expenditure from 1 April 2023 will reduce the cash tax payable by the Group below the tax charge whilst those rules remain in place.

## Dividend

The Board declared an interim dividend of 0.9 pence (2022: 0.8 pence) per share in September 2023. The proposed final dividend of 1.9 pence per share brings the total dividend for 2023 to 2.8 pence (2022: 2.4 pence) per share.

The final dividend, if approved by Shareholders, will be paid on 10 May 2024 to Shareholders on the register at close of business on 12 April 2024. The ex-dividend date is 11 April 2024. Dividend cover, based on adjusted EPS excluding capital allowances super-deduction, was 2.75 times and it remains the Board's current intention to reduce cover to 2.5 times by financial year 2024.

## Cash Flow

Free cash flow in the year (calculated as net cash generated from operating activities, less net spend on textile rental items, less the capital element of leases) was £55.2 million compared to £39.1 million in 2022. Of this, we invested £31.1 million (2022: £22.4 million) in the purchase of property, plant and equipment and software, as we proactively invest in the business to increase capacity and efficiency across the estate. Offsetting this spend in 2022 was £1.5 million received as part of the insurance claim in respect of capital items.

# Financial Review

## Continued >

Free cash flow in 2023 reflected a more normalised level of net working capital with an outflow of £0.3 million (2022: £8.2 million).

### Investment in Textile Rental Items

Spend on textile rental items amounted to £61.9 million (2022: £52.5 million). The increase reflects the growth of the Group, both organically and through acquisition. We have long term relationships with our garment and linen suppliers and we continue to work collaboratively to ensure continuity of supply of quality products.

### Capital Investment And Acquisitions

We have continued to invest in plant and equipment, spending £31.1 million in the year. The spend includes £6.9 million in respect of the new Crawley site, with a further £9.1 million expected to be invested in the site in 2024. We are continuing with our programme of investing in our sites to expand capacity, increase water and energy efficiencies and improve employee welfare facilities.

The £5.75 million acquisition of Regency in February 2023 was a further step in expanding our range of services to four and five-star luxury hotel customers. Investment of some £1.4 million is underway in the Regency site in Corsham to expand its processing capacity and increase resilience.

In August 2023 we acquired the Celtic Linen business in the Republic of Ireland for a consideration of €31.5 million (£27.1 million). Capital investment at Wexford, which was ongoing at the time of acquisition, and had been initially recognised as a lease liability of £1.1 million by Celtic Linen, was paid in September 2023.

### Defined Benefit Pension Scheme Liabilities

On an IAS 19 basis, the Scheme deficit as at 31 December 2023 was £nil (2022: £7.1 million deficit (net of deferred taxation)). Scheme assets had reduced by £2.8 million, to £145.4 million, after paying out benefits of £10.3 million during the year whilst Scheme liabilities had reduced by £12.2 million to £145.4 million. The improved position reflects the results of the triennial actuarial valuation of the Scheme, as at 30 September 2022, and the payment of deficit recovery contributions offset, to a lesser extent, by adverse inflation experience and lower than expected asset returns over the period. As a result of the deficit being nil, the estimated net notional interest cost in 2024 will be £nil (2023: £0.5 million).

The triennial actuarial valuation of the Scheme, which is prepared on a "technical provisions" basis, was completed during the year and showed that the Scheme had a surplus of £6.3 million at that time. In order to reduce the value of risk of the Scheme, a 75% target for the interest rate and inflation hedge ratios remains in place and is subject to ongoing review. The Scheme's asset allocation remains under constant review to ensure it aligns with the medium-term objective of a buy-out of Scheme liabilities.

In view of the Scheme surplus shown at the valuation date, we have agreed with the Trustee that the deficit recovery payment of £1.9 million per annum, which was being paid in equal monthly instalments, ceased from the end of October 2023 and will be reviewed again at the time of the valuation as at 30 September 2025.

### Return on Capital Employed (ROCE)

ROCE, calculated as rolling 12-month adjusted operating profit divided by the average of opening and closing Shareholders' equity, net debt and post-employment benefit obligations, increased to 13.9% at 31 December 2023 (2022: 12.2%).



## Capital Structure and Share Buyback Programme

The Group maintains a strong Balance Sheet. The reduction in net assets to £279.1 million (2022: £284.6 million) is reflective of the share buy-back programmes completed during 2023 which reduced Retained Earnings by £29.8 million.

The Group's medium to long-term intention is to return the capital structure such that we target leverage of 1.0x – 1.5x, other than for short-term specific exceptions. Under this framework, our capital allocation policy remains unchanged and will continue to take into account the following criteria as part of an ongoing review of capital structure:

- maintaining a strong balance sheet;
- continuing capital investment to increase processing capacity and efficiency;
- appropriate accretive acquisitions;
- operating a progressive dividend policy; and
- distributing any surplus cash to Shareholders.

The Group has undertaken two recent share buyback programmes which, in the period September 2022 to November 2023, utilised cash of £35.5 million, of which £29.9 million was utilised in the twelve months ended 31 December 2023.

## Going Concern

After considering the monthly cash flow projections, the stress tests and the facilities available to the Group and Company, the Directors concluded that there was 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 period to 30 June 2025. Accordingly, and having reassessed the principal risks and uncertainties, the Directors considered that it was appropriate to adopt the going concern basis in preparing the Group and Company financial statements.

## Key Performance Indicators ('KPIs')

The main KPIs used as part of the assessment of performance of the Group, and of each segment, are growth in revenue, adjusted EBITDA margin, adjusted operating profit/(loss) and adjusted diluted earnings/(loss) per share. In addition, the adjusted diluted earnings per share excluding the impact of the capital allowances super-deduction also formed part of the assessment. ROCE is also used as part of the assessment of performance of the Group. Non-financial KPIs, as referred to within the Chief Executive's Operating Review, include our employee and customer survey results and customer retention statistics.

## Summary

The focus of the Group continues to be to expand our Textile Services business through targeted capital investment, to allow organic volume growth, and through acquisition.

**Yvonne Monaghan**  
Chief Financial Officer

4 March 2024



The  
**Johnsons**  
way

Change today. Change the future.

## Sustainability and Group Non-Financial Information Statement

Pages 28 to 44 constitute the Group Non-Financial Sustainability Information Statement for the Company (required pursuant to sections 414CA and 414CB of the Companies Act 2006 to the extent applicable to the Company by virtue of the Company's securities being admitted to trading on the market known as the Alternative Investment Market).

## 2023 Achievements at a Glance

- Achieved a **7% reduction** in our carbon intensity compared to 2022 performance.
- Reporting of our full **Scope 3 emissions baseline** for the **first-time**.
- Achieved a **6% reduction** in our water intensity rate compared to 2022 performance.
- Launched new Supplier Framework and actively engaged with **120 key suppliers**.
- **56%** of cotton purchases were **Better Cotton Sourced** which promotes more sustainable farming practices.
- £180,000 total Social Value from JSG charitable giving and community activities, **increasing 124%** from 2022.
- Significant increase in volunteering hours from 129 in 2022, to 1,611 in 2023.
- 5,072 employees completed training across 82 specific health and safety courses, resulting in a total of almost **28,000 courses** completed.

# Sustainability



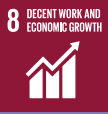





"Sustainability matters to us at Johnsons not only because it is the responsible way of operating but also because it is a differentiator for us and the service we offer to our customers."

**Peter Egan**



In 2023 we continued to demonstrate our commitment to sustainability across every area of our business. We have made excellent progress embedding our strategy, 'The Johnsons Way' into our every-day operations. During the year we have had a strong focus on understanding how we can better respond to the needs of our Johnsons family by improving awareness around ED&I and developing a long-term strategy to ensure we create an inclusive workplace and ensuring greater ownership and accountability within the individual businesses for data, specifically the Our World topics.

### Looking forward – our objectives and targets for 2024 and beyond

	Aim	2030 Target	2024 Focus Area
<b>Our Family</b>   	By taking care of our Johnsons family and ensuring everyone feels that they belong we will deliver a first-class employee experience every day.	An Effective ED&I programme  Developing the Academy to provide life-long learning and career paths	Embedding sustainability into job roles  Businesses to develop ED&I action plans in alignment with the Group's ED&I Strategy
<b>Our World</b>  	By reducing our natural resource consumption and completing the transition to a fully circular approach for our operations, we will protect and enhance our environment.	Reduce Scope 1 and 2 CO2e emissions intensity by 40%  Reduce water consumption intensity by 25%  Reduce waste to landfill by 75%  Eliminate single use plastics	Reduce Scope 1 and 2 CO2e emissions intensity by 3%  Reduce water consumption intensity by 2%  10% reduction of single use plastics purchased
<b>Our Integrity</b> 	By continuing to demonstrate our integrity and commitment to responsible business practices we will position the organisation for future stability and growth.	Fully sustainable core products as the preferred offerings  Ethical Business Conduct (internal and external)	Increasing the percentage of sustainable content in our products  Publishing our roadmap for sustainable content
<b>Our Communities</b>  	By further understanding the communities impacted by what we do, we can form better collaborative partnerships to support them as they grow and develop.	Increase our social value spend as a % of revenue	Delivering 3,000 employee volunteering hours  Increase our social value contribution by 40%

# Sustainability

Continued >

## The Johnsons Way – Our Strategic Approach

The Johnsons Way provides a long-term strategic approach to managing the Group's social and environmental impacts and responsibilities. It comprises of four "pillars" – Our Family, Our World, Our Integrity and Our Communities.

In 2023, we continued to demonstrate our commitment to sustainability across every area of our business. We have made excellent progress against our strategy and continue to embed the programme into everyday business to ensure we meet our Vision 2030 Goals. Moving forward, we are committed to ensuring our people are safe, feel valued and engaged, achieving a transition towards decarbonising our operations, reducing our environmental impact and providing social and economic support to our local communities.

## Selected 2023 Ratings and Benchmarks

We participate in several external sustainability reporting programmes including:

- Sustainability (where, for 2023, JSG has a "Low Risk" rating (score of 18));
- An annual disclosure via CDP (where, for 2023, JSG achieved a "B-" rating in the Climate Change disclosure and "C" in the Water disclosure);

Our engagement in these programmes enables us and our stakeholders to benchmark our sustainability performance and inform strategic decisions relating to sustainability, enabling the Group to communicate its commitment and identify opportunities for improvement.

## Our Sustainability Governance Structure



## Sustainability Committee

Sustainability is managed at the highest levels of the organisation by a committee of the Board, the Sustainability Committee (the 'Committee'), whose purpose is to provide advice on sustainability strategy, compliance and performance. As we increase our focus on climate impact, the oversight, remit and responsibilities of the Committee will also increase. The Committee's membership is comprised of the Group's Management Board (which includes the Company's Executive Directors) plus the Group's Head of Sustainability. The Committee is chaired by the CEO and reports into the Board. Whilst not members of the Committee, the Non-Executive Chair and the Independent Non-Executive Directors of the Company are also entitled to attend meetings of the Committee. Key responsibilities include:

- Monitoring Group compliance with legislation and radar scanning for new requirements.
- Overseeing periodic materiality assessment reviews to ensure the Group's material issues remain appropriate.
- Providing advice to the Board on strategic approach, sustainability performance and progress towards targets.
- Providing an advisory role to the Board on the Group's appetite and tolerance with respect to climate risks.

## Executive Pillar Sponsors and Pillar Working Groups

As part of our commitment to delivering the sustainability strategy and framework, each pillar has an Executive Sponsor who has been appointed by, and sits on, the Group Management Board. This allows for senior management leadership and ownership of the development and achievement of the strategic goals in each area. During the reporting period the pillar working groups have continued to actively develop action plans that enable us to translate our strategic aims and targets into tangible and measurable actions.

## Group Sustainability Team

The Group Sustainability Team retains day to day responsibility for managing the sustainability programme and ensuring all aspects are being progressed as required. They also act as subject matter experts providing strategic guidance and support to the businesses, the pillar sponsors, the CEO and the Board.





## Our Family

### Our Family Achievements and Performance Summary

We recognise that our people are key to the success of the Group and we value the contribution of each and every one of our employees. The Group's aim is to be the employer of choice in our industry through delivering a first-class employee experience every day for all our colleagues. **The Johnsons Family** means ensuring everyone feels that they are included and valued and that they belong, that all our colleagues have equality of opportunity and reward, that we support improved health and wellbeing in our teams and that we foster a positive culture with open and honest engagement and communication.

### Health, Safety & Wellbeing (HS&W)

Our number one priority is looking after the health, safety and wellbeing of our employees, visitors and others impacted by our operations.

Health and safety (H&S) matters are a permanent agenda item at all Group and subsidiary board meetings. A summary report outlining the Group's activities is provided on a regular basis for Group board meetings, including up to date statistics relating to accidents and incidents that have occurred since the last report.

The Group has policies, procedures and standards in place, which are continuously updated, to ensure compliance with legal obligations and industry standards. H&S audits and risk assessments are undertaken across the Group annually, these checks are monitored and recorded with any observations dealt with promptly.

### Group H&S Policy

The Group H&S statement is updated at least annually and outlines our commitment to H&S and the responsibilities of individuals.

The Group H&S Team consists of four Regional Safety Managers under the leadership of the Group Head of Health and Safety who reports to the CEO. Additionally, all sites have one team member role dedicated to H&S matters.

Since further expanding the central H&S resource, in 2023, improvements have continued to be made to accident investigations, risk assessments and management of incidents.

Looking forward, the plan for 2024 aspires to make further improvements by:

- Reviewing our current risk assessment documentation to identify potential improvements.
- Improving data collection for accident statistics to allow better performance tracking.
- Reviewing key procedures and policies to clarify requirements.
- Upskilling site General Managers and H&S personnel by enrolment on relevant H&S training programmes.
- Establishing new auditing procedures to enable continuous improvement.
- Focussing on fire safety management and machinery risk improvements.

### HS&W Management Systems

We consider H&S management as an integral part of good management generally, rather than as a standalone system. In order to enable comparable reporting across the Group, each of our businesses are required to have a Safety Management System, appropriate to their operations, that is in accordance with the guidance contained within either the internationally recognised 'Occupational Health and Safety Assessment Specification' standard (OHSAS 45001) or the Health and Safety Executive's 'Managing for Health and Safety' guide (HSG65).

The Technical Department are responsible for the quality monitoring systems which operate throughout the business and maintain them in respect of new processes, equipment and standards. An ongoing review of other relevant accreditations that complement and support our business processes is also undertaken, an example being the continued implementation of ISO14001, where approximately 33% of our sites are certified. Proactive management of Planned, Preventative Maintenance (PPM) is achieved via a pre-determined programme, ensuring all equipment is maintained to relevant safety and performance expectations. Capital investment projects are supported by providing expertise on utilities, energy management, labour efficiency and engineering management to ensure delivery to time and budget.

### Safety Performance

Incident reporting procedures are maintained, and all employees are encouraged to report accidents and near misses to ensure measures are put in place to prevent similar incidents from happening again and any additional safety procedures are implemented where applicable.

Fewer accidents occurred in 2023 than in 2022. The increased reporting of near misses year on year reflects a greater awareness across the Group, enabling the implementation of improvements to prevent accidents before they occur.

Accident types in 2023 followed a similar trend to the previous year:

Accident types	2023	2022
Cuts/Abrasions	29%	25%
Manual Handling	26%	31%
Slips & Trips	15%	12%
Hit by Moving/Falling Object	11%	13%

### Health, Safety, and Environmental Training

During 2023, the Learning and Development teams improved training visibility and tracking. We provided regular training to ensure our teams understand their roles and accountabilities in HS&W practices.

# Sustainability

Continued >

## Our Family

5,072 employees completed training across 82 specific health and safety courses, resulting in a total of almost 28,000 courses completed. These included mandatory courses and non-mandatory courses such as Fire Safety, Manual Handling and Chemical Handling and Spillage Training.

In 2024, the H&S Team will deliver bespoke training on risk assessment and accident investigation. Additionally, we regularly update H&S policies, procedures and templates which employees can access anytime on our Group wide intranet portal.

### Equity, Diversity & Inclusion (ED&I)

We are committed to promoting ED&I throughout the business to build a culture that is inclusive to all, actively values difference, ensures everyone is treated fairly and is free from unlawful discrimination.

In 2023 we developed a Group wide ED&I Strategy to identify key opportunities for improvement and set out our plans for the coming years. This ED&I Strategy will be translated into business level tactical action plans during 2024 to enable our teams to fully understand the steps we need to take to allow our employees to feel included and valued.

To promote greater awareness and understanding of the ED&I topic we have developed a short training course that will be mandatory for all employees and we intend to launch this in early 2024.

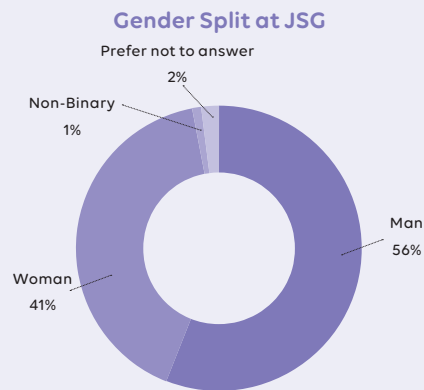
The Group has a policy that disabled persons, whether registered or not, shall be considered for employment and subsequent training, career development and promotion on the basis of their aptitudes and abilities. We have procedures in place to ensure this commitment is enacted across our businesses. If an employed person becomes disabled during their employment with us, we make every effort to ensure that they are retrained according to the abilities.

### JSG Diversity Monitoring

In 2022, we launched our first Group-wide diversity survey. Moving forward, as part of the onboarding process for all new employees, we now issue a questionnaire to gain a greater understanding of the unique backgrounds of our workforce to enable us to tailor our support, engagement and development programmes towards the needs of specific groups who may need additional support and to set meaningful targets. In each of the diversity survey charts "Prefer Not to Answer" refers to where the respondent has selected that option from those provided or left the option blank.

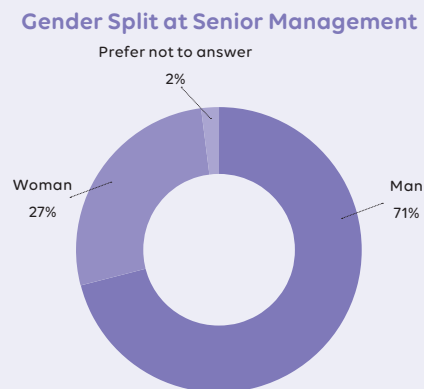
### Gender Equality

The question of gender identity has given us results that are broadly similar to those we have published previously with a gender identification split of **41% women to 56% men**. In addition, we also have 1% of our employees that identify as non-binary.



### Gender at Director and Senior Manager Level

We have achieved the published 2030 target of 25% female representation at senior management level. We will carefully consider whether to adopt a more stringent gender representation target or if we should address other areas of the diversity demographic.



### Gender Pay Gap

We report our Gender Pay Gap on an annual basis and our current and historical reports can be found on our website at [www.jsg.com/gender-pay-gap](http://www.jsg.com/gender-pay-gap). Please also see pages 111 to 112 of this report for more information on specific 2023 data.

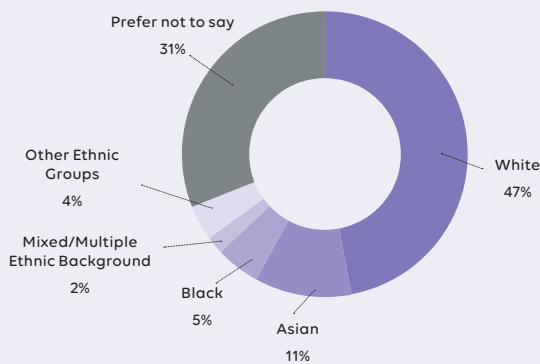
## Our Family

### Ethnicity

The survey shows that the single biggest ethnic group within our workforce identify as White (47%). However, the data also indicates that there are significant populations of those who identify as Asian (11%) and Black (5%) within our workforce.

The ethnicity of our senior management group, 80% of which identifies as white, does not reflect our general ethnic mix and we are therefore actively developing and implementing detailed succession planning, including training, development and internal promotion of individuals from diverse backgrounds, together with understanding how we can widen the talent pools that we attract into the business.

Representation of ethnic groups at JSG



### Employee communication and consultation

Each JSG business takes responsibility for fostering employee engagement through appropriately structured communications, training and incentive arrangements. Employee views are sought by management and taken into consideration when making decisions that may affect the employees' interests. A broader understanding of the Group and opportunities within it are made available to employees through a range of newsletters, magazines and intranet pages.

### Employee Engagement

Our commitment to Employee Engagement, fostering a positive work environment and improving employee wellbeing has continued throughout the year. Across the Group, engagement focal groups and networks are in place to roll out relevant initiatives applicable to each business and site. These include provision of treats and food events such as ice cream, pizza and BBQs; training, awareness and lunch and learn type briefings on a wide range of non-work related topics, additional non-contractual benefits such as baby boxes, free sanitary products, birthday cards and gifts and formalised reward and recognition schemes.

We were delighted that the results from the latest Employee Engagement surveys showed a positive trend and an overall improvement on the previous year. A further survey will be undertaken in the final quarter of 2024 and will also be rolled out to our new colleagues at Celtic Linen and Regency.

The annual employee engagement surveys results can be seen below:

	Workwear	Hotel Linen	HORECA	Group Centre	Average
Enablement Score	84%	86%	90%	86%	86%
Engagement Score	81%	85%	89%	84%	85%
Empowerment Score	91%	89%	93%	96%	92%
Response Rate	81%	88%	74%	88%	83%

Across the surveys we scored highly in areas such as employees knowing what is expected of them in their job, understanding of how their job impacts the customer and employees feeling that they play a part in the success of the company.

Key themes of opportunities for further improvement include the following:

- Leadership visibility and communication
- Continue to focus on wellbeing
- Focus on listening and communicating



# Sustainability

Continued >

## Our World

### Our World Achievements and Performance Summary

#### Energy Consumption and Carbon Emissions

When we launched The Johnsons Way, our refreshed approach to sustainability, we set ourselves a challenging carbon reduction target – to achieve a 40% reduction in our CO<sub>2</sub>e intensity by 2030. We are conscious that this is not a net zero commitment however, we are in the early stages of our low carbon transition and management journey and believe it is realistic and achievable. We intend to publish a more detailed Decarbonisation transition roadmap, including our full Scope 1, 2 and 3 emissions plus any new targets in the near future.

JSG has adopted an 'operational control' approach to delineate the Group's emissions boundary and scope. This method encompasses emissions directly associated with the operational activities of all sites, as well as company-owned and leased transport. The data used for compiling the report adheres to the methodology outlined in the UK Government's Environmental Reporting Guidelines for 2019. Emission calculations are based on conversion factors provided by the UK Government, and in accordance with the Greenhouse Gas Protocol. There are no significant omissions within the mandatory reporting scope.

For the first time this year we have also undertaken a complete calculation of our wider Scope 3 emissions in addition to the best practice areas previously disclosed. This includes both upstream and downstream emissions, for our chosen baseline year of 2022. These results will be further analysed over the coming months to fully understand the impacts of our value chain and a more detailed Scope 3 decarbonisation roadmap will be published in due course.

The JSG Carbon year for this reporting period runs from 1 October 2022 to the 30 September 2023 and both the weights and revenue data used to calculate intensity rates have been adjusted to reflect those periods. This means that the revenue stated in this section will not align with that stated in the rest of this Annual Report.

#### Changes to Reporting Boundaries, Scopes and Baseline Year

Through robust internal reporting and audit processes, we identified anomalies within the 2023 energy and carbon data that we were compiling which, in turn, led us to review the data previously reported. That process, which included a thorough review of our data collection, recording and reporting processes, together with an alignment of data ownership and accountability, has culminated in us restating our 2022 data.

As part of this process, we have also changed our Scope 1 and Scope 2 emissions baseline year from 2021 to 2022. There are a number of reasons for this, including:

- We have enhanced our reporting and review processes for 2022 onwards.
- 2021 remains a very abnormal year for the business due to the impact of COVID. The data for the two years since has reinforced that this was not a representative reflection of "normal" business and therefore the carbon emissions are not appropriate for a baseline.
- The JSG Scope 3 baseline, which has been calculated this year, is based on the 2022 carbon year. Whilst not mandatory to align the baseline years across all scopes, it is logical to do so at this time to ensure consistency and transparency of reporting moving forwards.

At the same time, we have revisited our published carbon reduction commitments and believe this to be an ideal opportunity to clarify what our 2030 targets represent, particularly to ensure ongoing transparency as we move away from referencing the 2021 data.

We have publicly stated our intention to reduce our CO<sub>2</sub>e intensity for Scope 1 and Scope 2 emissions by 40% by 2030. We define this as all Scope 1 and Scope 2 emissions plus the emissions from our grey fleet which, although are Scope 3, are mandated by UK legislation to be included in our Streamlined Energy and Carbon Reporting ('SECR') disclosures. In previous data disclosures, we reported our full calculated carbon inventory intensity comprising all of our Scope 1 and Scope 2 emissions together with a small amount of best practice aspects of Scope 3 emissions, e.g. grey fleet mileage, transmission and distribution (T&D) and well to tank (WTT) losses associated with Scope 1 and Scope 2 energy consumption. This figure has then been used to calculate the intensity rate and demonstrate progress towards our stated targets.

Whilst we will continue to report the totality of emissions calculated in the following section of the report, progress towards our stated 2030 target will be adjusted in alignment with our restated data.

Our adjusted 2030 Scope 1 and 2 carbon intensity target is as set out in the table below.

Table 1 JSG 2030 Scope 1 and Scope 2 Carbon Intensity Target

Scope 1 and 2 Intensity Rate	2030 Target
tCO <sub>2</sub> e/T Weight	0.205

## Our World

### 2022 Carbon Emissions Restatement

The table below shows the data that was reported last year and our restated dataset.

Table 2 JSG 2022 Scope 1 and 2 Emissions Restatement

	2022 Reported Data	2022 Restated Data
Total Emissions (tCO <sub>2</sub> e)	94,548	111,480
Weight (T Processed)	304,325	277,122
Revenue (£m)	368	368
tCO <sub>2</sub> e per tonnes processed	0.311	0.402
tCO <sub>2</sub> e per £m revenue	256.92	302.93

### 2023 Energy Consumption

In the carbon reporting year 2023, Johnson Service Group's energy consumption amounted to 510,524,332 kilowatt hours (kWh). The total energy consumption for the year 2023 has experienced a 4.7% increase compared to 2022, as detailed in the table below.

It should be noted that a proportion of this increase is related to the acquisition of the Regency business in February 2023. Celtic Linen, which was acquired by the Group on 31 August 2023, is excluded from the figures due to its short period of ownership during the carbon reporting year, ending 30 September 2023.

Table 3 JSG Energy Consumption by year (kWh)

Emissions Source	2023	Share (%)	Restated 2022	% Annual Change
Natural Gas	371,787,456	72.8%	356,837,711	4.2%
Gas/Fuel/Burning Oils	253,160	0.0%	181,984	39.1%
Electricity	45,312,647	8.9%	43,227,996	4.8%
Transport – Commercial Fleet	90,388,967	17.7%	84,276,308	7.3%
Transport – Company Cars	2,242,547	0.4%	2,610,185	(14.1%)
Transport – Grey Fleet	539,555	0.1%	585,243	(7.8%)
Total consumption (kWh)	510,524,332	100.0%	487,719,427	4.7%

### 2023 Greenhouse Gas Emissions

The Group's greenhouse gas emissions for the period were 116,522 tonnes of CO<sub>2</sub>e. This reflects a 4.5% increase compared to the previous year. These emissions encompass all our Scope 1 and Scope 2 emissions plus Scope 3 emissions mandated by SECR legislation, along with the best practice Scope 3 emissions included voluntarily for transmission & distribution and well-to-tank losses.

Table 4 JSG Greenhouse Gas Emissions by source and year (tonnes CO<sub>2</sub>e)

Emissions Source	2023	Share (%)	Restated 2022	% Annual Change
Natural Gas	79,242	68.0%	76,235	3.9%
Gas/Fuel/Burning Oils	80	0.1%	55	45.9%
Electricity	10,195	8.7%	9,124	11.7%
Transport – Commercial Fleet	26,192	22.5%	25,027	4.7%
Transport – Company Cars	682	0.6%	877	(22.3%)
Transport – Grey Fleet	131	0.1%	162	(19.1%)
Total emissions (tonnes CO <sub>2</sub> e)	116,522	100.0%	111,480	4.5%

The split of total reported emissions by scope is shown in the table below.

Table 5 2023 Total JSG GHG Emissions by Scope

Emissions Scope	2023 (tCO <sub>2</sub> e)	Share (%)	Restated 2022 (tCO <sub>2</sub> e)	% Annual Change
Scope 1	89,609	76.9%	86,085	4.1%
Scope 2	9,409	8.1%	8,369	12.4%
Scope 3	17,504	15.0%	17,026	2.8%
Total emissions (tCO <sub>2</sub> e)	116,522	100.0%	111,480	4.5%

Scope 1 emissions, constituting 76.9% of the total, predominantly arise from the combustion of natural gas at our sites and fuels used in commercial vehicles. The remaining Scope 1 emissions originate from company car transport, burning oil, and fuel oil usage. There was a 4.1% increase in Scope 1 emissions compared to 2022.

# Sustainability

Continued >

## Our World

Scope 2 emissions, stemming from purchased electricity and electricity for electric vehicles, contribute 8.1% to the total. These emissions have increased by 12.4% from 2022, driven by a rise in consumption as well as the increase in the grid average emissions factor. Our Scope 2 emissions are location based only.

Scope 3 emissions, for the purposes of this section, include grey fleet business mileage plus the best practice reporting of transmission and distribution (T&D) and well to tank (WTT) losses associated with our energy consumption.

### Greenhouse Gas Scope 3 Emissions

During the reporting period we have been working with third-party carbon focused consultants to develop a methodology for calculating our full Scope 3 greenhouse gas emissions.

Scope 3 emissions are those that we do not have direct control over, but which are part of the value chain of our products, services and operations. The Group has adopted a spend based analysis for this first disclosure whereby the annual "spend" with individual suppliers forms the basis of the initial calculation. This amount is then converted into emissions using globally recognised and accepted average conversion factors for economic spend in different industries and geographies.

We have chosen to use 2022 as the baseline year for our full Scope 3 calculation. The specific spend period is 1 October 2021 to 30 September 2022, which aligns with our adjusted Scope 1 and Scope 2 baseline year. This baseline does not include the Regency or the Celtic Linen businesses as they were not part of the Group during the baseline year. However, their data will be included going forwards as we continue to report ongoing performance.

Table 6 Scope 3 Emissions by Category for the JSG Baseline Year 2022

GHG Category	Total Emissions (tCO2e)	% Scope 3 Emissions
Category 1 – Purchased goods and services	39,990	87%
Category 2 – Capital goods	4,401	10%
Category 8 – Upstream leased assets	1,282	3%
Category 4 – Upstream transportation and distribution	27	–
Category 6 – Business travel	26	–
Category 15 – Investments	7	–
Category 5 – Waste generated in operations	–	–
Total	45,733	100%

Whilst the spend based methodology is accepted under the GHG Protocol, the global standard for calculating carbon emissions, it is acknowledged that it produces an estimated figure due to its reliance on averages and proxy values. The next phase of our Scope 3 transition plan will involve engagement with those suppliers identified as having the greatest impact on our emissions to refine their data. We will also begin to engage with them more closely on how we can support them to reduce their emissions.

The Scope 3 calculation and analysis has identified that almost 90% of these emissions are produced by 20 high energy emitting suppliers and we intend to engage directly with these suppliers over the next 12 months to further understand and refine the figures. A significant majority of these suppliers are related to the textile products that we purchase (53%) followed by the detergents and chemicals we use in our operations at 18%. The remaining suppliers that make up the top 20 include those who provide plant and equipment, packaging solutions and commercial fleet vehicles.

Table 7 Top 20 Suppliers producing almost 90% of Scope 3 Emissions by Procurement Category

Procurement Category (Level 1)	Total Emissions (tCO2e)	% Scope 3 Emissions
Textiles Products	24,397	53%
Consumables	8,105	18%
Plant Maintenance and Capital	4,852	11%
Logistics	2,689	6%
Emissions Sub Total (tCO2e)	40,043	88%

### Energy and Carbon Metrics and Targets

- *TCFD Disclosure (G): A description of the targets used by the company to manage climate-related risks and to realise climate-related opportunities and of performance against those targets.*
- *TCFD Disclosure (H): A description of the key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and of the calculations on which those key performance indicators are based.*

'The Johnsons Way' sets out our 2030 Vision roadmap to achieving a transition towards decarbonisation. We have publicly stated our intention to reduce our CO2e intensity for Scope 1 and Scope 2 emissions by 40% by 2030. We define this as all Scope 1 and Scope 2 emissions plus the emissions from our grey fleet which, although are Scope 3, are mandated by UK legislation to be included in our SECR disclosures.

This reduction will require actions which may include conversion to greener energy sources, phased transition to electric vehicles where practical, working with our suppliers on more sustainable sourcing methods and further capital investment in our business.

## Our World

To allow for year-on-year comparison moving forward the absolute CO<sub>2</sub>e totals have been normalised using two relevant quantifiable factors to create two specific intensity ratios; it is these ratios that we use to monitor our performance and progress towards the 2030 target. The first intensity ratio calculated for the Group is tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e) per tonnes weight processed and the second is tonnes of carbon dioxide equivalent (tCO<sub>2</sub>e) per £million of revenue.

To ensure full transparency we have calculated intensity rates for our full 2023 Greenhouse Gas emissions in addition to the Scope 1 and Scope 2 emissions that we have published a reduction target against.

We can report that we have achieved a year-on-year decrease of 7% in the Scope 1 and Scope 2 tCO<sub>2</sub>e per tonnes processed intensity while the intensity metric of tCO<sub>2</sub>e per £ million revenue has decreased by 13%.

A similar intensity rate reduction can also be seen when we expand the emissions to include our best practice Scope 3 datasets. It is anticipated that moving forward this reduction may not be replicated exactly once we integrate our full Scope 3 data into the absolute total.

Table 8 Scope 1 and Scope 2 Intensity Rates

	2023	2022	% Annual Change
Total SECR Compliant S1 & S2 Emissions (tCO <sub>2</sub> e)	99,149	94,616	4.8%
Revenue (£m)	442.6	368.0	
Weight (t)	312,028	277,122	12.6%
tCO <sub>2</sub> e per tonnes processed	0.3178	0.3414	(6.9%)
tCO <sub>2</sub> e per £m	224.0	257.1	(12.9%)

Table 9 JSG Total Greenhouse Gas Intensity Rates

	2023	2022	% Annual Change
Total JSG GHG Emissions (tCO <sub>2</sub> e)	116,522	111,480	4.5%
Revenue (£m)	442.6	368.0	
Weight (t)	312,028	277,122	12.6%
tCO <sub>2</sub> e per tonnes processed	0.3734	0.4023	(7.2%)
tCO <sub>2</sub> e per £m	263.2	302.9	(13.1%)

### Energy and Carbon Initiatives

- *TCFD Disclosure (G): A description of the targets used by the company to manage climate-related risks and to realise climate-related opportunities and of performance against those targets.*

In addition to the review of energy and carbon related data across the Group, during the reporting period we also undertook a number of energy and carbon efficiency initiatives. These include:

- The development of a consistent model to identify potential energy and carbon savings within plant and equipment maintenance and capital expenditure plans to allow for standardised forecasting of potential CO<sub>2</sub>e emissions savings.
- Inclusion of sustainability and particularly energy and carbon related requirements within the Group capital spend documentation and approval process.
- Completion of a desktop feasibility study on the practicality and potential emissions reductions by adding solar panels across the estate.
- Completion of a trial of Hydrotreated Vegetable Oil (HVO) fuel across a selection of vehicles in the business. The trial was largely successful however the increased cost of HVO at this time makes the business case for switching challenging. We continue to work on this aspect of our emissions reduction plan.

### Water Management

Water is an essential component of the service we provide to our customers and therefore we are aware that we have a heavy reliance on the availability of a secure and consistent supply of quality, fresh water. Across the estate we abstract water from a variety of sources including the main water grid supply, private and leased boreholes and other sources of fresh water. We discharge effluent within permitted limits directly to mains sewers and also via other accepted means.

We have robust systems in place to ensure all our sites actively monitor the water they are abstracting, using and discharging to ensure it complies with the relevant legal conditions.

Water data is reported in alignment with the majority of the Group's reporting calendar and as such is for the period 1 January 2023 – 31 December 2023. As such the weight and revenue data in this section will differ from that in the energy and carbon section. It should also be noted that data includes performance in the Regency business but does not include any data from the Celtic Linen business due to the timing of the acquisition.

### Restatement of 2022 Water Data

As stated previously, our internal reporting and audit processes identified anomalies within the 2023 energy, carbon and water data which, in turn, led us to review the data previously reported. This process culminated in us restating our 2022 data.

# Sustainability

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## Our World

The table below shows the data that was reported last year and our restated dataset.

Table 10 JSG 2022 Water Data Restatement

	2022 Original	2022 Restated
Abstracted (M3)	2,196,058	2,219,845
Weight (T)	304,325	289,072
Revenue (£m)	385.7	385.7
M3/T Processed	7.216	7.679
M3/£m	5,694	5,755

### 2023 Water Usage

Johnson Service Group's absolute water abstraction for the reporting year 2023 was 2,296,679M3. This represents a small increase of 3% from the previous year, partly as a result of acquiring Regency in February 2023.

We have adopted the same approach for water intensity rates as for carbon emissions. The first intensity ratio calculated for the Group is volume of water used (M3) per tonnes weight processed and the second is volume of water used (M3) per £million of revenue.

The table below shows that we have achieved a year-on-year reduction in our M3 per tonnes processed intensity of 6% and a 12% reduction in our M3 per £m intensity. It should be noted that the revenue intensity is likely to have been favourably impacted by the price increases implemented across the Group during the period.

Table 11 2023 JSG Water Usage

	2023	2022	Annual Change
Water Abstracted (M3)	2,296,679	2,219,845	3.5%
Weight Processed (T)	316,790	289,072	9.6%
Revenue (£m) <sup>1</sup>	455.0	385.7	
M3/T Processed	7.250	7.679	(5.6%)
M3/£m Revenue	5,047	5,755	(12.3%)

Note 1: Excludes Celtic Linen revenue.

### Water Stress Analysis

Security of water supply is crucial to the long-term sustainability of the Group and as such a decision was made to undertake a water stress analysis of the Group estate using the WRI Aqueduct Water Risk Atlas Tool. This tool uses a customisable global atlas to evaluate how water risk (and water stress) may affect operations (at watershed level). The baseline water stress and baseline water depletion indicators are based on a global dataset developed by the World Resources Institute and are also available as risk indicators in the WWF Water Risk Filter.

This analysis was completed prior to the acquisition of Celtic Linen and, as such, includes data for the UK only. We intend to extend this analysis to include the Republic of Ireland in the coming months. This analysis has **determined we are operating in a region that has a "Low - Medium Water Stress Label (10-20%)"**. Longer term we will undertake detailed analysis at individual site level to determine those areas which may have a higher stress risk and ensure that we have a robust action plan in place to mitigate any potential risks.

### Water Management Metrics and Targets

- *TCFD Disclosure (G): A description of the targets used by the company to manage climate-related risks and to realise climate-related opportunities and of performance against those targets.*
- *TCFD Disclosure (H): A description of the key performance indicators used to assess progress against targets used to manage climate-related risks and realise climate-related opportunities and of the calculations on which those key performance indicators are based.*

'The Johnsons Way' sets out our 2030 Vision towards greater responsibility towards the use of our natural resources and as part of this we publicly stated our intention to reduce our water usage intensity by 25% by 2030.

We intend to achieve this goal through a number of targeted actions including improved process efficiencies, review of existing and planned equipment maintenance, refurbishment and replacement, active engagement with related suppliers to identify new opportunities through research and development and further capital investment in innovative water technology across the business.

As with our energy and carbon performance data, to allow for year-on-year comparison, the absolute water M3 totals have been normalised using the same two relevant quantifiable factors to create the water usage intensity ratios.

Intensity Rate	2030 Target	2023 Performance
M3/T Processed	5.759	7.250
M3/£m	4,317	5,047

### Waste Management

Across the Group a significant volume of waste is generated including plastics and other packaging, general waste, end of life textiles and other industrial wastes.

We have robust processes in place to ensure each site manages their waste in accordance with applicable regulations. We also apply the waste management hierarchy when dealing with the waste we generate. Our priority is to avoid or minimise waste generation first, then look to re-use, re-purpose, recycle or recover the waste where possible and lastly disposal by incineration without energy recovery and landfill.



## Our World

During the internal assurance process outlined earlier in the report, we identified irregularities and inconsistencies in the waste data we were collating for 2023, as well as data previously reported for 2022. Following a detailed investigation and analysis, the business has decided not to report these datasets this year. We intend to continue to work with all the businesses across the Group to ensure suitable and sufficient waste data capture, recording and reporting processes are fully embedded to allow us to reinstate performance data reporting next year. In the interim we continue to implement a number of initiatives to improve how we physically manage the waste we are generating through our operations. These are summarised below.

### Reduction of Waste to landfill

During the reporting period we began a phased transition to a single waste management provider for the majority of waste generated through our UK operations. Our partner has committed to ensuring that none of their waste is sent to landfill with the majority being recycled; any remainder being sent for incineration with energy recovery.

### Elimination of Single Use Plastics

We have begun to engage with both our suppliers and customers on this topic to understand more about the needs and scope for removal of the plastic packaging currently used whilst still maintaining required levels of cleanliness and hygiene.

As a first step in our transition towards removal of plastics from our operations, from 2024 all our plastic / polythene packaging will have a minimum of 30% recycled content. Whilst this is a strong step forward, we continue to actively explore options for full elimination of single use plastics. Across the businesses, we have been trialling biodegradable and compostable alternatives with mixed results. We are also exploring how we could replace some of our customer packaging needs with re-usable bespoke laundry hampers.

### End of Life Textiles

We continue to work with our industry body, the Textile Services Association (TSA) to recycle end of life textiles from our HORECA division through their "Infinite Textiles" programme which sends linen from across the hospitality sector of the industry for recycling into fibre which is then re-integrated into new textile products. In addition, we are exploring other options to repurpose and recycle these waste products via other routes.

In our Workwear business we undertook a phased transition to a single provider of workwear end of life textile management, Race Recycling. Through this arrangement, from 2024 all our workwear end of life garments will be managed via this provider, with the majority being recycled and the remainder that are not suitable for recycling being sent for incineration with energy recovery.



# Sustainability

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## Our Integrity

### Our Integrity Achievements and Performance Summary

#### Responsible Business Practices

JSG recognises that growth, change and profit are good for the Group and that they are necessary for a business to survive. At the same time, we also understand that we must ensure that we always operate in a responsible way through the employment of strong ethical practices and governance.

We also accept that our indirect activities are wide and varied and that effective change will only be possible by cascading and supporting the sharing of our values and behaviours into our value chain and working in partnership with our customers and suppliers.

#### Employee Code of Conduct

Our Employee Code of Conduct (the 'Code') sets out the requirements and guidelines on expected behaviours for all employees to act with honesty, integrity and fairness to others to ensure the Group meets the highest standards of conduct in business dealings. The Code, which encompasses a high level overview of each of the Group's more detailed policies, including the Code of Ethics, is available on our internal intranet system and hard copies can be obtained from Human Resources teams.

On joining the Group, whether by way of acquisition or otherwise, all employees will be made aware of these standards and procedures to ensure compliance is achieved. Senior employees are also required to sign an annual statement of compliance with the Code of Ethics.

During the coming year we will develop appropriate training packages to ensure all colleagues fully understand our compliance and behavioural requirements. We have identified specific groups within our operations who are more at risk to potential exposure in these areas and additional training will be developed for them.

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

As part of the Group's commitment to ethical trading standards a declaration of interests in suppliers is required to be undertaken by all employees who are considered to be influential with regards to the ordering of goods or services from suppliers. The purpose of the declaration is to ensure that there is complete clarity of interest between the parties to a transaction and that the independent judgment of employees is not impaired. Group employees, agents and other representatives are prohibited from giving or receiving money or gifts which could be construed as bribes. The policy does not prohibit normal and appropriate hospitality (given or received) to or from third parties, nor does it prohibit giving or accepting gifts of low monetary value as long as it does not influence, or have the appearance of influencing, an employee's objectivity or decision-making.

The Group is committed to a culture of openness, honesty and accountability and believes that it is fundamental that any concerns our employees have about the Group can be raised without fear of victimisation. A dedicated and confidential Whistleblowing service is available to employees should

anyone wish to report perceived improprieties. Reports can be made via a dedicated telephone number and email address or in writing to the Non-Executive Directors via the Company Secretary. The Whistleblowing policy is displayed at all sites and is also available on our internal intranet system. It provides examples of ethical wrongdoing including bribery, corruption, fraud, dishonesty and illegal practices which may endanger employees or other parties.

Arrangements are in place to ensure that any reports are followed up and the appropriate action taken.

#### Group Modern Slavery Statement

We publish our Modern Slavery Statement annually on our website at [www.jsg.com/modern-slavery-statement](http://www.jsg.com/modern-slavery-statement).

We are committed to implementing and enforcing effective systems and controls to confirm that slavery and human trafficking is not taking place anywhere in our supply chain or in any part of our business. We fully acknowledge our responsibility to respect human rights as set out in the International Bill of Human Rights and we are also committed to implementing the United Nations Guiding Principles on Business and Human Rights throughout our operations.

All new employees are subject to pre-employment checks to confirm their identity and eligibility to work in the UK and Ireland prior to them starting work within the Group. Information is provided to all employees on their statutory rights including sick pay, holiday pay and any other benefits they may be entitled to by virtue of their employment. We pay all directly employed labour at least the minimum wage, as appropriate. Where recruitment agencies are used, we ensure they comply with all legal requirements. These procedures collectively help to address our on-going commitment to protect our employees' human rights and the elimination of all forms of forced and compulsory labour.

We expect our suppliers to have suitable anti-slavery and anti-human trafficking policies and processes within their businesses and to cascade those policies to their own suppliers. As part of our continued efforts to ensure compliance with these requirements we have developed a robust supplier framework, which includes clear requirements and expectations that are set out in our new Guiding Principles on Supplier Conduct and which apply across all stages of our contractual relationship.

Our standard supplier contractual terms and conditions include a provision requiring suppliers (and each of their sub-contractors) to comply with the Modern Slavery Act 2015. The standards we expect will address a broad spectrum of working conditions including fair remuneration, working hours, no child labour, respect, non-discrimination, health, safety and wellbeing, as well as freedom from forced labour.

To ensure a high level of understanding of the risks of modern slavery and human trafficking in our supply chain and our business, all Directors have been briefed on the subject and we provide training to relevant employees. Through this training, as well as through Group wide internal communications, all employees are encouraged to identify and report any potential or actual wrongdoing that they consider to be negligent, improper or illegal via a dedicated and confidential Whistleblowing hotline, which is available 24 hours a day.

## Our Integrity

### Digitalisation and Cyber Security

The Group IT Team ensures compliance with security policies and regulations, safeguarding user and customer data while ensuring business continuity. Led by the Group IT Director, our cyber security strategy prioritises the prevention, detection, and response to evolving threats. Investments in multi-layered defence systems and ongoing training initiatives reinforce our resilience against cyber-attacks.

Key Initiatives:

- Information Security Training: We issue regular communications to raise awareness of our security policy, and our state-of-the-art cyber security training platform enables employees to mitigate risks effectively.
- In 2023, 11 courses covering critical cyber security topics were completed by 80% of employees, with tailored content addressing emerging threats.
- Simulated Phishing Tests: We conducted five tests which resulted in a low phish-prone rate of below 5%, outperforming the industry standard.
- Audit and Risk Assessment: We leverage industry frameworks such as the NIST Framework and Cyber Essentials certification, our IT management system has successfully received full compliance for the third time.
- Annual risk assessments are completed, and ongoing monitoring ensures proactive risk management and data protection, helping identify any potential vulnerabilities.

### Approach to Sustainability Related Risk Management and TCFD

- *TCFD Disclosure (A): A description of the company's governance arrangements in relation to assessing and managing climate-related risks and opportunities.*
- *TCFD Disclosure (B): A description of how the company identifies, assesses, and manages climate-related risks and opportunities.*
- *TCFD Disclosure (C): A description of how processes for identifying, assessing, and managing climate-related risks are integrated into the company's overall risk management process.*

The Board has overall accountability for ensuring that risk is effectively managed across the Group and this also includes those risks relating to sustainability. Climate change and energy costs are identified as principal risks to the Group and mitigation identified includes investing in sites, installing the latest technologies and ensuring energy efficiency measures are utilised.

Climate change is important to us as a business and to our stakeholders and we are committed to energy efficiency improvement and reducing our greenhouse gas emissions, however, there remains the potential for us to see increases in both the cost of energy as well as the potential introduction of associated levies or taxation. Failure to appropriately demonstrate that, as a business, we are committed and moving towards net zero carbon emissions could negatively

impact our brand and also impact our ability to operate and/or remain relevant to our customers and consumers.

Potential areas of risk are identified through the Group's risk assessment programme and mitigated wherever possible. For more information on our wider risk management approach and processes please refer to pages 45 to 51.

### Risk and Opportunities Scenarios

- *TCFD Disclosure (Di): A description of the principal climate-related risks and opportunities arising in connection with the company's operations, and (Dii) the time periods by reference to which those risks and opportunities are assessed.*

The following scenarios were developed after consulting a number of resources, including the UK Climate Change Committee's report to government "The Adaptation Committee's Independent Assessment of UK Climate Risk (2021)". The most useful references, however, are provided in the text in each of the following risk sections to be clear where the information was sourced from.

A 1.5°C temperature increase is expected by the mid-2030s regardless of any mitigation taken now (IPPC Climate Change 2023 Synthesis Report). It is expected that this will increase the frequency of extreme weather events, including localised flooding and precipitation. For now, 2035 represents the limit of JSG's long term risk scenario planning so the same scenario of a temperature increase of 1.5°C by 2035 was considered for all four temperature increase scenarios.

### Climate Related Opportunities

- *TCFD Disclosure (E): A description of the actual and potential impacts of the principal climate-related risks and opportunities on the company's business model and strategy.*

The Group appreciates that we need to reduce our Scope 1 and Scope 2 carbon emissions through increased energy efficiency at each site, investment in appropriate plant and equipment and transitioning to renewable energy supply such as Power Purchase Agreement (PPAs). These actions will provide the opportunity to not only reduce our carbon emissions in line with our stated goals, but also future proof the business against possible energy supply issues, rising energy costs and the avoidance of future carbon tax costs.

The Group also recognises the opportunity for the business to continue to promote our services as a commercially viable alternative to existing and prospective customers who will be faced with similar energy and carbon emissions concerns.

### Acute Physical Risk Scenarios

#### Flood (coastal, fluvial or precipitation)

All JSG site locations were assessed to determine if their location falls into the flood plain of local rivers or tidal surges using a coastal screening tool to identify areas of the UK below 0.1m above sea level. The detailed dataset is currently being analysed internally and the main results summarised in the table which shows the total number of sites across the group that could be at risk of storm surges.

# Sustainability

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## Our Integrity

Table 1: Overall Exposure:

Risk Factor	Current	1.5°C
Number of sites at risk of flood (coastal or fluvial) that could result in damage to the site, or emergency relocation.	17	17

### Disruptive weather events

Severe weather events are becoming increasingly common as the impact of climate change is felt across the globe. For the UK this includes flash floods, storm surges, prolonged periods of unusually high summer temperatures resulting in localised fires.

There is anecdotal evidence that adverse weather has already disrupted the ability of our staff to travel, deliveries of new materials/products from our supplies and deliveries of products and services to our clients.

### Response/Resilience to Acute Physical Risk:

- *TCFD Disclosure (F): An analysis of the resilience of the company's business model and strategy, taking into consideration different climate-related scenarios*

Insurance covers the cost of damage to physical locations subject to the terms of insurance policies. Increased extreme weather events is likely to increase the cost of JSG's corporate insurance considerably by 2040. Further analysis is ongoing to understand exactly how the group may be impacted.

We intend to implement processes and procedures to ensure that flood risk assessment and extreme weather event analysis is incorporated into all the following processes:

- Building lease renewals and new site plans
- Mergers and Acquisition activity
- Annual Facilities Risk Assessments

### Chronic Physical – Sea Level rise

We can expect prolonged heatwaves, sea level rise, loss of species & biodiversity, disruption to global transport and supply chains. The World Economic Forum state that global average sea level has risen more than 10cm since 1992. Human-caused sea level rise is 10 times that of natural sea level rise. The sea is also rising faster – with the global average rise speeding up from 2.5mm a year in the early 1990s to 3.9mm a year over the last decade.

The NASA Sea level tool predicts that by 2040 there will be a 0.14 – 0.18m sea level rise in the UK and Europe based on a 1.5 degree temperature increase. The four temperature increase scenarios have been assumed to have a 1.5 degree rise by 2035, so a single scenario in terms of sea level rise has been assessed.

A coastal screening tool was used to compare areas of UK where JSG sites are located and those below 0.1m above sea level. This analysis allowed us to determine that none of the Group's current UK sites would be impacted directly from the sea level rises projected for these scenarios, however we are still to complete the analysis for the recently acquired sites in the Republic of Ireland.

### Response/Resilience to Chronic Physical Risk:

- *TCFD Disclosure (F): An analysis of the resilience of the company's business model and strategy, taking into consideration different climate-related scenarios*

Rising sea level has been a risk factor for the southern and eastern English coastline for many years and is addressed by local and national government adaptation plans through the investment in technology advances in flood defences and building resilience. Our current site locations are well prepared for the impact of localised flooding in terms of emergency response plans.

As stated previously, we intend to ensure that relevant processes and procedures are in place across relevant business activities which include sea level rise risk assessment and extreme weather event analysis is incorporated into all. Whilst currently we do not foresee that sea level rise will directly impact our existing locations, we remain cognisant of the complexity and cost for any planned relocation to alternative sites that have not yet been assessed. This is something we will ensure is included within our future planning processes.

### Chronic Physical – Temperature Rise

Prolonged periods of extreme heat will place additional requirement for energy for cooling our locations and equipment. JSG's long-term planning and risk assessment time scale is 10 years, for this reason only the 1.5°C scenario has been modelled for Temperature rise.

### Financial Impact – Energy Consumption

It is expected that our energy consumption could increase by circa 10% in the next 10 years because of increased temperatures alone, mostly for increased cooling requirements.

### Financial Impact – Cooling Equipment Upgrades

A 1.5°C increase in temperature coupled with extended periods of extreme heat is likely to require cooling equipment upgrades at a number of existing locations. The financial cost has not yet been fully assessed however we anticipate this could be material.

## Other Sustainability Related Risk Management

### Environmental Risk Management and ISO14001

ISO 14001 is the international standard that specifies requirements for an effective environmental management system. It provides a framework that an organisation can follow to identify and address environmental issues, control impacts, ensure legal compliance and monitor performance. All of our operational sites are required to have procedures in place that align with the requirements of the standard and a number of them are formally certificated to ISO 14001.

In a similar vein, all our operational sites are required to align their quality management systems with ISO9001 to ensure we are able to consistently provide products and services that meet our customer and local regulatory requirements. A number of our sites are formally certificated to the standard.

## Our Integrity

### Social Risks Identification and Management

We have formalised our approach to supplier sustainability management through a bespoke Supplier Framework that has been designed to be satisfy our needs, supplier operations and geographical locations and potential risks. During the reporting period we launched this new framework with our existing supplier base and have actively engaged with 73 high risk key suppliers.

We continue to undertake formal audits of our supply chain via the Sedex platform on topics such as modern slavery and equality and diversity. During the period we completed sustainability audits on 73% of our most high risk and high value Tier 1, 2 and 3 suppliers.

### Our Customers

We serve a range of organisations from small owner managed enterprises to large multinational brands across a multitude of industries; however, our offering is always tailored to the needs of our customers. Our customer service teams are always on hand to meet the needs of our customers and, each year, we undertake customer satisfaction surveys from a sample of our existing customers as well as potential customers across our markets.

Everything we do starts with the aim of delivering a differentiated customer experience to generate value and create loyalty and we work hard to ensure a real focus on delivering the right quantity, at the right time and with no surprises for our customers.

We are committed to developing long term relationships with our customers and identifying opportunities for greater collaboration on sustainability innovation and initiatives. To support these aims, we have developed a new suite of Guiding Principles for Customer Conduct which sets out our aims and how we envisage working with our customers moving forwards. In the reporting period we have actively engaged with a number of our largest key accounts across the Group to begin to share learning and best practice on the topic and set the foundation for long a term sustainability partnership.

### Our Suppliers

Our suppliers provide products and services that assist us in executing our strategy. Consequently, they are a vital part of our value chain and, because of our size, we are often a vital part of theirs. We are committed to establishing long-term, open and fair relationships with our suppliers.

The Board fully supports the standards set out within the Prompt Payment Code ("PPC") in respect of all suppliers. 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. Further details are set out within the Directors' Report.

During the reporting period, we fully launched our new Supplier Framework, including a specific sustainable purchasing policy, a clear set of expectations and requirements as set out in the Guiding Principles for Supplier Conduct and standardised onboarding processes. We are actively engaging with our key and high risk suppliers around this topic and expect to expand this to wider categories of suppliers over the next year.

The Supplier Guiding Principles can be found on our website here: [www.jsg.com/about-us/sustainability/our-integrity](http://www.jsg.com/about-us/sustainability/our-integrity)

### Sustainable Purchasing

JSG is committed to transitioning to an even more sustainable procurement model and has committed to increasing the volume and variety of sustainable products we offer to our customers. As part of this process, during the reporting period we published our new Group Sustainable Purchasing Policy that sets out sustainable purchasing objectives in line with our published Vision 2030 targets. These are:

- To comply with all relevant legislation and regulatory requirements and ensure we always act responsibly and ethically in our day-to-day business operations.
- To promote, encourage and facilitate sustainable awareness and behaviours amongst our value chain, including our suppliers, customers and business partners.
- To transition towards procurement of more sustainable products and services, with the aim of having fully sustainable core products as our preferred offering by 2030.
- To continue to measure our sustainability performance and increase transparency of our metrics.
- To include sustainability related criteria when evaluating offers from potential suppliers and monitor the sustainability performance and behaviours of existing suppliers.
- To move towards greater weighting of sustainability considerations for all commercial decisions including customer partnerships.

This policy can be found on our website here: [www.jsg.com/about-us/sustainability/our-integrity](http://www.jsg.com/about-us/sustainability/our-integrity)

### Better Cotton Initiative (BCI)

Johnson Service Group continues to be a proud member of Better Cotton and is committed to supporting the improvement of cotton farming practices globally.

Better Cotton is sourced via a chain of custody model called mass balance. This means that Better Cotton is not physically traceable to end products. However Better Cotton Farmers benefit from the demand for Better Cotton in equivalent volumes to those we "source".

During the reporting year the volume of Better Cotton sourced as a percentage of our overall cotton purchases was 56%. This is a slight increase from 52% in 2022.

### Sustainable Textiles Transition

In addition to investigating opportunities to better manage our textile waste, we are also committed to working with our supply partners to develop long term sustainable and circular solutions for product design and manufacture. In addition to being a member of Better Cotton, we are also working with suppliers on products containing other sustainable content such as recycled content and bio polymer. Our aim is to be able to provide fully sustainable core products by 2030 in line with our stated targets. During the coming months we aim to develop a Sustainable Content roadmap to clearly demonstrate how we intend to achieve this goal.



# Sustainability

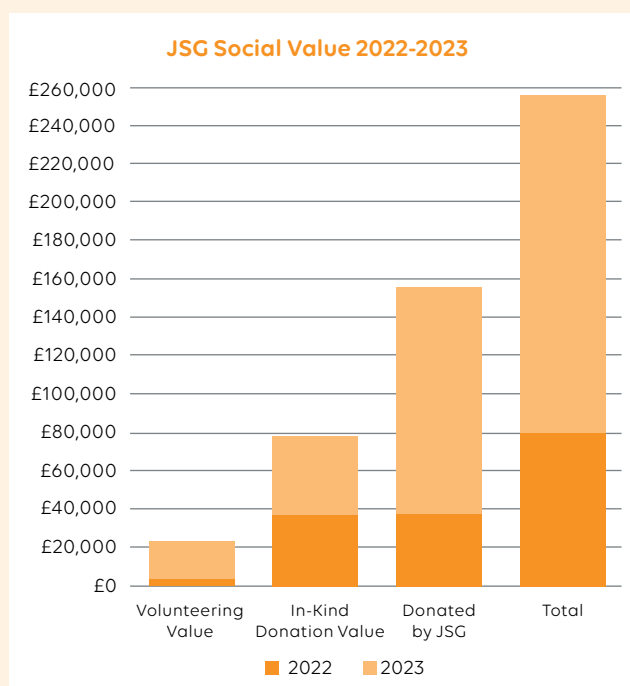
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## Our Communities

### Our Communities Achievements and Performance Summary

Supporting our communities is embedded into The Johnson's Way with a strong history of supporting charitable activity including education, volunteering, fundraising and sponsorship opportunities. The Group recognises the need to take meaningful action and we continued to stay true to this ethos in 2023. We exceeded all expectations by significantly increasing our total social value figure by 124% from 2022 and, therefore, more than doubled the positive impact made by the Group.

Please note social value does not include employee fundraising.



### Charitable and In-Kind Donations

Some of the notable charitable donations from 2023 included:

- The total of direct donations to charity across the business totalled **almost £120,000**. There were **388** charities that received donations in 2023 including national organisations such as Andy's Man Club and the Fashion and Textiles Children's Trust, as well as local good causes such as the Tree of Hope and Perth Autism Support from our sites in Clacton, Essex and Perth, Scotland.
- Within this total, we proudly donated almost £68,300 to support 143 charities, community groups and good causes. These donations were made through our Local Communities Initiative, where employees nominate and vote on causes within their communities.

- JSG also provided in-kind donations to the value of **£40,000** to numerous good causes across the UK. For example, our Southall site donated towels to the local homeless shelter and also donated 175 chef jackets to West London College and to Hub International for culinary education. Our Leeds site regularly donated mixed linen bundles to support Homeless Hampers with new housing. These activities prolong the lifecycle of our products, so that they can provide comfort and practical support for even longer.

### Local Communities Initiative

The Local Communities Initiative is our Group-wide charity programme to further support the proactive activities of our employees throughout the year. Each of our sites allocate £500 per quarter to donate to a local good cause. These charities are nominated by employees and voted on by everyone, ensuring that the donations will go to an organisation that is meaningful and impactful to those in the local area. Our focus predominantly supports four distinct categories: disadvantaged groups, health & wellbeing, educational support and animal welfare.

### Employee Volunteering and our Neighbourly Partnership

The Group understands that our workforce has skills available that can have a huge benefit to charities and good causes. Employee volunteering can also provide the workforce with opportunities for personal development, new skills development and team building within teams and a wider group. In 2022, we launched a new partnership with Neighbourly, a volunteering platform provider who has enabled us to connect our employees in the HORECA business with live volunteering opportunities across the UK. We intend to roll this partnership out to the whole Group over the coming year and support this with a formalised Employee Volunteering Policy for UK employees.

- With the support of Neighbourly, our employee volunteering hours increased exceptionally from 129 in 2022, to **1,611** in 2023.
- Employees volunteered to support environmental projects, disadvantaged groups, health & wellbeing, educational support and animal welfare.
- Volunteering activities included maintaining the Community Link's therapeutic garden in West Cornwall, painting and decorating Shaftesbury Youth Club in Dorset and providing administrative support to the Army Cadet Force in Essex. These practical and skills-based activities are an important aspect of providing support to our local communities.
- We provided support to **70** activities across England, Wales and Scotland, resulting in almost £20,000 of social value generated for communities close to our sites.
- As part of this total, our partnership with Neighbourly facilitated volunteer efforts from 332 employees in our HORECA business, creating social value that benefited 15,000 people in communities close to our sites.



# Principal Risks and Uncertainties

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

# Principal Risks and Uncertainties

Continued >

## Our approach to Risk Management

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

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

Risk Rating	Risk Level	Action
● 20+	Very High Risk	Stop
● 12 to 16	High Risk	Urgent Action
● 8 to 10	Medium Risk	Action
● 4 to 6	Low Risk	Monitor
● 1 to 3	Very Low Risk	No Action

The Board formally reviews the most significant risks facing the Group twice a year, or more frequently should new matters arise. Throughout 2023, and other than as described below, the overall risk environment remained largely unchanged from that reported within the Group's 2022 Annual Report.

IMPACT		LIKELIHOOD				
		1	2	3	4	5
Severe	5	5	10	15	20	25
Significant	4	4	8	12	16	20
Moderate	3	3	6	9	12	15
Minor	2	2	4	6	8	10
Insignificant	1	1	2	3	4	5
		1	2	3	4	5
		Improbable	Remote	Possible	Likely	Almost Certain

## Risk Appetite

The Board interprets appetite for risk as the level of risk that the Group is willing to take in order to meet its strategic goals. The Board communicates its approach to, and appetite for, risk to the business through the strategy planning process and the internal risk governance and control frameworks. In determining its risk appetite, the Board recognises that a prudent and robust approach to risk assessment and mitigation must be carefully balanced with a degree of flexibility so that the entrepreneurial spirit which has greatly contributed to the success of the Group is not inhibited. Both the Board and the Audit Committee remain satisfied that the Group's internal risk control framework continues to provide the necessary element of flexibility without compromising the integrity of risk management and internal control systems.

## Emerging Risks

The Board has established processes for identifying emerging risks, and horizon scanning for risks that may arise over the medium to long term. Emerging and potential changes to the Group's risk profile are identified through the Group's risk governance frameworks and processes, and through direct feedback from management, including changing operating conditions, market and consumer trends.

## Principal Risks and Uncertainties

The principal risks and uncertainties affecting the Group are set out below, together with details on how the Board takes action to mitigate each risk. These risks and uncertainties do not comprise all of the risks that the Group may face and are not necessarily listed in any order of priority. Additional risks and uncertainties not presently known to the Board, or deemed to be less material at the date of this Annual Report, may also have an adverse effect on the Group. For each principal risk we have set out the risk rating that has been attributed to each risk. Risk ratings are shown as 'net' i.e. the residual risk rating taking account of the controls and mitigation in place.

In accordance with the provisions of the Financial Reporting Council's 2018 UK Corporate Governance Code (the 'Code'), the Board has taken into consideration the principal risks and uncertainties in the context of determining whether to adopt the going concern basis of preparation and when assessing the future prospects of the Group.



Key



Increased risk



Static risk

Risk	Mitigation
<p><b>ECONOMIC AND POLITICAL CONDITIONS</b> <span style="float: right;">Trend: →</span></p> <p><b>Risk Rating: High</b></p>	
<p>Our business could be susceptible to adverse changes in, inter alia, economic conditions, employment levels and customer spending habits, all of which could impact our profitability and cash flow.</p> <p>The extraordinary and unprecedented events during 2020 and 2021 enhanced this risk as a result of the various lockdowns and restrictions imposed in response to the COVID-19 pandemic.</p> <p>Current macro-economic conditions, particularly high inflation rates, could negatively impact consumer spending and hence demand for our services, particularly in HORECA.</p> <p>Geopolitical tensions, such as those escalating in the Middle East and the ongoing Russia-Ukraine conflict, could have an impact on the price, or availability, of inputs (e.g. energy) and have heightened threats to national security.</p>	<p>Given the diversity of our customer base and the various industries which we serve, it is generally possible to contain the impact of these adverse conditions. Each business 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. We quickly reacted to current pressures in the wider labour market by proactively increasing wages to attract and retain employees.</p> <p>Any adverse impact on cash flow could be mitigated in the short term by controls over capital expenditure and other discretionary spend.</p> <p>In response to COVID-19, we implemented action plans to protect the liquidity of the Group and to reduce the cost base.</p> <p>The Group has long standing relationships with its key suppliers and aims to develop a strategic partnership approach. These relationships mitigate, to a certain extent, the risk of a supplier not being able to supply us. In the event that a supply was rationed, for example energy blackouts at certain times, we would seek to adjust our shift and work patterns accordingly.</p> <p>As further detailed below within 'Cost Inflation', and in order to provide protection from pricing volatility, the Group proactively forward purchases certain of its energy requirements.</p>
<p><b>COST INFLATION</b> <span style="float: right;">Trend: →</span></p> <p><b>Risk Rating: High</b></p>	
<p>Our objective is always to deliver the right level of service in the most efficient way. An increase in the cost of labour or supplies, for example, energy, could constitute a risk to our ability to do this.</p>	<p>We seek to manage the impact of cost inflation by continuing to drive greater efficiencies through supplier rationalisation, labour scheduling and productivity improvements, the latter of which is evidenced by our ongoing investment in state of the art, energy efficient machinery.</p> <p>Cost indexation in certain of our contracts also gives us the contractual right to review pricing with our customers.</p> <p>Along with many other businesses, we are seeing inflationary pressures on some of our costs, particularly in respect of labour and energy, however, our existing scale and focus on operational excellence means we are well placed to address these challenges proactively without compromising our market share opportunity. Furthermore, we are protected to a large extent from the current volatility in prices with, at the time of writing, some 89% of our 2024 anticipated gas requirement and some 93% of our 2024 anticipated power requirement at fixed prices, with reducing amounts fixed into 2025 and 2026. We are proactively monitoring the market with the aim of entering into further fixed arrangements when appropriate and have also continued to secure and implement price increases across our customer base.</p>

# Principal Risks and Uncertainties

Continued >

Risk	Mitigation
<p><b>FAILURE OF STRATEGY</b></p> <p><b>Risk Rating: High</b></p> <p>Trend: →</p> <p>Our current business model sets out our intentions to expand the Group by actively pursuing strategic acquisition opportunities within the textile services market. Failure to identify suitable targets, or failure to successfully integrate them, would adversely impact our growth plans and potentially lead to lower investor confidence.</p>	<p>There is considerable knowledge and expertise within the Group with regard to acquisitions. An experienced acquisition team, together with external advisors where appropriate, is involved in all acquisition activity and we have a proven track record of successfully integrating businesses into the wider Group.</p> <p>Whilst the main challenge, particularly given the current macroeconomic environment, is in identifying suitable targets and determining an appropriate level of consideration on acceptable terms, our knowledge of and relationships with other market participants leaves us well positioned to take advantage of opportunities. The acquisitions of Regency and Celtic Linen during 2023 evidence this.</p>
<p><b>RECRUITMENT, RETENTION AND MOTIVATION OF EMPLOYEES</b></p> <p><b>Risk Rating: High</b></p> <p>Trend: →</p> <p>As a service orientated Group, attracting, retaining and motivating the best people with the right skills, at all levels of the organisation, is key to the long-term success of the Group.</p> <p>The Group has faced resourcing challenges over recent years in some parts of its businesses due to a lack of industry experience amongst candidates and appropriately qualified people as well as the seasonal nature of some of our business. These challenges were exaggerated in the wake of COVID-19 and Brexit. Changes to the UK's immigration system has also had an impact on employee availability in certain regions where we operate.</p> <p>Short term disruption could occur if a key member of our team was unavailable at short notice, either on a temporary or permanent basis. The current economic conditions may increase the risk of attrition in critical senior management positions.</p>	<p>The Group aims to mitigate this risk by time critical targeted resource management and has established training, development, performance management and reward programmes to attract, retain, develop and motivate our people. We quickly reacted to recent pressures in the wider labour market by proactively increasing wages to attract and retain employees.</p> <p>The Group also undertakes employee engagement reviews, led by an external consultant, and operates a number of well-established initiatives in response to our people's needs.</p> <p>The Group regularly reviews the adequacy and strength of its management teams to ensure that appropriate experience and training is given such that there is not an over reliance on any one individual.</p> <p>Furthermore, the Group has continued to develop succession planning as part of the development programmes for our people. Succession Planning is also now a regular agenda item at Board meetings.</p>
<p><b>LOSS OF A PROCESSING FACILITY</b></p> <p><b>Risk Rating: High</b></p> <p>Trend: →</p> <p>The loss of a key processing facility could result in significant disruption to our business.</p>	<p>A wide geographic spread of processing facilities mitigates, to an extent, the effect of a temporary loss of any single facility as our estate provides us the ability to relocate the processing of work. Detailed business continuity plans are in place for the processing to be relocated quickly and efficiently, as demonstrated in January 2020 following a fire at our Johnsons Workwear site in Exeter and again in February 2020 following a flood at our Johnsons Workwear site in Treforest.</p> <p>Furthermore, insurance cover is in place such that the increased cost of working following a loss of processing capacity may, in some circumstances, be recovered.</p>

Risk	Mitigation
<p><b>COMPETITION AND DISRUPTION</b></p> <p><b>Risk Rating: High</b></p> <p>Trend: →</p> <p>We operate in a highly competitive marketplace. Aggressive pricing from our competitors could cause a reduction in our revenues and margins.</p> <p>The levels of concentration and outsource penetration vary by region and by sector. Some markets are relatively concentrated with two or three key players whilst others are highly fragmented and offer significant opportunities for consolidation and penetration.</p>	<p>We aim to mitigate this risk by continuing to promote our differentiated propositions and focusing on our points of strength, such as transparency of our pricing, flexibility in our cost base, quality and value of service and innovation.</p> <p>Our diversified customer base and non-reliance on any one particular customer mitigates this risk to an extent. Furthermore, within Workwear, we have continued to attract new customers to the rental market with new-to-rental customers representing 25% of new sales in 2023.</p>
<p><b>INFORMATION TECHNOLOGY FAILURES AND CYBER SECURITY</b></p> <p><b>Risk Rating: High</b></p> <p>Trend: ↑</p> <p>The digital world creates many risks for a business including, but not limited to, technology failures, loss of confidential data, data privacy breaches and damage to brand reputation through, for example, the increased threat of cyber-attacks and instantaneous use of social media.</p> <p>Disruption caused by the failure of key software applications, security controls or underlying infrastructure could delay day to day operations and management decision making.</p> <p>The use of sophisticated phishing and malware attacks on businesses is rising with an increase in the number of companies suffering operational disruption and loss of data.</p> <p>The increase in remote working has led to an increase in the risk of malware and phishing attacks across all organisations.</p> <p>A combination of increased geopolitical tensions, economic instability and accessibility of sophisticated artificial intelligence ('AI') enabled tools and techniques have contributed to a significant increase in the risk of phishing and malware attacks, including ransomware, across all industries.</p>	<p>We seek to assess and manage the effectiveness of our security infrastructure and our ability to effectively defend against current and future cyber risks by using analysis tools and experienced professionals to evaluate and mitigate potential impacts. We are currently working alongside external consultants to review and, where appropriate, strengthen our security infrastructure. Externally facilitated cyber awareness training has been provided to senior management and similar training is being rolled out further across the Group. Furthermore, we continually increase our employees' awareness of phishing and malware attacks through the circulation of regular educational materials and simulation training.</p> <p>We also have in place appropriate crisis management procedures to handle issues in the event of our defences being breached. This is supported by using industry standard tooling, experienced professionals and partners and regular compliance monitoring to evaluate and mitigate potential impacts.</p> <p>We are focused on the need to maximise the effectiveness and security of our information systems and technology as a business enabler and to reduce both cost and exposure as a result. As such, we continue to invest in technology and specialist resources in order to further strengthen our platforms, controls and defences.</p>
<p><b>PANDEMIC OR OTHER NATIONAL CRISIS</b></p> <p><b>Risk Rating: Medium</b></p> <p>Trend: →</p> <p>Whilst the risks associated with the COVID-19 pandemic have reduced significantly, the Board is cognisant that a future significant unexpected event, such as a pandemic or other national crisis, could cause further business risk and have a material impact on the Group.</p>	<p>Detailed business continuity plans are in place and, in response to COVID-19, the Group demonstrated its ability to continue trading throughout the pandemic through the implementation of action plans to protect the liquidity of the Group, reduce the cost base and protect the health, safety and wellbeing of our employees.</p> <p>The Board will continue to keep the potential for a significant unexpected event under review as part of its overall assessment of risk.</p>

# Principal Risks and Uncertainties

Continued >

Risk	Mitigation
<p><b>HEALTH AND SAFETY</b></p> <p><b>Risk Rating: Medium</b></p> <p>Trend: →</p> <p>Health and safety in the workplace is an extremely important consideration for an employer. Legislation is complex and failure to ensure that our employees remain safe at work may lead to serious business interruption and could result in criminal and civil prosecution, increased costs and potential damage to our reputation.</p>	<p>The Group has policies, procedures and standards in place, which are continuously updated, to ensure compliance with legal obligations and industry standards. Regular health and safety audits and risk assessments are undertaken across the Group. Regular training is provided to our people to ensure they are clear on their role and accountabilities with regards to health, safety and wellbeing practices. Prompt incident reporting procedures are maintained and all employees are encouraged to report 'near misses' in order that additional safety procedures are implemented where applicable.</p> <p>All Board and management meetings throughout the Group feature a health and safety update as an agenda item.</p> <p>In September 2022, a new group-wide and dedicated role of Head of Health and Safety was created to further increase risk mitigation.</p>
<p><b>COMPLIANCE AND FRAUD</b></p> <p><b>Risk Rating: Medium</b></p> <p>Trend: →</p> <p>Ineffective management of compliance with increasingly complex laws and regulations, or evidence of fraud, bribery and corruption, anti-competitive behaviour or other serious misconduct, could have an adverse effect on the Group's reputation and could result in an adverse impact on the Group's performance and/or reputation if significant financial penalties are levied or a criminal action is brought against the Company or its Directors.</p> <p>Operating across more than one jurisdiction elevates this risk due to non-standard laws and regulations applying to different territories.</p>	<p>The Group's zero tolerance based Code of Ethics (the 'Code of Ethics') governs all aspects of our relationships with our stakeholders and, in conjunction with our dedicated Whistleblowing Hotline, is aimed at promoting a strong culture of integrity throughout the Group. All alleged breaches of the Code of Ethics, including any allegations of fraud, are investigated and action taken where appropriate.</p> <p>The Group's procedures include regular operating reviews, underpinned by a continual focus on ensuring the effectiveness of internal controls. The Group undertakes a robust risk management assessment that helps properly identify major risks and ensures the internal control framework remains effective through regular monitoring, testing and review. Emerging regulatory and compliance risks are included in this process to enable visibility and planning to address them.</p> <p>Regulation and compliance risk is also considered as part of our annual business planning process.</p> <p>Whilst operating across more than one jurisdiction does elevate this risk, this is mitigated through the knowledge and experience of local management and, where appropriate, through the use of professional advisors.</p>
<p><b>INSUFFICIENT PROCESSING CAPACITY</b></p> <p><b>Risk Rating: Medium</b></p> <p>Trend: →</p> <p>In previous years, the Group has stated that as demand increases our facilities may not be able to process the increased volume or may not be able to process it efficiently.</p> <p>Production efficiencies reduce if plants are processing too much work, quality may decline and machinery break downs are likely to increase in frequency.</p> <p>We may not be able to tender for further work due to capacity issues.</p>	<p>Our increasing geographic coverage allows for work transfers to ease short term processing gaps, however, the identification of suitable processing facilities in the right location remains a priority.</p> <p>The Group has adopted a lead strategy by adding capacity in anticipation of an increase in demand, for example, the construction of our new HORECA site in Crawley. Targeted investment in state-of-the-art machinery also helps us to increase capacity.</p>

Risk	Mitigation
<p><b>CUSTOMER SALES AND RETENTION</b></p> <p><b>Risk Rating: Medium</b></p> <p>Trend: →</p> <p>For our businesses to grow organically, we are reliant on securing and retaining a diverse range of customers. A reliance on any one particular customer or group of customers may present a risk to the future cash flows of the Group should they not be retained.</p> <p>Adverse economic conditions may lead to an increased number of our customers and clients being unable to pay for existing or additional products and services or, in more extreme circumstances, an increase in business failures and insolvencies.</p>	<p>We have strategies which strengthen our long-term relationships with our customers based on quality, value and innovation. Regular customer feedback surveys are undertaken across the Group and, where applicable, appropriate action taken.</p> <p>Our business model is structured so that we are not reliant on one particular customer or group of customers. Furthermore, within Workwear, we have continued to attract new customers to the rental market with new-to-rental customers representing 25% of new sales in 2023.</p> <p>The Group has limited concentration of credit risk with regard to trade receivables given the diverse and unrelated nature of the Group's customer base.</p>
<p><b>CLIMATE CHANGE &amp; ENERGY COSTS</b></p> <p><b>Risk Rating: Medium</b></p> <p>Trend: →</p> <p>Climate change is increasingly becoming more significant and we foresee that, over time, it may have a greater impact on the Group's operations.</p> <p>For example, unpredictable weather patterns brought about by climate change are leading to increasingly more intense storms and flash flooding.</p> <p>The industry we operate in is, by its very nature, energy intensive. Climate change is important to us as a business and to our stakeholders and we are committed to energy efficiency improvement and reducing our greenhouse gas emissions, however, there remains the potential for us to see increases in both the cost of energy as well as the potential introduction of associated levies or taxation.</p> <p>Failure to appropriately demonstrate that as a business we are committed and moving towards net zero carbon emissions could negatively impact our brand and also impact our ability to operate and/or remain relevant to our customers and consumers.</p> <p>Failure to remain up to date or comply with climate change disclosure requirements could lead to material financial, reputational or regulatory risks to the Group.</p>	<p>Detailed business continuity plans are in place for the processing of work to be relocated quickly and efficiently, as demonstrated in January 2020, following a fire at our Johnsons Workwear site in Exeter, and again in February 2020 following a flood at our Johnsons Workwear site in Treforest. Furthermore, material damage and business interruption insurance cover is in place such that damage to property and the increased cost of working following a loss of processing capacity may, in some circumstances, be recovered.</p> <p>The Group seeks to minimise volatility and manage price risk through hedging and forward buying arrangements for its diesel, electricity and gas requirements.</p> <p>Whilst we are unable to eradicate the risk of energy levies and/or taxes being introduced, we seek to mitigate such risk by continually investing in our sites and installing the latest technologically efficient machinery, for example, water and heat recovery systems.</p> <p>The launch of our refreshed Sustainability Strategy and Vision 2030 targets in 2022 demonstrate the commitments we are making in this area. These commitments are further supported by sustainability targets having been incorporated into Executive and senior management remuneration targets since 2022.</p> <p>We have formed a Sustainability Committee to oversee our environmental commitments. The role of the Committee is to lend support, to monitor progress and provide guidance on our priority areas, ensuring that our targets are ambitious, realistic, and in the long-term interests of the Group, our stakeholders and the environment.</p> <p>The Group already complies with SECR reporting requirements and has improved and increased its TCFD reporting year on year. In terms of Scope 3 reporting, we are working alongside third party energy consultants in order to further understand and develop our approach and methodology. Further details in respect of SECR, TCFD and Scope 3 emissions are set out within our Sustainability Report.</p>



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# 02

## Corporate Governance



  
JOHNSONS



# Directors and Officers



## Jock Lennox

Non-Executive Chair

Jock was appointed as Non-Executive Chair in May 2021. Jock, a Chartered Accountant with extensive experience across a range of sectors, spent 30 years with Ernst & Young LLP ('EY'), holding a number of leadership positions both in the UK and globally, including 20 years as a partner. Since leaving EY in 2009, he has developed an active board career and is currently the Senior Independent Director and Audit Committee Chair of Barratt Developments PLC and was previously Chair of Enquest PLC and Hill & Smith Holdings PLC. He has also served on the boards of Dixons Carphone PLC, Oxford Instruments PLC and A&J Mucklow Group PLC.



## Peter Egan

Chief Executive Officer

Peter was appointed as Chief Executive Officer on 1 January 2019 having previously held the role of Chief Operating Officer since 1 April 2018. He joined the Group in 1998 and has almost 30 years' experience in the Textile Services industry. Prior to his appointment to the Board, Peter was the Managing Director of Johnsons Workwear, the Group's workwear rental business, having also previously held a number of senior roles within that business. Peter is also a Board member of the European Textile Services Association.





## Yvonne Monaghan

Chief Financial Officer

Yvonne has significant experience in the Textile Services industry having joined the Group as Group Management Accountant in 1984 after qualifying as a Chartered Accountant with Deloitte Haskins and Sells. She was appointed as Company Secretary and Group Financial Controller in 1985 and joined the Board as Chief Financial Officer on 31 August 2007. Yvonne is also the Senior Independent Non-Executive Director and Chair of the Audit Committee of The Pebble Group PLC and, prior to stepping down from the Board in September 2020, was also the Senior Independent Non-Executive Director and Chair of the Audit Committee of NWF Group PLC.



## Chris Girling

Senior Independent Non-Executive Director

Chris joined the Board as a Non-Executive Director on 29 August 2018. A Chartered Accountant by training, he has a background in a variety of sectors, including support services, distribution, construction and defence. Since retiring from full time executive roles in 2007, where he spent the last 16 years as Group Finance Director for two FTSE 250 support services companies, Chris has pursued a non-executive career. In January 2024, after a 16 year term, Chris stepped down as Chair of Trustees for the Slaughter and May Pension Fund. Chris was previously a Non-Executive Director and Chair of the Audit Committee of South East Water Limited, before stepping down, after 8 years, in January 2023. Chris also served as the Senior Independent Non-Executive Director and Chair of the Audit Committee of Workspace Group PLC, prior to stepping down from the Workspace Group PLC Board in January 2022.



## Nick Gregg

Independent Non-Executive Director

Nick joined the Board as a Non-Executive Director on 1 January 2016. Nick has considerable experience in business to business service industries having been Managing Director of the Local Government division of public services business Amey, Managing Director of Biffa Waste Services Collections Division and Managing Director of ATS Euromaster (Michelin). Nick's early career was spent at Mobil Oil Company, leaving as Managing Director of the UK business, having previously held roles in sales, marketing and operations as well as key project roles in finance and IT.



## Nicola Keach

Independent Non-Executive Director

Nicola joined the Board as a Non-Executive Director on 1 June 2022. She has extensive experience across a range of sectors, having worked within a number of B2B service organisations of scale. Nicola is Chief Executive Officer of Tivoli Group, one of the largest providers of Grounds Maintenance in the UK, having joined the company in November 2021 with a remit to grow the business both organically and through aggressive acquisition. Prior to joining Tivoli, Nicola spent nearly a decade at utilities company ENGIE, latterly as Chief Executive Officer for the UK and Ireland. Nicola's early career was with Serco, the FTSE 250 provider of public services, where she quickly progressed to hold a number of leadership roles, including National Operations Director for Healthcare and Business Development Director for Healthcare.



## Kirsty Homer

Independent Non-Executive Director  
(Appointed 1 August 2023)

Kirsty joined the Board as a Non-Executive Director on 1 August 2023. Kirsty is a highly experienced HR practitioner who is, currently, Group People Director for Blue Coast Capital and Chief People Officer for River Island, the British based, multi-channel, fashion brand and retailer. In February 2024 Kirsty was appointed as a Non-Executive Director of Prince's Trust Trading Limited, the commercial and events arm of The Prince's Trust. Previously, Kirsty served as Group HR Director for the Howden Joinery Group Plc group of companies ("Howdens"), the UK's leading trade kitchen and joinery supplier and current constituent of the FTSE 100 index, which employs over 10,000 people and operates over 850 sites across the UK and Europe. Prior to her role at Howdens, Kirsty served as Global People & Governance Director for the Mothercare Plc group of companies during its turnaround phase and restructure, helping to transform the business into a successful global franchisor. Kirsty has also held senior HR roles at Waitrose and John Lewis before being appointed Personnel Director there in 2013.



## Christopher Clarkson

Company Secretary

Chris was appointed General Counsel & Company Secretary on 5 September 2022. Chris started his career at the international law firm DLA Piper UK LLP where he qualified as a Solicitor in 2008. He joined Brammer plc (now Rubix), the pan-European industrial distributor, in 2011 and was appointed Head of Legal there in 2017.

# Directors' Report



The Directors present their Annual Report and the audited Consolidated and Company Financial Statements for the year ended 31 December 2023.

The Corporate Governance Report on pages 62 to 76, and the report on Sustainability on pages 28 to 44 (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's retained profit after taxation for the year from all operations amounted to £27.3 million (2022: £29.0 million).

The dividend comprises an interim dividend of 0.9 pence (2022: 0.8 pence) per Ordinary share and a proposed final dividend of 1.9 pence (2022: 1.6 pence) per Ordinary share. This total dividend of 2.8 pence per Ordinary share, subject to the approval of Shareholders, will amount to a dividend distribution for the year, based on the number of shares in issue as at the date of this report, of £11.7 million (2022: £10.3 million).

## Share Buyback Programmes

As previously disclosed, on 15 September 2022, the Company announced the commencement of a share buyback programme with an aggregate market value equivalent of up to £27.5 million (excluding expenses) ('2022 Share Buyback Programme'). Consistent with the Company's capital allocation policy, the purpose of the 2022 Share Buyback Programme was to reduce the Company's share capital. Pursuant to the 2022 Share Buyback Programme, the Company entered into a non-discretionary instruction with Investec Bank plc to purchase up to £27.5 million (excluding expenses) of the Company's Ordinary shares of 10 pence each and to make trading decisions under the 2022 Share Buyback Programme independently of the Company in accordance with certain pre-set parameters. The 2022 Share Buyback Programme commenced on 15 September 2022 and ended on 4 May 2023, being the date of the Company's 2023 Annual General Meeting.

During the year ended 31 December 2023, pursuant to the 2022 Share Buyback Programme, the Company bought back through market purchases on the London Stock Exchange 17,047,238 Ordinary shares with a nominal value of 10 pence each, representing 3.8 per cent. of the shares in issue prior to the commencement of the 2022 Share Buyback Programme. The total consideration paid, in connection with the 2022 Share Buyback Programme, including expenses, was £25.5 million of which £19.9 million was expended during the year. All of the Ordinary shares bought back pursuant to the 2022 Share Buyback Programme were cancelled.

On 20 September 2023, subsequent to the ending of the 2022 Share Buyback Programme, the Company announced the commencement of another share buyback programme, with an aggregate market value equivalent of up to £10.0 million (excluding expenses) ('2023 Share Buyback Programme'). Consistent with the Company's capital allocation policy, the purpose of the 2023 Share Buyback Programme was to reduce the Company's share capital. Pursuant to the 2023 Share Buyback Programme, the Company entered into a non-discretionary instruction with Investec Bank plc to purchase up to £10.0 million (excluding expenses) of the Company's Ordinary shares of 10 pence each and to make trading decisions under the 2023 Share Buyback Programme independently of the Company in accordance with certain pre-set parameters. The 2023 Share Buyback Programme commenced on 20 September 2023 and completed on 27 November 2023.

During the year ended 31 December 2023, pursuant to the 2023 Share Buyback Programme, the Company bought back through market purchases on the London Stock Exchange 7,572,051 Ordinary shares with a nominal value of 10 pence each, representing 1.8 per cent. of the shares in issue prior to the commencement of the 2023 Share Buyback Programme. The total consideration paid, in connection with the 2023 Share Buyback Programme, including expenses, was £10.0 million all of which was expended during the year. All of the Ordinary shares bought back pursuant to the 2023 Share Buyback Programme were cancelled.

## 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.



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

At the 2023 Annual General Meeting, Shareholders authorised the Company to make market purchases of up to a maximum aggregate of 43,286,254 Ordinary shares, which represented approximately 10% of the Company's issued Ordinary share capital on the latest practicable date prior to publication of the 2023 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 2024 Annual General Meeting. Further details are given in the 2024 Notice of Annual General Meeting.

### Acquisitions and Discontinued Operations

Details of acquisitions and discontinued operations during the current and preceding year are given in notes 34 and 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 Schedule 7 of the Large and Medium Sized Companies and Groups Regulations.

### Directors

Details of the Directors of the Company are shown on pages 54 to 55. With the exception of Kirsty Homer, who was appointed to the Board as an additional Independent Non-Executive Director on 1 August 2023, they all held office throughout the year and up to the date of approving this Report.

### Directors' Interests

#### Share Capital

The interests of the Directors who were in office at 31 December 2023, 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 law, the Directors are granted an indemnity from the Company in respect of certain 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

Subject to certain limited exceptions, the Company's Articles of Association may only be amended by Special Resolution at a general meeting of the Shareholders.

### Charitable Donations

Details of charitable donations during the current and preceding financial year are set out within the report on Sustainability.

### 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 (2022: £nil).

# Directors' Report

Continued >

## Independent Auditor

The external auditor to the Company, Grant Thornton UK LLP, has indicated its willingness to continue in office. In accordance with the recommendation of the Audit Committee, as disclosed on page 83, and as required by Section 489 of the Companies Act 2006, a resolution to reappoint Grant Thornton UK LLP as the external auditor to the Company 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 16 and the section 172(1) statement on page 17 provide a high-level overview of how we engage with our 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 2023 and for the six months ended 31 December 2023. The average time taken to pay invoices in each of those periods was 51 days and 51 days, respectively. The comparative figures for 2022 were also 51 days and 51 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 2023. 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 2023.

Relevant disclosures are provided on pages 34 to 39.

## 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 pages 83 to 84.

## 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](http://www.jsg.com).

## 2024 Annual General Meeting

The Directors intend that the 2024 Annual General Meeting (the 'Meeting' or the 'AGM') of Johnson Service Group PLC (the 'Company') will be held at the DoubleTree by Hilton Hotel & Spa Chester, Warrington Road, Hoole, Chester, CH2 3PD on Wednesday 1 May 2024 at 11:00am.

As we did last year, and in order to reduce the Company's environmental impact, our intention is to once again 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.

An explanation of the resolutions to be proposed at the Meeting, together with details on electronic voting, is included in the Notice of Annual General Meeting accompanying this Annual Report.

## Going Concern

### Background and Summary

After careful assessment, the Directors have adopted the going concern basis in preparing these financial statements. 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 details of the financial position of the Group, its cash flows, liquidity position and borrowing facilities, are described in the Operating and Financial Reviews.

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Strategic Review, Chair's Statement and Chief Executive's Operating Review. The financial position of the Group, its cash flows, liquidity position and borrowing facilities are described in the Financial Review. In addition, note 27 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

#### Cash Flows, Covenants and Stress Testing

For the purposes of the going concern assessment, the Directors have prepared monthly cash flow projections for the period to 30 June 2025 (the assessment period). The Directors consider this to be a reasonable period for the going concern assessment as it enables us to consider the potential impact of macroeconomic and geopolitical factors over an extended period. The cash flow projections show that the Group has significant headroom against its committed facilities and can meet its financial covenant obligations.

The Group has also performed a reverse stress test against the base monthly cash flow projections referred to above in order to determine the performance level that would result in a reduction in headroom against its committed facilities to nil or a breach of its covenants. The interest cover covenant would be breached in the event that adjusted operating profit reduced to approximately 70% of 2023 levels. The Directors do not consider this scenario to be plausible.

As a further stress test, the Group considered the impact of increasing interest rates. The Directors do not consider the magnitude of the increase in interest rates that would be required in order for a covenant to be breached to be plausible.

The Group has also considered the impact of a more modest increase in interest rates alongside the reduction required in adjusted operating profit to cause a breach in the interest cover covenant. Again, the Directors do not consider such a scenario to be plausible.

Each of the stress tests assume no mitigating actions are taken. Mitigating actions available to the Group, should they be required, include reductions in discretionary capital expenditure and ceasing dividend payments.

#### Liquidity

The Group has access to a committed Revolving Credit Facility of £120.0 million (the 'Facility') which matures in August 2026. The terms of the Facility provide an option to extend the term for a further year and an option to increase the Facility by up to a further £15.0 million, both with bank consent. The Facility is considerably in excess of our anticipated borrowings and provides ample liquidity for current commitments.

# Directors' Report

Continued >

## Going Concern Statement

After considering the monthly cash flow projections, the stress tests 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 period to 30 June 2025. Accordingly, 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.

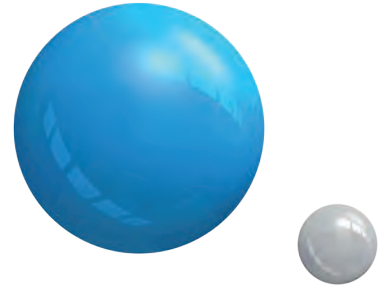
**Christopher Clarkson**

Company Secretary

4 March 2024

**Johnson Service Group PLC**

Registered in England and Wales No.523335



# Statement of Directors' Responsibilities in Respect of the Financial Statements

The Directors are responsible for preparing the Strategic Report, Directors' Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have to prepare the Group and Company financial statements in accordance with UK-adopted international accounting standards. 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 the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent; and
- state whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group 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 Directors' Remuneration Report comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and 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 corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors are responsible for preparing the Annual Report in accordance with applicable law and regulations. Having taken advice from the Audit Committee, the Directors consider that the Annual Report and the financial statements, taken as a whole, provides the information necessary to assess the Group and Company's performance, business model and strategy and is fair, balanced and understandable.

To the best of our knowledge:

- the Group financial statements, prepared in accordance with UK-adopted international accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation, taken as a whole; and
- the Strategic Report and Directors' Report include a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation, taken as a whole, together with a description of the principal risks and uncertainties that they face.

The Directors confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Group and Company's auditor is unaware; and
- the Directors have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Group and Company's auditor is aware of that information.

On behalf of the Board

**Peter Egan**  
Chief Executive Officer

4 March 2024

**Yvonne Monaghan**  
Chief Financial Officer

4 March 2024

# Corporate Governance Report

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

## Legislative Overview

As a company having its shares admitted to trading on the AIM division of the London Stock Exchange, we are required to provide details of a recognised corporate governance code that the Board has decided to apply, together with an explanation of how the Company complies with that code and, where it departs from its chosen code, an explanation for the reasons for doing so. All companies with a Premium Listing of equity shares in the UK are required to comply with the Financial Reporting Council’s 2018 UK Corporate Governance Code (the ‘Code’). The Board is committed to the highest standards of corporate governance and determined that it was, therefore, appropriate to apply the Code.

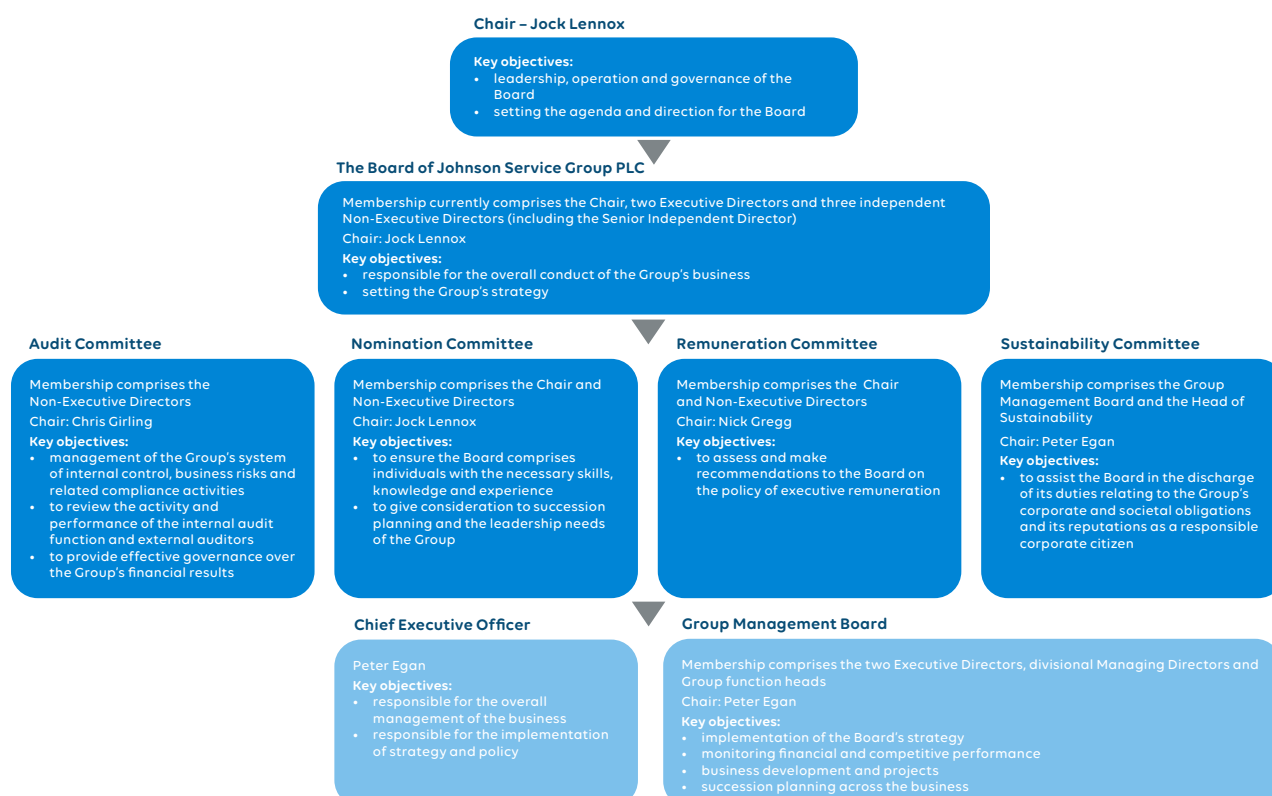
The Code, which can be found on the Financial Reporting Council’s website at [www.frc.org.uk](http://www.frc.org.uk), is the product of extensive consultation and places emphasis on businesses establishing a corporate culture that is aligned with the company purpose and business strategy and which promotes integrity and values diversity. The Code is divided into five sections, as follows:

- 1) Board Leadership and Company Purpose
- 2) Division of Responsibilities
- 3) Composition, Succession and Evaluation
- 4) Audit, Risk and Internal Control
- 5) Remuneration

Each of the above sections contain an overriding set of ‘Principles’ supported by more detailed ‘Provisions’.

This Corporate Governance Report describes how the Board has applied the main Principles of good governance and complied with the relevant Provisions as set out in the Code for the year under review. To the extent necessary, certain information is incorporated into this Report by reference.

## Our Governance Structure





## Compliance with the Code

The Company has applied the Principles and complied with the Provisions of the Code throughout the year ended 31 December 2023, other than in relation to the following:

Provision	Explanation
<b>36</b>	<b>Post-employment shareholding requirement</b> We have not introduced a formal post-employment shareholding requirement for the Executive Directors. We believe that our current approach provides for a sufficient long-term alignment of interests between executives and Shareholders through, for example, the LTIP and the existing personal shareholding requirement (which applies during employment). The Remuneration Committee has in addition, for LTIPs granted in 2019 and thereafter, introduced a two-year post-vesting holding period. Furthermore, as previously disclosed, during 2019, the Committee also increased the personal shareholding requirement from 100% to 200% of basic salary. We will keep this under regular review as market practice in this area develops.
<b>38</b>	<b>Pensions</b> Pension rates for the CEO and CFO reflect historic entitlements. We have not yet fully aligned Executive Director pensions with the wider workforce; however, we have established a pathway to alignment towards the rate applicable to the majority of the wider workforce. Whilst provision for both the CEO and the CFO remains above the workforce average, we have moved the effective pension contribution rate for the CEO closer towards the rate payable to the wider workforce, with his maximum entitlement capped at the cash value of his 2019 entitlement such that, over time, the rate payable will reduce. For 2023 this equated to a contribution rate of 9.1 per cent of the CEO's salary (2022: 9.4 per cent). Furthermore, the pension contribution rate for the CFO reduced to 15 per cent of base salary with effect from 1 January 2023; then reduced to 12 per cent of base salary with effect from 1 January 2024; and will then reduce to 9 per cent of base salary with effect from 1 January 2025. For all new executive appointments to the Board, the employer pension contribution rate will be aligned with that available to the majority of the UK workforce (currently 6 per cent).

## Section 1: Board Leadership & Company Purpose

### Principles

- A. A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.
- B. The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and promote the desired culture.
- C. The board should ensure that the necessary resources are in place for the company to meet its objectives and measure performance against them. The board should also establish a framework of prudent and effective controls, which enable risk to be assessed and managed.
- D. In order for the company to meet its responsibilities to shareholders and stakeholders, the board should ensure effective engagement with, and encourage participation from, these parties.
- E. The board should ensure that workforce policies and practices are consistent with the company's values and support its long-term sustainable success. The workforce should be able to raise any matters of concern.

## Overview of the Board

The Board comprises the Non-Executive Chair, two Executive Directors and, with effect from 1 August 2023 (following the appointment of Kirsty Homer to the Board as an additional Independent Non-Executive Director) four Independent Non-Executive Directors and has overall responsibility for the performance and long-term sustainable success of the Group. Operating in an effective and entrepreneurial spirit, the Board is responsible for health and safety, leadership, agreeing the strategic direction of the Group, sustainability, promoting high standards of internal control, risk management and corporate governance, setting the budget, overseeing performance and discharging certain legal responsibilities. The Board also plays a key role in developing and monitoring our culture, our values, our brand and our reputation.

The Board has spent time in the business both collectively and as individuals, exploring specific business areas through presentations, meetings and dialogue with colleagues and our stakeholders. Throughout the year, the Board, supported by its Committees, has covered a broad range of topics to ensure that we continually review and challenge matters of importance to our stakeholders.

Further details on the Group's mission, vision, values, targets and culture, together with information on our strategy and business model, are set out within the Strategic Report on pages 4 to 51.

# Corporate Governance Report

Continued >

## Specific Responsibilities of the Board

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

The specific responsibilities reserved for the Board include:

- development and approval of the Group's long-term objectives, overall strategy, mission, vision, values and targets;
- health and safety matters;
- sustainability matters;
- approval of the annual budget;
- monitoring of operational and financial performance against plans and budgets;
- approval of major acquisitions, disposals and capital expenditure;
- approval of any changes to the capital structure of the Group;
- design and approval of dividend policy;
- approval of appointments to the Board and of the Company Secretary;
- consideration of succession planning for key members of the management team; and
- determining the terms of reference for the Board committees.

## Roles in the Boardroom

Non-Executive Chair	Senior Independent Non-Executive Director
<p><b>Jock Lennox</b></p> <p>Leads the Board and ensures its overall effectiveness in discharging its duties</p> <ul style="list-style-type: none"> <li>• shapes the culture in the boardroom and promotes openness, challenge and debate</li> <li>• sets the agenda for Board meetings, focusing on strategy, performance, value creation, risk management, culture, stakeholders and accountability</li> <li>• chairs meetings ensuring there is timely information flow before meetings and adequate time for discussion and debate</li> <li>• fosters relationships based on trust, mutual respect and open communication inside and outside the boardroom</li> <li>• leads relations with major shareholders in order to understand their views on governance and performance against strategy</li> </ul>	<p><b>Chris Girling</b></p> <p>Provides a sounding board for the Chair and serves as an intermediary for other directors and shareholders</p> <ul style="list-style-type: none"> <li>• provides the Chair with support in the delivery of objectives, where necessary</li> <li>• works closely with the Nomination Committee, leads the process for the evaluation of the Chair and ensures orderly succession of the Chair's role</li> <li>• acts as an alternative contact for shareholders, providing a means of raising concerns other than with the Chair or senior management</li> </ul>

Independent Non-Executive Directors	Executive Directors
<p><b>Chris Girling</b> <b>Nick Gregg</b> <b>Nicola Keach</b> <b>Kirsty Homer (Appointed 1 August 2023)</b></p> <p>Ensure that no individual or small group of individuals can dominate the Board's decision making</p> <ul style="list-style-type: none"> <li>independent non-executive directors meeting the independence criteria set out in the Code (excluding the chair), currently comprise 57% of Board membership</li> <li>provide constructive challenge, give strategic guidance, offer specialist advice and hold executive management to account</li> </ul>	<p><b>Peter Egan (CEO)</b> <b>Yvonne Monaghan (CFO)</b></p> <p>Lead the implementation of the Group's strategy set by the Board</p> <ul style="list-style-type: none"> <li>the Group CEO is responsible for delivering the strategy and the overall management of the Group</li> <li>the Group CEO leads the Group Management Board and ensures its effectiveness in managing the overall operations and resources of the Group</li> <li>the executive directors provide information and presentations to the Board and participate in Board discussions regarding Group management, financial and operational matters</li> </ul>
Designated Non-Executive Director for Workforce Engagement	Company Secretary
<p><b>Nick Gregg</b></p> <p>Provides an effective engagement mechanism for the Board to understand the views of the workforce</p> <ul style="list-style-type: none"> <li>brings the views and experiences of the workforce into the boardroom</li> <li>enables the Board to consider the views of the workforce in its discussions and decision making</li> </ul>	<p><b>Christopher Clarkson</b></p> <p>Supports the Chair and ensures directors have access to the information they need to perform their roles</p> <ul style="list-style-type: none"> <li>provides a channel for Board and committee communications and provides a link between the Board and management</li> <li>advises the Board on corporate governance matters and supports the Board in applying the Code and complying with other statutory and regulatory requirements</li> </ul>

## Key Board Activities in the Year

Key activities of the Board during 2023 included, inter alia:

- ongoing monitoring of the Group's Health and Safety performance;
- regular review, and formal approval in March and August, of the Group's risk assessment processes and principal risks and uncertainties;
- the review and approval of the half year and full year financial statements;
- the review and approval of major capital and investment projects;
- succession planning, including consideration and approval of the appointment of Kirsty Homer to the Board in August;
- consideration and approval of the acquisition of Regency and Celtic Linen;
- consideration and approval of the launch of a £10.0 million (excluding expenses) share buyback programme in September;
- consideration and recommendation of a final dividend, for the financial year ended 31 December 2022, of 1.6 pence per Ordinary Share paid in May;
- consideration and approval of an interim dividend of 0.9 pence per Ordinary share paid in November; and
- consideration and approval of 2024 – 2026 Budget.

## Insight into the Boardroom

The following is a summary of some of the significant matters considered by the Board at certain of its meetings throughout the year:

January/February	March
<ul style="list-style-type: none"> <li>Minutes/matters arising</li> <li>Health &amp; Safety and Environmental matters</li> <li>CEO's trading and operational review (incl. Business updates)</li> <li>M&amp;A and strategy update (incl. Regency acquisition)</li> <li>Financial performance</li> <li>Share Buyback update</li> <li>Employee engagement</li> <li>Review and approval of updated Vision, Mission, Purpose &amp; Values</li> <li>Board Evaluation Review</li> <li>Corporate Governance Code Compliance Review</li> <li>Investor analysis</li> <li>Approval of Modern Slavery Statement</li> <li>Approval of Whistleblowing Policy</li> </ul>	<ul style="list-style-type: none"> <li>Minutes/matters arising</li> <li>Health &amp; Safety and Environmental matters</li> <li>CEO's trading and operational review (incl. Business updates)</li> <li>M&amp;A update</li> <li>Sustainability matters (incl. FY22 performance and FY23 targets; FY22 Annual Report disclosures; and Supplier Audit Process)</li> <li>Employee engagement</li> <li>Financial performance (incl. FY22 results)</li> <li>Going concern and viability assessment</li> <li>Share Buyback update</li> <li>Lilliput Audit Exemption</li> <li>Investor analysis</li> <li>Biannual major risk assessment</li> <li>Draft final results announcement</li> <li>Draft Annual Report and Accounts</li> <li>Draft Investor Presentation</li> <li>Draft AGM Notice</li> <li>NED Recruitment update</li> </ul>

# Corporate Governance Report

Continued >

May	June
<ul style="list-style-type: none"> <li>• Minutes/matters arising</li> <li>• Health &amp; Safety and Environmental matters</li> <li>• CEO's trading and operational review (incl. Business updates)</li> <li>• M&amp;A update</li> <li>• Employee engagement</li> <li>• Financial performance</li> <li>• Bank facility update</li> <li>• Investor feedback and analysis re: FY22 results</li> <li>• Provisional AGM Voting</li> <li>• Institutional Feedback</li> <li>• SAYE Scheme – Consideration of 2023 Grant</li> <li>• NED Recruitment update</li> </ul>	<ul style="list-style-type: none"> <li>• Minutes/matters arising</li> <li>• Health &amp; Safety and Environmental matters</li> <li>• CEO's trading and operational review (incl. Business Updates)</li> <li>• Strategy meeting</li> <li>• M&amp;A strategy</li> <li>• Capital investment strategy and update</li> <li>• Sustainability strategy and update</li> <li>• Succession Planning, Recruitment &amp; Retention strategy</li> <li>• Employee engagement</li> <li>• Financial performance</li> <li>• Bank Facility term extension</li> <li>• Investor analysis and Investor feedback re: AGM voting</li> </ul>
August/September	October
<ul style="list-style-type: none"> <li>• Minutes/matters arising</li> <li>• Health &amp; Safety and Environmental matters</li> <li>• CEO's trading and operational review (incl. Business updates)</li> <li>• M&amp;A and strategy update (incl. Celtic Linen acquisition)</li> <li>• Sustainability update and Sustainability Report</li> <li>• Employee Engagement</li> <li>• Financial performance (incl. FY23 interim results and interim dividend)</li> <li>• Dividend policy</li> <li>• Defined benefit pension scheme update</li> <li>• Bank Facility increase</li> <li>• Capital allocation/Share buyback launch</li> <li>• Investor analysis</li> <li>• Biannual major risk assessment</li> <li>• Draft interim results announcement</li> <li>• Going concern assessment</li> <li>• Corporate governance reforms update</li> </ul>	<ul style="list-style-type: none"> <li>• Minutes/matters arising</li> <li>• Financial performance</li> <li>• Health &amp; Safety update and strategy review</li> <li>• IT &amp; Cyber Security update</li> <li>• CEO's trading and operational review (incl. Business updates)</li> <li>• Celtic Linen overview and integration plan</li> <li>• M&amp;A update</li> <li>• Share buyback update</li> <li>• Bank Facility increase/Celtic Linen accessions</li> <li>• Defined benefit pension scheme update</li> <li>• Corporate governance reforms update</li> <li>• Investor analysis</li> <li>• Board evaluation review process</li> </ul>
November	
<ul style="list-style-type: none"> <li>• Minutes/matters arising</li> <li>• Health &amp; Safety and Environmental matters</li> <li>• Sustainability Committee update (incl. strategy; reporting disclosures; and policy)</li> <li>• CEO's trading and operational review (incl. Business updates)</li> <li>• M&amp;A and strategy update</li> <li>• Employee engagement</li> <li>• Financial performance</li> <li>• Consideration and approval of 2024-2026 Budget</li> <li>• Share Buyback update</li> <li>• Investor analysis</li> <li>• Approval of updates to Whistleblowing Policy; Anti-Bribery and Corruption Policy; and Anti-Facilitation of Tax Evasion Policy</li> <li>• Approval of Tax Strategy</li> <li>• SAYE Scheme</li> <li>• Review and approval of Committee Terms of Reference</li> <li>• Review of NED fees</li> <li>• Corporate governance reforms update</li> </ul>	

## Consideration of Stakeholder Interests

The examples below give an insight into how the Board had regard for the interests of its stakeholders in certain of its principal decision-making processes during the year:

**Principal Decision:** Sustainability and Climate Change  
**Stakeholders:** Employees, Customers, Suppliers, Communities, Shareholders

The Board recognises the seriousness of the implications of climate change and sustainability matters for the Group, its stakeholders and the planet, and has taken the decision to make this a central part of the Board's deliberations and oversight. During the year, the Board approved for publication the Group's second Sustainability report. The Board firmly believes that embedding a best-in-class sustainability programme throughout our operations will help position us as a leader in responding to the challenges faced by the textile services industry and prove to be a differentiator for our customers.

**Principal Decision:** Acquisition of Regency Laundry  
**Stakeholders:** Employees, Customers, Suppliers, Communities, Shareholders

On 13 February 2023, the Company acquired the entire issued share capital of Regency Laundry Limited ('Regency') for a cash consideration of £5.75 million on a debt free, cash free basis and subject an adjustment for normalised working capital. As previously disclosed, the acquisition of Regency provides the Group with a significantly increased presence in the luxury/bespoke segment of the HORECA sector. In making its decision to approve the acquisition of Regency, the Board considered a number of factors including the strategic rationale for the acquisition; the potential for operational synergies with the Group's existing HORECA business operations; the scope for further growth opportunities in the luxury/bespoke customer segment serviced by Regency; and post-acquisition development opportunities for Regency's people as part of an enlarged group. After careful consideration, the Board resolved that it was for the benefit of the Company and its stakeholders and was most likely to promote the success of the Company for the benefit of its members as a whole, to proceed with the acquisition of Regency.

**Principal Decision:** Acquisition of Celtic Linen  
**Stakeholders:** Employees, Customers, Suppliers, Communities, Shareholders

On 31 August 2023, the Company acquired the entire issued share capital of Harkglade Limited, together with its subsidiaries Celtic Linen Limited and Millbrook Linen Limited (Harkglade Limited, Celtic Linen Limited and Millbrook Linen Limited together, 'Celtic Linen') for a total consideration of €31.5 million, on a debt free cash free basis, subject to a locked box mechanism and a normalised level of working capital. Celtic Linen, which employs approximately 350 people, services the Republic of Ireland's Healthcare and Hotel, Restaurant and Catering ('HORECA') sectors; it is the largest linen supplier to the Republic of Ireland's Healthcare sector and is the second largest linen supplier to the HORECA sector. In making its decision to approve the acquisition of Celtic Linen, the Board considered a number of factors including the strategic rationale for the acquisition; the potential for operational synergies with the Group's Northern Irish business, Lilliput; and post-acquisition development opportunities for Celtic Linen's people as part of an enlarged group. After careful consideration, the Board resolved that it was for the benefit of the Company and its stakeholders and was most likely to promote the success of the Company for the benefit of its members as a whole, to proceed with the acquisition of Celtic Linen.

**Principal Decision:** Interim Dividend  
**Stakeholders:** Shareholders

In September 2023, and in line with the Company's progressive dividend policy, the Board approved an interim dividend of 0.9 pence per Ordinary share which was paid on 3 November 2023. In reaching this decision, the Board carefully considered a number of factors including the available profit, the importance of a dividend to the Company's shareholders and the Board's intention to reduce dividend cover from the Company's historical level of cover of 3 times cover to 2.5 times cover by financial year 2024.

**Principal Decision:** Share Buyback  
**Stakeholders:** Shareholders

The Group's objective is to employ a disciplined approach to investment, returns and capital efficiency to deliver sustainable compounding growth whilst also maintaining a strong balance sheet. Against this backdrop, in September 2023, the Company announced the launch of a share buyback programme of the Company's Ordinary shares for up to a maximum aggregate consideration of £10.0 million (excluding expenses). In reaching its decision, the Board considered ongoing capital expenditure at current levels to fund organic growth, payment of dividends and acquisitions within the M&A pipeline. After taking account of these factors, the Group had significant headroom under its committed facilities and target leverage. Accordingly, the Board concluded that the share buyback programme is prudent, reflects the cash generative ability of the Group, maintains a strong balance sheet consistent with its capital allocation policy and would therefore promote the success of the Company for the benefit of its members as a whole.

**Principal Decision:** Increase of Bank Facility  
**Stakeholders:** Employees, Customers, Suppliers, Communities, Shareholders

As previously disclosed, an £85.0 million bank facility was entered into for an initial three-year term on 8 August 2022. The terms of the facility provide an option to extend the term for up to a further two years and an option to increase the facility by up to a further £50.0 million, both with bank consent. Following a request from the Company, the term of the bank facility was extended, in August 2023, by one year, to August 2026, and, in addition, the bank facility was upsized, with effect from 18 October 2023, by £35.0 million to £120.0 million. In making its decision to seek bank consent for these facility increases, the Board considered the requirement for stable sources of finance in order for the Company to effectively operate all facets of its operations, including the pursuit of the Company's sustainability agenda and the pursuit of acquisition opportunities.

# Corporate Governance Report

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## Board Committees

The Committees of the Board which met during 2023 are:

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

Each Committee has written terms of reference, which are available on the Group's website. Separate reports for each of these Committees are included in this Annual Report.

Linked to the launch of our refreshed sustainability strategy an additional Committee of the Board, the Sustainability Committee, was established in 2022. The Sustainability Committee's membership is comprised of the Group's Management Board (which includes the Company's Executive Directors) plus the Group's Head of Sustainability and is chaired by the Chief Executive Officer. Whilst not members of the Sustainability Committee, the Non-Executive Chair of the Company and the Independent Non-Executive Directors of the Company are also entitled to attend meetings of the Sustainability Committee. The Sustainability Committee's purpose is to assist the Board in the discharge of its duties relating to the Group's corporate and societal obligations and its reputation as a responsible corporate citizen. Specific responsibilities delegated to the Sustainability Committee include, inter alia:

- 1) Review and recommend changes, as appropriate, to the Group's sustainability strategy.
- 2) Assess the impact of the Group's activities on its communities, people and the environment.
- 3) Determine appropriate targets that will further improve the sustainability of the Group.
- 4) Ensure the sustainability policy is fully understood and implemented by the Group's business operations.
- 5) Ensure the Group's programme on achieving sustainability targets is regularly reported to the Board.
- 6) Review statements and reports to be published by the Group on sustainability.

Further details relating to the work of the Sustainability Committee during 2023 can be found on pages 28 to 44.

## Group Management Board

The Group Management Board is chaired by the Chief Executive Officer. Topics covered by the Group Management Board include:

- health and safety;
- sustainability;
- an update by the Chief Executive Officer on the business and business environment;
- divisional Managing Director updates;
- Group function heads' updates;
- substantial business developments and projects;
- employee welfare and engagement matters;
- talent and succession planning;
- competitor analysis; and
- strategy.

Annually, the Group Management Board conducts a strategic review to identify key issues, plans and objectives to be presented to the Board. The agreed strategy is then used as a basis for developing the upcoming financial budget and operating plans.

## Investor Relations

We are committed to communicating our strategy and activities clearly to our Shareholders in order to ensure that they receive a balanced and complete view of our performance. The Board considers that the Preliminary Announcement, the Annual Report, including the Chief Executive's Operating Review 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.

Furthermore, we undertake an extensive investor relations programme in order to maintain an active dialogue with our investors. The programme includes:

- formal presentations of full year and half-year results;
- briefing meetings with major institutional Shareholders after the half-year results, preliminary statement and at the time of any other significant market update, to ensure that the investor community receives a balanced and complete view of our performance and the issues we face;
- regular meetings between institutional investors and analysts and the Chief Executive Officer and the Chief Financial Officer to discuss business performance;
- hosting investor and analyst sessions at which senior management from relevant businesses deliver presentations which provide an overview of each of the individual businesses and operations;
- engagement with potential investors through roadshow meetings; and
- attendance by senior executives across the business at relevant meetings throughout the year.

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 broker and circulated to the Board.

During 2023, Jock Lennox met with a number of major Shareholders in order to more fully understand their views and to provide them with an opportunity to raise any questions they had outside of the normal Investor Relations process. The feedback received was consistent with that given to the CEO and CFO. Jock will once again extend this invitation to our major Shareholders during 2024. Committee chairs are also available to engage with major Shareholders regarding their areas of responsibility.

In addition to the investor relations programme, the Annual General Meeting ('AGM'), which is normally attended by all Directors, provides the Board with the opportunity to communicate with private and institutional investors and we encourage their participation at the meeting. Shareholders attending the AGM have the opportunity to meet and question the Board to discuss appropriate topics either during the meeting or with the Directors after the formal proceedings have ended. Such dialogue provides the Board with valuable feedback and helps them to understand the views of shareholders.

We also have a section of our website which is dedicated to shareholders and analysts ([www.jsg.com/investor-relations/](http://www.jsg.com/investor-relations/)) which includes all of our financial results presentations since 2010.

## Culture, Workforce Policies, Whistleblowing & Workforce Engagement

### Our Culture & Workforce Policies

Our corporate culture defines who we are, what we stand for and how we do business. Our strong reputation has been built on the solid foundation of an ethical culture, underpinned by a well-defined and effective system of governance. The Board defines the purpose of the Group, identifies the values that guide it and remains committed to upholding the highest ethical standards, operating on the principle that the tone at the top sets the standard for the rest of the business.

Our employees are central to our business. We strive to create an inspiring working environment where everyone is engaged and motivated and we want our employees to use their skills, combined with our support, to deliver a great service to our customers. Our people strategy is summed up by our ambition to be a brilliant place to work – that means making Johnson Service Group PLC a place where our people feel engaged and inspired to be at their best.

The employment policies of the Group embody the principles of equal opportunity and are tailored to meet the needs of its different businesses and the locations in which they operate. The Group has a written code on business ethics (the 'Code of Ethics') which sets out guidelines for all employees to enable the Group to meet the highest standards of conduct in business dealings, including those with overseas suppliers.

Further details of our culture and employment policies are set out within the report on Sustainability.

### Whistleblowing

The Code also provides for companies to create an environment in which the workforce feels it is safe to raise concerns; the Board wholly agrees that creating such an environment is a core part of an ethical and supportive business culture. Appropriate whistleblowing and anti-bribery and corruption policies are therefore in place and employees are encouraged to raise concerns about any wrongdoing or malpractice without fear of victimisation, discrimination, disadvantage or dismissal, updated versions of each of which were approved by the Board for adoption in November 2023.

Further details are set out within our Audit Committee Report.

# Corporate Governance Report

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## Workforce Engagement

Nick Gregg is the Non-Executive Director responsible for Workforce Engagement. Whilst the Board is aware of the three methods of engagement specified in the Code, it is conscious that the methods specified are not the only ways of engaging with the workforce and that engagement through a range of both formal and informal channels may be more appropriate. Such additional or alternative channels may include, but not be limited to:

- meeting groups of elected workforce representatives;
- meeting future leaders without senior management present;
- visiting regional sites;
- inviting colleagues from different business functions to board meetings; and
- surveys.

A second round of employee engagement surveys has recently been completed across the entire Group. Across the surveys we scored highly in areas such as employees knowing what is expected of them in their job, employees understanding how their job impacts the customer and employees feeling that they play a part in the success of the Group. A number of opportunities for further improvements and initiatives were also identified and these are set out on page 33. A further survey will be undertaken in the final quarter of 2024 and will also be rolled out to our new colleagues at Celtic Linen and Regency.

Further details, including how the Group engages with the workforce, are set out within the report on Sustainability.

## Section 2: Division of Responsibilities

### Principles

- F. The chair leads the board and is responsible for its overall effectiveness in directing the company. They should demonstrate objective judgment throughout their tenure and promote a culture of openness and debate. In addition, the chair facilitates constructive board relations and the effective contribution of all non-executive directors, and ensures that directors receive accurate, timely and clear information.
- G. The board should include an appropriate combination of executive and non-executive (and, in particular, independent non-executive) directors, such that no one individual or small group of individuals dominates the board's decision-making. There should be a clear division of responsibilities between the leadership of the board and the executive leadership of the company's business.
- H. Non-executive directors should have sufficient time to meet their board responsibilities. They should provide constructive challenge, strategic guidance, offer specialist advice and hold management to account.
- I. The board, supported by the company secretary, should ensure that it has the policies, processes, information, time and resources it needs in order to function effectively and efficiently.

## Composition of the Board

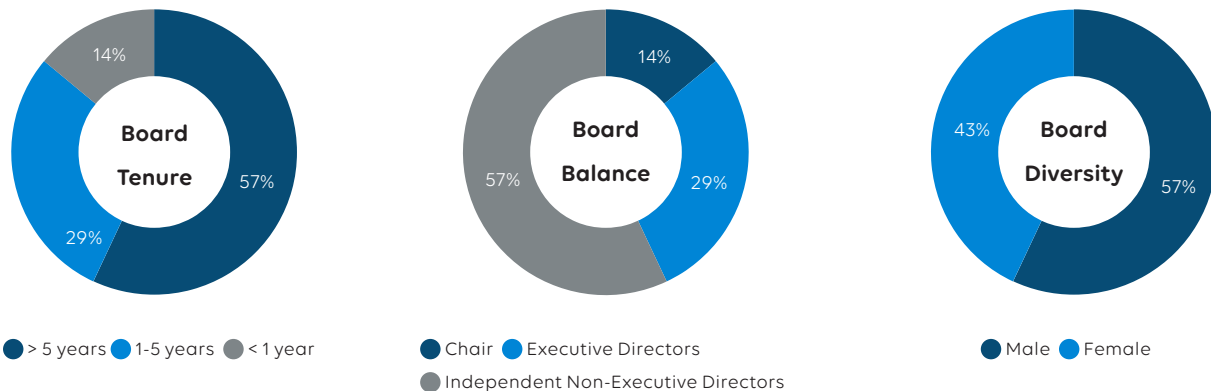
The Board currently consists of the Non-Executive Chair (the 'Chair'), four Independent Non-Executive Directors and two Executive Directors. The four Independent Non-Executive Directors are considered to be independent in character and judgment and are a strong element within the Board, with their views carrying significant weight in the decision-making process.

Biographies of the Directors of the Company are shown on pages 54 to 55. With the exception of Kirsty Homer, who was appointed to the Board as an additional Independent Non-Executive Director on 1 August 2023, they all held office throughout the year, and up to the date of approving this Report.



		Date first appointed to the Board	Date first elected to the Board	Tenure since appointment (as at 31 December 2023)
<b>Non-Executive Directors</b>				
Jock Lennox	Non-Executive Chair	5 January 2021	5 May 2021	3 years
Chris Girling	Senior Independent Non-Executive Director	29 August 2018	8 May 2019	5 years 4 months
Nick Gregg	Independent Non-Executive Director	1 January 2016	5 May 2016	8 years
Nicola Keach	Independent Non-Executive Director	1 June 2022	4 May 2023	1 year 7 months
Kirsty Homer	Independent Non-Executive Director	1 August 2023	-	5 months
<b>Executive Directors</b>				
Peter Egan	Chief Executive Officer	1 April 2018	3 May 2018	5 years 9 months
Yvonne Monaghan	Chief Financial Officer	31 August 2007	17 June 2008	16 years 4 months

### Tenure, Balance & Diversity



As referenced within Provision 23 of the Code, the Group Management Board, whose membership comprises the Executive Directors, divisional Managing Directors and certain Group function heads, is comprised of five males and two females, a proportionate ratio of 71% to 29%.

As explained further in the Nomination Committee Report on pages 87 to 88, although the Company's shares are admitted to trading on the AIM division of the London Stock Exchange, the Board is cognisant of governance developments regarding Board composition and diversity, including the FCA's changes to the Listing Rules (applicable to issuers with equity shares admitted to the premium or standard segment of the FCA's Official List (the "Main Market")) requiring at least 40 per cent of the Board to be women; at least one of the senior Board positions (Chair, Chief Executive, Chief Financial Officer or Senior Independent Director) to be a woman; and at least one member of the Board to be from an ethnic minority background, as well as the conclusions and recommendations of the Hampton-Alexander and Parker Reviews regarding board composition in FTSE 350 companies.

The Board, in line with recruitment activities throughout the Group, is committed to consider diversity, in its broadest sense, as a key element in senior appointments and recognises the importance of and benefits that diversity of background, gender, ethnicity and experience can bring to debate and decision making. Against this backdrop, and although not a Main Market company, the Board welcomes and intends to meet, over time, the Board diversity and composition requirements applicable to Main Market companies. The Board is pleased to have made strong progress in this regard having welcomed the appointment of Kirsty Homer to the Board, as an additional Independent Non-Executive Director, in August 2023, increasing the proportion of female representation on the Board to 43 per cent. In addition, the Board has, since 2007, had a female Chief Financial Officer. However, work on Board composition and diversity continues and the Board's composition does not, currently, include at least one member from an ethnic minority background. Accordingly, the Board will continue to have regard to and will seek to promote diversity of background, gender, ethnicity and experience in Board composition as and when vacancies arise and new roles are identified over time. Demand for talent amongst UK listed companies in this regard is high and it is therefore acknowledged that, as an AIM company, achieving Board composition in alignment with the diversity requirements of the Listing Rules (applicable to Main Market companies) may take time.

# Corporate Governance Report

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## Division of Responsibility of Chair and Chief Executive Officer

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

The role of the Chair is set out in writing and agreed by the Board. The Chair is responsible for:

- the effective leadership, operation and governance of the Board;
- ensuring the effectiveness of the Board;
- setting the agenda, style and tone of Board discussions;
- ensuring the directors receive accurate, timely and clear information; and
- maintaining a close working relationship with the Chief Executive Officer.

The role of the Chief Executive Officer is set out in writing and agreed by the Board. The Chief Executive Officer is responsible for:

- management of the Group's business;
- implementation of the Group's strategy and policies;
- maintaining a close working relationship with the Chair;
- chairing the Group Management Board meetings; and
- chairing the Sustainability Committee.

## Board Meetings and Attendance

There were seven scheduled Board meetings during 2023 and, additionally, a further five unscheduled meetings in relation to, inter alia, the appointment of Kirsty Homer to the Board, M&A activity, capital investment projects and other corporate activity (including the share buyback programme).

On the rare occasion that a Director is unavoidably unable to attend a meeting, they would generally hold a briefing with the Chair prior to the meeting so that their comments and input can be taken into account at the meeting. The Chair would provide an update to them after the meeting.

Individual attendance at the meetings, including Audit Committee, Nomination Committee and Remuneration Committee attendance, is set out in the table below. Where n/a appears in the table, the individual is not a Committee member but may attend the meeting at the invitation of the relevant Committee Chair. By way of example, Jock Lennox, Peter Egan and Yvonne Monaghan were each invited to attend, and did so attend, each meeting of the Audit Committee.

	Board (Scheduled)	Board (Unscheduled)	Audit Committee	Nomination Committee (Scheduled)	Nomination Committee (Unscheduled)	Remuneration Committee (Scheduled)	Remuneration Committee (Unscheduled)
<b>Maximum Number of Meetings</b>	<b>7</b>	<b>5</b>	<b>3</b>	<b>1</b>	<b>5</b>	<b>3</b>	<b>2</b>
Jock Lennox	7	5	n/a	1	5	3	2
Chris Girling	7	5	3	1	5	3	2
Nick Gregg	7	4	3	1	5	3	2
Nicola Keach	7	5	3	1	5	3	2
Kirsty Homer <sup>1</sup>	3	1	2	0	1	2	0
Peter Egan	7	5	n/a	n/a	n/a	n/a	n/a
Yvonne Monaghan	7	4	n/a	n/a	n/a	n/a	n/a

Note 1: Kirsty Homer was appointed to the Board as an Independent Non-Executive Director with effect from 1 August 2023. Following her appointment, Kirsty attended all of the scheduled and unscheduled Board, Remuneration Committee, Nomination Committee and Audit Committee meetings, held in the financial year ended 31 December 2023, which she was eligible to attend.

In addition to the meetings set out above, the Chair and the Independent Non-Executive Directors have met during the year without the Executive Directors being present.

## External Executive Search Consultants

Appointments to the Board involve a rigorous selection process, led by the Nomination Committee, and external independent executive search consultants are usually engaged. Further information is set out within the Nomination Committee Report.

## Induction, Training and Knowledge

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

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

## Supply of Information

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

## Service Agreements

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

## External Appointments

The Board supports Executive Directors having a non-executive directorship as part of their continuing development provided they have sufficient time to balance their commitments to the Group with any external role. Such positions must receive prior Board approval. In accordance with the Code, full-time executive directors would not ordinarily take on more than one non-executive directorship in a FTSE 100 company.

The role of an Independent Non-Executive Director requires a time commitment in the order of 20 days per year plus additional time as necessary to properly discharge their duties. There is no restriction on outside appointments provided that they do not prevent the Directors from discharging their responsibilities to the Company effectively. Prior to appointment, each prospective Non-Executive Director must confirm that they will have sufficient time available to be able to discharge their responsibilities to the Company effectively and that they have no conflicts of interest.

The Board remains confident that individual members continue to devote sufficient time to undertake their responsibilities effectively. The commitments of each Executive Director are set out on pages 54 to 55.

## Section 3: Composition, Succession & Evaluation

### Principles

- J. Appointments to the board should be subject to a formal, rigorous and transparent procedure, and an effective succession plan should be maintained for board and senior management. Both appointments and succession plans should be based on merit and objective criteria and, within this context, should promote diversity of gender, social and ethnic backgrounds, cognitive and personal strengths.
- K. The board and its committees should have a combination of skills, experience and knowledge. Consideration should be given to the length of service of the board as a whole and membership regularly refreshed.
- L. Annual evaluation of the board should consider its composition, diversity and how effectively members work together to achieve objectives. Individual evaluation should demonstrate whether each director continues to contribute effectively.

## Nomination Committee

The role of the Nomination Committee is to, inter alia, monitor the performance, appropriateness and future succession of the Company's executive and Board talent in order to ensure that the Board comprises individuals with the right blend of skills, knowledge and experience to maintain a high degree of effectiveness in discharging its responsibilities. Appointments to the Board are recommended, as appropriate, by the Nomination Committee. Board appointments are subject to approval by the Board as a whole. Further details are outlined in the Nomination Committee Report, on pages 86 to 88.

# Corporate Governance Report

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## Performance Evaluation

Each year, the Independent Non-Executive Directors conduct a performance evaluation of the Chair, after taking into account the views of the Executive Directors. The Chair also conducts an appraisal of each member of the Board, Board composition and the format and effectiveness of the Board meetings. In addition, the Remuneration Committee regularly reviews the performance of each Executive Director.

Following the formal, independent, external evaluation of the Board and its Committees conducted in the final quarter of 2021, the results of which were subsequently reported in the Company's annual report for the financial year ended 31 December 2021, and, as previously disclosed, an anonymous Board evaluation within the Company in the final quarter of 2022, the Board again conducted an anonymous Board evaluation within the Company during the year which covered, inter alia:

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

The evaluation also sought Director views on key focus topics for the Board during 2024. In addition to regular discussions that the Chair held with each Director throughout the year, as part of the Board evaluation process, the Chair held individual discussions with each Director to discuss the aggregated, anonymised, feedback in relation to the Board evaluation exercise. The results of those discussions were summarised by the Chair and considered by the Board.

Overall, the feedback from Board members was positive, indicating that the Board feels engaged and motivated, with a belief that the Company can continue to be ambitious and a leader in its markets. Accordingly, to maintain this, the Board believes that it is important to consider the time and depth given to the strategic and succession agendas as the Company continues on its growth trajectory.

As a result of the above reviews and evaluations, it is considered that the performance of each Director (and, collectively, the Board and its Committees) continues to be effective, that each Director demonstrates sufficient commitment to their role and that the contribution of each Director continues to be important to the Company's long-term sustainable success.

## Re-election of Directors

Each year, all Directors will retire and offer themselves for re-election, if they wish to continue serving and are considered by the Board to be eligible. Accordingly, each current member of the Board will be proposed for re-election (or, for Kirsty Homer, election) at this year's Annual General Meeting of the Company.

Biographical details of all the Directors are set out on pages 54 to 55 and are also available for viewing on the Company's website ([www.jsjg.com](http://www.jsjg.com)).

## Section 4: Audit, Risk & Internal Control

### Principles

- M. The board should establish formal and transparent policies and procedures to ensure the independence and effectiveness of internal and external audit functions and satisfy itself on the integrity of financial and narrative statements.
- N. The board should present a fair, balanced and understandable assessment of the company's position and prospects.
- O. The board should establish procedures to manage risk, oversee the internal control framework, and determine the nature and extent of the principal risks the company is willing to take in order to achieve its long-term strategic objectives.

## Audit Committee

The Board has established an Audit Committee, comprising the independent Non-Executive Directors, which is responsible for:

- ensuring that formal and transparent policies and procedures are in place to protect the interests of Shareholders in relation to financial reporting, internal control and risk management;
- monitoring the financial reporting process and the integrity of the annual and interim financial statements;

- determining whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable, and whether they provide the information necessary for Shareholders to assess the Group's position and performance, business model and strategy;
- considering, and ultimately approving for publication, any formal announcements relating to the Company's financial performance;
- reviewing and challenging, as necessary, the judgments and actions of management in relation to the financial statements;
- monitoring, reviewing and concluding upon the system of internal control;
- ensuring the maintenance of a control environment and the appropriate management of risk;
- recommendation of appointment of, and liaison with, the external auditor;
- reviewing and setting the terms of engagement and the remuneration of the external auditor;
- annual review and monitoring of the external auditor's independence and objectivity and the effectiveness of the audit process;
- development and implementation of policy on the engagement of the external auditor to supply non-audit services;
- reviewing the Group's systems and controls for the prevention and detection of fraud or bribery; and
- reviewing arrangements under which employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters ensuring that arrangements are in place for the proportionate and independent investigation and appropriate follow-up action.

The Audit Committee reports to the Board on how it has discharged its responsibilities. Further details are outlined in the Audit Committee Report, on pages 77 to 85.

## Robust Risk Assessment

Throughout the year, and as described further within the Audit Committee Report, the Board has carried out a robust assessment of the principal risks and uncertainties facing the Group, including those that would threaten its business model, future position, performance, solvency or liquidity. Details of the principal risks and uncertainties facing the Group, together with how the risks and uncertainties are being managed or mitigated, are set out on pages 45 to 51.

## Internal Audit

The Group's internal audit process is undertaken by the centralised Group Finance team, which has a Group-wide remit and is independent of the business operations. The team undertakes an on-going programme to provide assurance on the adequacy and effectiveness of internal control and risk management processes across the Group's operations. Further details are set out within the Audit Committee Report.

## Internal Control

The Board, with advice from the Audit Committee, is satisfied that an effective system of internal controls and risk management processes are in place which enable the Company to identify, evaluate and manage key risks. These processes have been in place since the start of the financial year and up to the date of approval of the financial statements. Further details of risk management frameworks and how the Audit Committee has reviewed the effectiveness of the system of internal control are described further within the Audit Committee Report. Following the Financial Reporting Council's publication of the 2024 UK Corporate Governance Code ("2024 UKCGC"), the Audit Committee and the Board acknowledges and is evaluating the requirements of the 2024 UKCGC regarding, inter alia, the monitoring and review of the Company's risk management and internal control framework.

## Going Concern

The Board considered the going concern review performed by management, in particular, the appropriateness of key judgments, assumptions and estimates underlying the financial forecasts that underpin the review, together with a review of the level of forecast available headroom against the Group's committed borrowing facilities and compliance with key financial covenants.

Further details of the going concern assessment are provided on pages 59 to 60.

## Future Prospects

The Board has assessed the future prospects of the Group in accordance with Provision 31 of the Code. Based on the results of this analysis, and having considered the nature and extent of the Company's principal risks and uncertainties, the Board has a reasonable

# Corporate Governance Report

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expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the 36-month period of its assessment. Details of the assessment performed by the Board, including an assessment of those risks most likely to impact the Group's future prospects, are set out on pages 45 to 51.

## Section 5: Remuneration

### Principles

- P. Remuneration policies and practices should be designed to support strategy and promote long-term sustainable success. Executive remuneration should be aligned to company purpose and values and be clearly linked to the successful delivery of the company's long-term strategy.
- Q. A formal and transparent procedure for developing policy on executive remuneration and determining director and senior management remuneration should be established. No director should be involved in deciding their own remuneration outcome.
- R. Directors should exercise independent judgment and discretion when authorising remuneration outcomes, taking account of company and individual performance, and wider circumstances.

## Remuneration Committee

In line with the authority delegated by the Board, the Committee sets the Company's Remuneration Policy and is responsible for determining remuneration terms and conditions of employment for the Chair of the Board, the Executive Directors and those members of the Group Management Board whom are not Executive Directors.

The Committee:

- ensures that the Executive Directors are appropriately incentivised to enhance the Group's performance and rewarded for their contribution to the success of the business by designing, monitoring and assessing incentive arrangements, including setting stretching targets and assessing performance and outcomes against them;
- reviews the remuneration arrangements for other senior executives within the Group, namely those members of the Group Management Board who are not Executive Directors;
- in undertaking its responsibilities above, reviews and monitors the remuneration and related policies and culture applying to the wider workforce, taking these into account when considering, developing and setting remuneration policies and packages for Executive Directors and the Group Management Board; and
- maintains an active dialogue with Shareholders, ensuring their views and those of their advisors are sought and considered when setting executive remuneration.

The Committee regularly reports to the Board on how it has discharged its responsibilities.

Further details of the Remuneration Committee's responsibilities and the Group's Remuneration Policy, together with details of how the policy has been applied in 2023 and how it is expected to be applied in 2024, are outlined in the Directors' Remuneration Report, on pages 89 to 113.

## Corporate Governance Report Approval

The Corporate Governance Report incorporates the Audit Committee Report, Nomination Committee Report and Directors' Remuneration Report, as well as the report on Sustainability.

The Corporate Governance Report was approved by the Board on 4 March 2024.

By order of the Board.

**Christopher Clarkson**  
Company Secretary

4 March 2024

# Audit Committee Report

## Letter from Chris Girling, Chair of the Audit Committee

### Dear Shareholder.

On behalf of the Board, I am pleased to present the Audit Committee's Report for the financial year ended 31 December 2023.

### The Year in Review

The Audit Committee continued to fulfil its duties throughout the year, maintaining oversight of the integrity of the Company's financial reporting, key accounting judgments and related disclosures, and the robustness of the Group's risk management and internal control systems. In discharging its duties, the Committee works to a structured agenda closely linked to the events in the Company's reporting cycle.

I am pleased to report that the Group's risk and financial management structures have operated effectively during the year under review. The continued support, constructive engagement and level of responsiveness of my Committee colleagues and management have enabled the Committee to fulfil its role in providing effective scrutiny and challenge. In this regard, I would like to thank colleagues across the Group who assisted the Committee during the year for their support.

As in previous years, the Committee's primary focus was on the integrity of the Group's financial reporting activities. In considering the financial statements for 2023, the Committee concentrated on the accounting judgments and disclosures relating to the challenging inflationary environment on the Group's businesses, including liquidity and the impact on financial covenants, cost control and the carrying value of goodwill. Careful consideration was given to the Group's viability disclosures and its ability to continue as a going concern, with particular scrutiny being given to the reports prepared and assumptions used by management to support those statements. The Committee concluded that the Company had adopted an appropriate approach in all significant areas.

At the request of the Board, the Committee also considered the Group's Principal Risks and Uncertainties disclosures for the financial year ended 31 December 2023. The Committee is satisfied that the statements made by executive management on pages 45 to 51 of this Annual Report are appropriate based on what is currently known to management as at the date of this Report.

In the pages that follow, we have sought to provide shareholders and other stakeholders with details of the work that was undertaken by the Committee during the year. This has enabled the Committee to provide assurance to the Board on the effectiveness of the internal controls framework and the integrity of the Group's 2023 Annual Report and financial statements.

### Evaluation of the Competence and Effectiveness of the Committee

Each year, as part of an overall review of the Board and its Committees, the Audit Committee critically reviews its own performance and considers where improvements can be made. In so doing it considers, amongst other things, those matters discussed by the Audit Committee, such as:

- composition, structure and activities;
- how well the Committee oversees the financial reporting process;
- its review of the work of the external auditor;
- the effectiveness of the process for raising concerns;
- its monitoring of the management of risk;
- how well it understands and evaluates the effectiveness and conclusions of internal control and the adequacy of the related disclosures;
- whether the Committee's terms of reference are appropriate for the particular circumstances of the Company and comply with prevailing legislation and best practice;
- whether the number and length of time of Committee meetings are sufficient to meet the role and responsibilities of the Committee and coincide with key dates within the financial reporting and audit cycle; and
- identification of additional training needs for Committee members.

Overall, the performance of the Committee continued to be rated highly and the Committee was considered to have discharged its duties effectively. By virtue of my former executive and current non-executive roles (full details of which are set out on page 55), together with the results of the above evaluation, the Board considers that I have recent and relevant financial experience. The Board further concluded that the Committee, as a whole, has sufficient competence relative to the sector in which the Company operates.

### The Year Ahead

The Audit Committee fulfils a key role in assisting the Board in ensuring that the integrity of the Group's financial statements and the effectiveness of the Group's internal financial controls and risk management systems are maintained. The Committee will continue to focus on ensuring our internal control processes continue to operate effectively and remain appropriate for the changing environment in which the Group operates. This key role of the Audit Committee will assume further significance in light of the requirements of the Financial Reporting Council's 2024 UK Corporate Governance Code with regard to, inter alia, monitoring and review of the Company's

# Audit Committee Report

Letter from Chris Girling, Chair of the Audit Committee

Continued >

risk management and internal control framework. Through the Audit Committee's composition, resources and the commitment of its members, I believe that it remains well placed to meet these challenges and to discharge its duties in the year ahead.

I hope that you find this report informative and can continue to take assurance from the work undertaken by the Committee this year. We seek to respond to shareholders' expectations in our reporting and, as always, welcome any feedback from shareholders or other stakeholders.

**Chris Girling**

Chair, Audit Committee

4 March 2024



# Audit Committee Report

## Responsibilities of the Audit Committee

The Board has established an Audit Committee (the 'Committee'), comprising the Independent Non-Executive Directors, to which it has delegated day to day responsibility for, inter alia, the following:

- ensuring that formal and transparent policies and procedures are in place to protect the interests of Shareholders in relation to financial reporting, internal control and risk management;
- monitoring the financial reporting process and the integrity of the annual and interim financial statements;
- determining whether the Annual Report and Accounts, taken as a whole, are fair, balanced and understandable, and whether they provide the information necessary for Shareholders to assess the Group's position and performance, business model and strategy;
- considering, and ultimately approving for publication, any formal announcements relating to the Company's financial performance;
- reviewing and challenging, as necessary, the judgments and actions of management in relation to the financial statements;
- monitoring, reviewing and concluding upon the system of internal control, including the work of internal audit;
- ensuring the maintenance of a control environment and the appropriate management of risk;
- recommending the appointment of, and ongoing liaison with, the external auditor;
- reviewing and setting the terms of engagement and the remuneration of the external auditor;
- annual review and monitoring of the external auditor's independence and objectivity and the effectiveness of the audit process;
- development and implementation of policy on the engagement of the external auditor to supply non-audit services;
- reviewing the Group's systems and controls for the prevention and detection of fraud or bribery; and
- reviewing arrangements under which employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters ensuring that arrangements are in place for the proportionate and independent investigation and appropriate follow-up action.

The Committee regularly reports to the Board on how it has discharged its responsibilities. The full terms of reference of the Committee are available on the Company's website, or on request to the Company Secretary.

Members of the Committee have continued to take an active role including spending time with the operations teams and also participating in key discussions on areas of financial judgment. These actions have allowed the Committee to have an even greater input and to develop greater awareness of the day-to-day challenges that the business faces and the potential consequences of such challenges.

This report sets out how the Committee has discharged its responsibilities.

## Composition of the Committee

The Committee meets at least three times per year and also meets in private with the external auditor.

In accordance with Provision 24 of the Code, small companies (i.e. those below the FTSE 350) should establish a Committee of at least two independent non-executive directors. Membership of the Committee at each of its meetings during the year is shown below and is, therefore, in accordance with the Code:

	February	August	November
Chris Girling (Committee Chair)	✓	✓	✓
Nick Gregg	✓	✓	✓
Nicola Keach	✓	✓	✓
Kirsty Homer <sup>1</sup>	-	✓	✓

Note 1: Appointed to the Board as an additional Independent Non-Executive Director and Committee member with effect from 1 August 2023.

# Audit Committee Report

Continued >

## What the Committee did in 2023

In 2023, the Committee discharged its responsibilities by:

- reviewing the Group's draft financial statements, preliminary announcements and interim results statement prior to Board approval and reviewing the external auditor's reports thereon;
- reviewing and considering the significant matters in relation to the financial statements, as further detailed below;
- reviewing the plan of the external auditor for the audit of the Consolidated and Company Financial Statements, confirmations of the auditor's independence and proposed audit fee and approving terms of engagement for the audit;
- considering and agreeing the annual internal audit plan together with any findings and recommendations arising thereon;
- monitoring and reviewing the effectiveness of the internal audit function;
- considering the review of material business risks, including reviewing internal control processes used to identify and monitor principal risks and uncertainties;
- reviewing the Executive and Non-Executive Directors' expenses;
- monitoring the reporting, and follow up of items reported, on the employee whistleblowing hotline established in line with the Code of Ethics; and
- reviewing the Committee's composition and confirming that there is sufficient expertise and resource for it to fulfil its responsibilities effectively.

## Fair, Balanced and Understandable

At the request of the Board, the Committee has considered whether, in its opinion, the 2023 Annual Report and Accounts are fair, balanced and understandable, and whether they provide the information necessary for Shareholders to assess the Group's position and performance, business model and strategy.

The Committee received a full draft of the report. Feedback was provided by the Committee, highlighting the areas it was felt would benefit from further clarity. The draft report was then amended to incorporate this feedback ahead of final approval.

When forming its opinion, the Committee reflected on the information it had received and its discussions throughout the year. Following its review, the Committee was of the opinion that the 2023 Annual Report and Accounts were fair, balanced and understandable on the basis that:

- the description of the business agrees with our own understanding;
- the risks reflect the issues that concern us;
- appropriate weight has been given to the 'good and bad' news;
- the discussion of performance properly reflects the 'story' of the year; and
- there is a clear and well-articulated link between all areas of disclosure.

## Significant Matters Considered in Relation to the Financial Statements

The Committee has assessed whether suitable accounting policies have been adopted and whether management has made appropriate judgments and estimates. Throughout the year, the Group Finance team has worked to ensure that the business is transparent and provides the required level of disclosure regarding significant issues considered by the Committee in relation to the financial statements, as well as how these issues were addressed, while being mindful of matters that may be business-sensitive.

This section outlines the main areas of judgment that have been considered by the Committee to ensure that appropriate rigour has been applied. Accounting policies can be found in the Statement of Significant Accounting Policies.

### Impairment

As part of the year end process, management assessed whether goodwill (in respect of the Group) and investments (in respect of the Company) had suffered any impairment, in accordance with the accounting policy stated within this Annual Report.

The Committee reviewed and challenged management's overall impairment testing of goodwill and investments. The Committee considered the appropriateness of key assumptions and methodologies for both value in use models and fair value measurements. This included challenging projected cash flows, growth rates and discount rates. The Committee concluded that the methodology and assumptions used by management were reasonable.

### Acquisition Accounting

In February 2023, the Group acquired the entire share capital of Regency Laundry Limited ('Regency'). In August 2023, the Group also acquired the entire share capital of Harkglade Limited together with its subsidiaries Celtic Linen Limited and Millbrook Linen Limited ('Celtic Linen').

External specialists were engaged to assist management in valuing the customer contracts and customer relationships and brands acquired. The Committee considered the methodology and assumptions used in determining the fair value of the customer contracts and customer relationships and brands acquired, as this was considered by the Committee to be the area of most judgment. The Committee was satisfied that the fair value had been calculated based upon relevant historical and prospective information and financial data specific to the business combination, with an appropriate discount factor applied. The Committee further considered the accounting policy alignment adjustments and, again, considered them to be reasonable. The Committee also reviewed the proposed disclosures relating to the acquisitions for inclusion within the Consolidated Financial Statements and were in agreement that the requirements of IFRS 3, 'Business Combinations' had been satisfied.

### Post-employment Benefit Obligations

The valuation of all post-employment benefit obligations is based on statistical and actuarial calculations, using various assumptions including discount rates, inflation, life expectancy of scheme members and cash commutations. The Committee reviewed the actuarial assumptions underpinning the valuation and were satisfied that all assumptions are within ranges considered generally acceptable given the size, demographic and duration of the Group schemes.

### Accounting for Complex Customer Arrangements

As in previous years, the Group offers rebates to certain customers based on agreed fixed rates relating to the volume of services provided and goods purchased. The Committee does not consider the Group's rebates to be highly complex as: they are volume related; there are generally written agreements in place; and historical estimates of rebates have been seen to be accurate. However, following FRC guidance this has been highlighted as an area of focus. The Committee has discussed any judgments made in accruing customer rebates with management and the auditor. The Committee is satisfied that the amounts accrued are appropriate.

### Going Concern Assessment

The Committee reviewed in detail the going concern assessment prepared by management, which comprised monthly cash flow projections for the period to 30 June 2025 (the assessment period), reflecting an initial set of assumptions around financial projections and trading performance. Detailed explanations had been provided by management with regard to the assumptions used in the cash flow projections. The Committee carefully studied the assumptions and considered that they were sensible and appropriate to the circumstances.

The Committee also considered the stress tests that had been performed by management, which reflected subdued trading conditions and which were designed to stress test liquidity and covenant compliance. Again, the Committee carefully studied the assumptions used in the stress tests and considered that they were sensible and appropriate to the circumstances.

After considering the monthly cash flow projections, the stress tests and the facilities available to the Group and Company, the Committee concluded that there was 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 period to 30 June 2025. Accordingly, and having reassessed the principal risks and uncertainties, the Committee considered, and reported to the Board as such, that it was appropriate to adopt the going concern basis in preparing the Group and Company financial statements.

### Alternative Performance Measures (APMs)

Throughout the Annual Report and financial statements, we refer to a number of APMs. APMs are used by the Group to provide further clarity and transparency of the Group's financial performance. The APMs are used internally by management to monitor business performance, budgeting and forecasting, and for determining Directors' remuneration and that of other management throughout the business. The Committee is aware that the APMs are non-IFRS measures and should not be regarded as a complete picture of the Group's performance.

APMs used by the Group are as follows:

- adjusted operating profit, which refers to continuing operating profit before amortisation of intangible assets (excluding software amortisation), goodwill impairment and exceptional items;
- adjusted profit or loss before taxation, which refers to adjusted operating profit or loss less total finance cost;
- adjusted EBITDA, which refers to adjusted operating profit or loss plus the depreciation charge for property, plant and equipment, textile rental items and right of use assets plus software amortisation;

# Audit Committee Report

Continued >

- adjusted earnings per share, which refers to earnings per share calculated based on adjusted profit or loss after taxation;
- adjusted earnings per share excluding capital allowance super deduction, which refers to earnings per share calculated based on adjusted profit or loss after taxation but to exclude the effect of the 130% capital allowances super deduction; and
- adjusted net debt, which refers to net debt excluding IFRS 16 liabilities.

The Committee considers that the APMs, all of which exclude the effects of non-recurring items or non-operating events, provide useful information for stakeholders on the underlying trends and performance of the Group. Furthermore, the Committee is content that where APMs are stated, they are presented with equal prominence to the statutory figures. The Committee also considered the accounting policy in respect of APMs and noted that it referred to a number of limitations of APMs as well as providing clear signposts to where APMs are reconciled to statutory performance measures within the Annual Report and financial statements.

## Assessment of External Auditor Effectiveness

The Committee annually reviews the performance of the external auditor. In forming its conclusion as to the performance of the external auditor, the Committee reviews amongst other matters:

- feedback on the effectiveness and performance of the external audit;
- the external auditor's fulfilment of the agreed audit plan for 2023;
- reports highlighting the material issues, critical accounting judgments and key sources of estimation uncertainty that arose during the conduct of the audit;
- the external auditor's objectivity and independence during the process, including its own representation about its internal independence processes; and
- the challenges raised by the external auditor during the audit.

The Committee concluded that the audit process as a whole had been conducted robustly, the external audit team selected to undertake the audit had done so thoroughly and professionally, and the external auditor had applied sufficient experience and understanding of the Company's industry, consulted with experts as necessary, and is of sufficient size to conduct a national audit.

The performance of Grant Thornton UK LLP ('Grant Thornton') as external auditor to the Company in respect of the year ending 31 December 2023 was, therefore, considered to be effective. In addition, the Committee was satisfied that management had provided the external auditor with appropriate access to its operations and personnel, systems, records and supporting information, whilst acting professionally and with appropriate challenge, enabling the audit to be conducted effectively.

## Assessment of External Auditor Independence

The Company has adopted a policy on the independence of the auditor which is consistent with the ethical standard published by the Financial Reporting Council.

### Independence Safeguards

The external auditor is required to adhere to a rotation policy whereby the Senior Statutory Auditor (audit engagement partner) is rotated after five years. The current Senior Statutory Auditor was appointed in March 2021, following Grant Thornton being appointed as external auditor of the Company.

Ethical Standards and ISA (UK) 260 require the external auditor to report to the Committee, on a timely basis, all significant facts and matters that may bear upon their integrity, objectivity and independence. During the year, the external auditor drew a number of matters to the attention of the Committee in relation to independence and were able to confirm that sufficient safeguards were in place and that there were no significant facts or matters that impacted their independence as external auditor.

Furthermore, Grant Thornton confirmed that it had complied with the Financial Reporting Council's Ethical Standard and that as a firm, and each covered person, that it was independent and able to express an objective opinion on the financial statements of the Group and Company.

### Non-Audit Services

A key issue for the Committee that may impair auditor independence, and the auditor's objective opinion on the financial statements, is the engagement of the external auditor for the provision of non-audit services. In response to the Financial Reporting Council's Revised Ethical Standard 2019 (the '2019 Ethical Standard'), non-audit services should be provided by a professional services firm other than the Company's appointed external auditor. The 2019 Ethical Standard provides that fees payable to the external auditor in respect of non-audit related services should be no more than 70% of the average audit fees over the previous three years. The 2019 Ethical Standard includes a 'whitelist' of permitted non-audit related services.

### Fees Payable to the Auditor

Fees payable (including expenses) to Grant Thornton in 2023 in respect of audit related services amounted to £712,000 (2022: £522,000).

Fees payable (including expenses) to Grant Thornton in 2023 in respect of non-audit related services amounted to £15,000 (2022: £15,000). The non-audit related procedures were in relation to the performance of agreed upon procedures in respect of informally reviewing, but not auditing, the Group's Consolidated Interim Financial Statements.

### Independence Assessment by the Committee

In assessing and concluding upon the independence and objectivity of the external auditor, the Committee takes into account the assurances and information provided by the external auditor at the planning stage of the audit, including a written disclosure of the relationships that could have an impact on the external auditor's independence and objectivity and the safeguards put in place to address such threats. As part of this process, the Committee receives a statement from the external auditor advising that all covered partners and staff annually confirm their compliance with Grant Thornton's ethics and independence policies and procedures including, in particular, that they have no prohibited shareholdings and their ethics and independence policies are fully consistent with the requirements of the 2019 Ethical Standard.

In addition, the Committee meets with the external auditor three times during the year without the presence of management and I, as Audit Committee Chair, have had regular contact with the audit engagement partner. The Committee also has authority to take independent advice, as it determines necessary, in order to resolve issues on auditor independence. No such advice was required during the year.

Accordingly, the Committee has concluded that Grant Thornton was independent of the Group.

### Reappointment of the External Auditor

The Committee has recommended to the Board to propose to Shareholders the reappointment of Grant Thornton as auditor until the conclusion of the AGM in 2025. Full details are set out in the Notice of Annual General Meeting on pages 194 to 202. There are no contractual restrictions over choice of auditor.

### Role of 'Internal Audit'

The Group's internal audit process is undertaken by the centralised Group Finance team, which has a Group-wide remit and is independent of the business operations. The team, which includes a number of qualified accountants, undertakes an on-going programme to provide assurance on the adequacy of internal control and risk management processes across the Group's operations. The team is responsible for reviewing and reporting on the effectiveness of internal controls and risk management systems to the Committee and, ultimately, the Board. The Group Financial Controller attends each Committee meeting to present the findings of such reviews and to report on performance against the agreed annual audit plan, such plans being agreed during the year by the Committee. The Committee considers the current internal audit arrangements to be effective and appropriate for the Group and shall keep this under review.

### Internal Control and Risk Management

Whilst day to day responsibility has been delegated to the Committee, the Board is ultimately responsible for the overall system of internal control for the Group and for reviewing its effectiveness. The Board's agenda includes a bi-annual consideration, or more frequently if appropriate, of risk and control and it receives reports thereon from the Audit Committee.

The Committee carries out a review, at least annually, covering all material controls, including financial, operational and compliance controls, and the risk management systems. The Committee also receives regular reports from the Group Finance Team in respect of internal audit and, where necessary, recommendations for improvement are considered and agreed. This process has been regularly reviewed by the Board.

The main features of the internal control framework are detailed below.

#### 1. Financial Reporting

There is a detailed budgeting and forecasting process with the annual budget and forecast both challenged, stress tested and, ultimately, approved by the Board. Monthly financial results, together with updated forecasts as appropriate, are reported against the corresponding figures for the budget and the previous year with corrective and/or investigative action initiated by the Board as appropriate.

#### 2. 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.

# Audit Committee Report

Continued >

## 3. Risk Management

There is an on-going process for identifying, evaluating and managing the Group's Principal Risks and Uncertainties that has been in place throughout the financial year and up to the date of approval of the financial statements. The identification of business risks is carried out in conjunction with operating management and reviewed by the 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.

## 4. Financial Control

Each business maintains financial controls and procedures appropriate to its own operating environment. The Group has a centralised finance function, independent to the operating businesses and which can second additional resources from around the Group, which reviews the systems and procedures within each business and reports regularly to the Committee. A review of control procedures is undertaken in respect of all new acquisitions 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.

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

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

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

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

- received six-monthly reports, compiled by the Group Financial Controller following discussion with key senior managers, that set out the key risks facing the Group and indicate whether controls and risk management processes in each business unit have operated satisfactorily. These reports are reviewed in detail, challenged where appropriate and approved by the Committee for use in the Annual Report;
- regularly reviewed the financial and accounting controls;
- reviewed the internal audit reports; and
- monitored management's responsiveness to the findings and recommendations arising from the above.

No significant failings or weaknesses were identified.

In respect of Group financial reporting, the finance department is responsible for preparing the Group financial statements using a well-established consolidation process and ensuring that accounting policies are in accordance with International Financial Reporting Standards. There is a detailed budgeting process with an annual budget both challenged, stress-tested and approved by the Board. Monthly results are reported against the corresponding figures for the budget and the previous year with corrective action initiated by the Board as appropriate. All financial information published by the Group is subject to approval by the Committee.

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

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

## Bribery Act 2010 (the 'Act')

The Group is committed to conducting its business with the highest degree of integrity. This commitment includes a zero-tolerance approach towards all forms of bribery, corruption, fraud and theft. The Group has in place an appropriate policy and regularly re-enforces its Code of Ethics. Appropriate Board approved procedures are in place to prevent employees and other associated persons committing offences under the Act. Engaging in fraud, bribery or corruption is unlawful and any employee, director or officer found to have breached the code of conduct will be liable to disciplinary action which may result in dismissal or other serious sanctions. Breaches of the code of conduct by third parties may result in immediate termination for breach of all contracts with the Group. These procedures are subject to regular monitoring and review.

## Modern Slavery Act

We are committed to implementing and enforcing effective systems and controls to ensure slavery and human trafficking is not taking place anywhere in our supply chains or in any part of our business. To ensure a high level of understanding of the risks of modern slavery and human trafficking in our supply chains and our business, all Directors have been briefed on the subject and we have provided training to relevant employees. The Company's modern slavery compliance statement, pursuant to section 54(1) of the Modern Slavery Act 2015, for the financial year ended 31 December 2023 was approved by the Board on 18 January 2024. Further details can be found on page 40.

## Whistleblowing

The Group is committed to a culture of openness, honesty and accountability and believes that it is fundamental that any concerns our employees have can be raised in confidence and without fear of victimisation. To this end, the Group has in place a whistleblowing policy which encourages employees to report any malpractice, illegalities, wrongdoing or matters of similar concern (together 'ethical wrongdoing') by other employees, former employees, contractors, suppliers or advisors. Examples of ethical wrongdoing include bribery, corruption, fraud, dishonesty and illegal practices which may endanger employees or other parties.

Any matters raised through the whistleblowing process are reported to the Committee. Where such matters are raised a proportionate investigation is undertaken either by independent management or an appropriate external party under the direction and guidance of the Committee.

During the current and preceding financial years, a number of matters were raised via the whistleblowing process. The vast majority related to employee related grievances and were escalated to the relevant manager or other investigating officer for investigation.

### Chris Girling

Chair, Audit Committee

4 March 2024

# Nomination Committee Report

## Dear Shareholder.

On behalf of the Board, I am pleased to present the Nomination Committee's Report for the financial year ended 31 December 2023.

## Objectives

The key objective of the Nomination Committee (the 'Committee') is to monitor the performance, appropriateness and future succession of the Company's executive and Board talent in order to ensure that the Board comprises individuals with the right blend of skills, knowledge, experience and diversity to maintain a high degree of effectiveness in discharging its responsibilities. Appointments to the Board are recommended, as appropriate, by the Committee. Board appointments are subject to approval by the Board as a whole.

## Composition

The Committee is chaired by myself with remaining membership comprising the four other Independent Non-Executive Directors including, with effect from 1 August 2023, Kirsty Homer. Membership of the Committee is therefore in compliance with Provision 17 of the Financial Reporting Council's UK Corporate Governance Code 2018 (the 'Code').

## Roles and Responsibilities

The principal responsibilities of the Committee are:

- reviewing the structure, size and composition of the Board and its committees;
- 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;
- assessing the roles of the existing Directors in office to ensure that there continues to be a balanced board in terms of skills, knowledge, experience and diversity;
- considering the continuing service of a Director; and
- providing recommendations for reappointment of Directors retiring by rotation.

The Committee reports to the Board on how it has discharged its responsibilities. The full terms of reference of the Committee are available on the Company's website, or on request to the Company Secretary.

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

## What the Committee did in 2023

The main focus of the Committee's work during the year included:

- following initiation of a review process in October 2023, reviewing the performance of the Executive Directors and concluding that their performance continues to be effective and that each demonstrates sufficient commitment to their role;
- following an extensive selection process, which involved an external search consultancy, recommending to the Board the appointment of Kirsty Homer as an additional Independent Non-Executive Director;
- reviewing the independence of each Non-Executive Director, including each Non-Executive Director's actual, potential or perceived conflicts of interest and concluding that each Non-Executive Director was independent in character and judgment and that there were no circumstances that were likely to affect their judgment;
- considering the structure and composition of the Board and, in particular, succession planning for both Executive and Non-Executive roles as well as key management roles within the Group;
- reviewing the Committee's terms of reference and conducting the annual review of the Committee's performance; and
- recommending each Director for re-election at the Annual General Meeting.



## Appointment of Independent Non-Executive Director

Kirsty Homer was appointed to the Board as an Independent Non-Executive Director on 1 August 2023. Kirsty's appointment was the result of a rigorous selection process which was initiated in January 2023. The Board employs the services of external search consultancies as part of the process to identify potential Board candidates. The consultancy firm chosen, MWM Consulting, was considered to be independent of, and had no other links with, the Company or its Directors in connection with the brief.

The Committee, led by myself, managed the candidate assessment process. The process included the development of a profile which was discussed and agreed, in conjunction with input from the Executive Directors, by the Committee. Candidates were rigorously assessed against this profile in order to determine their suitability, in particular, exploring and understanding what their past experiences and career may offer to the Group. Following this, a short list of potential candidates was selected. Each shortlisted candidate met with each member of the Board to explore specific predetermined areas with them. Each member of the Board provided their feedback to the Committee and, after detailed discussions and careful debate, the Committee concluded, having taken all of the feedback into consideration, that Kirsty had the necessary skills and experience. Accordingly, in July 2023, the Committee was able to make a recommendation to the Board that she should be appointed to the Board as an Independent Non-Executive Director.

## Diversity Policy

Our policy remains to make appointments based on merit and to identify the most suitable candidate to join the Board having regard to the individual's skills, experience and knowledge. When considering succession plans the Board remains cognisant of the need to ensure that there is a diverse range of individuals who are included in the plan. The business as a whole continues to promote diversity and inclusion from within, particularly in respect of supporting female employees to progress up the career ladder. In furtherance of the Group's sustainability agenda, in November 2022, the Board approved for adoption a new Group wide Equity, Diversity & Inclusion (ED&I) policy for publication internally and externally. This policy is intended as the overarching statement for the whole Group across this topic and will apply to all employees, contractors and agency staff across the Group. Further details can be found on page 32.

We are proud to have a diverse workforce and, as explained further on pages 32 to 33, we are committed to promoting Equity, Diversity & Inclusion throughout the business to build a culture that is inclusive to all, actively values difference, ensures everyone is treated fairly and is free from unlawful discrimination. Accordingly, the aim of our policy is to ensure that diversity in its broadest sense, including gender, ethnicity, age, sexuality, social class, education, experience, ways of thinking and more, is reflected throughout the business including within the composition of the Board, to provide the range of perspectives, insights and challenge needed to support good decision making.

Although the Company's shares are admitted to trading on the AIM division of the London Stock Exchange, the Board is cognisant of governance developments regarding Board composition and diversity, including the FCA's changes to the Listing Rules (applicable to issuers with equity shares admitted to the premium or standard segments of the FCA's Official List (the "Main Market")) requiring at least 40 per cent of the Board to be women; at least one of the senior Board positions (Chair, Chief Executive, Chief Financial Officer or Senior Independent Director) to be a woman; and at least one member of the Board to be from an ethnic minority background, as well as the conclusions and recommendations of the Hampton-Alexander and Parker Reviews regarding board composition in FTSE 350 companies.

Against this backdrop, and although not a Main Market company, the Board welcomes and intends to meet, over time, the Board diversity and composition requirements applicable to Main Market companies. The Board is pleased to have made strong progress in this regard having welcomed the appointment of Kirsty Homer to the Board, as an additional Independent Non-Executive Director, in August 2023, increasing the proportion of female representation on the Board to 43 per cent. In addition, the Board has, since 2007, had a female Chief Financial Officer. However, work on Board composition and diversity continues and the Board's composition does not, currently, include at least one member from an ethnic minority background. Accordingly, the Board will continue to have regard to and will seek to promote diversity of background, gender, ethnicity and experience in Board composition as and when vacancies arise and new roles are identified over time. Demand for talent amongst UK listed companies in this regard is high and it is therefore acknowledged that, as an AIM company, achieving Board composition in alignment with the diversity requirements of the Listing Rules (applicable to Main Market companies) may take time.

Accordingly, the Board, together with the Nomination Committee, will:

- continue to aim to ensure appropriate balance in all aspects of diversity in its broadest sense, including gender, ethnicity, age, sexuality, social class, education, experience, ways of thinking and more, at Board and Senior Management level, without the need for quotas;
- seek to ensure that Board candidates bring the right skills, knowledge and experience to complement the existing balance of the Board, taking into account the diversity benefits the candidate can bring to the Board's composition;

# Nomination Committee Report

Continued >

- only work with executive search consultants that have adopted a voluntary code of conduct addressing diversity;
- take into account any regulatory requirements and best practice guidance when reviewing the balance and composition of, and succession plans for, the Board and Senior Management, whilst having regard to the individual skill sets and the general and sector-specific knowledge needed to drive corporate performance; and
- remain fully aware of the need to ensure that the business recruits and maintains a diverse workforce.

**Jock Lennox**

Chair, Nomination Committee

4 March 2024

# Directors' Remuneration Report

## Letter from Nick Gregg, Chair of the Remuneration Committee

### Dear Shareholder.

On behalf of the Board, I am pleased to present our 2023 Directors' Remuneration Report.

As a company having its shares admitted to trading on the AIM division of the London Stock Exchange, we are not required to fully apply the remuneration-related disclosures that Premium Listed companies incorporated in the UK are subject to. Nevertheless, the Board wishes to ensure that executive remuneration remains both transparent and stable and, therefore, considers it appropriate for the Company to provide Shareholders with detailed information with respect to executive remuneration. Furthermore, and as we have done for many years now, Shareholders will be asked to approve the Directors' Remuneration Report ('DRR') at the forthcoming AGM. We consider that our current approach to remuneration is working well and has the support of the vast majority of Shareholders, as reflected by the voting results at the 2023 AGM where we received 98.91 per cent of votes in favour of the DRR. This year, following consultation with major shareholders, we are making some changes to the remuneration policy for 2024 in respect of award limits for LTIP and bonus, as explained further below. In addition, our philosophy is to pay fairly and in doing this we are cognisant of the growth trajectory of the business and pay levels available for comparable roles at companies of similar scale and complexity. Accordingly, whilst the proposed changes to the remuneration policy for 2024 are focused on the incentive scheme elements of Executive Director reward, we shall, in line with our remuneration philosophy, continue to monitor the levels of fixed remuneration to ensure that this remains appropriate and fair relative to the performance, scale and complexity of the business.

### Remuneration in 2023

For 2023, with the exception of a reduction to the CFO's pension contribution rate (as previously disclosed) in order to progress this towards alignment with the rate available to the majority of the wider workforce, the operation of our remuneration schemes was broadly consistent with the general principles that applied in 2022, however (as also previously disclosed) in 2023 we implemented the policy differently in respect of the weighting on ESG measures within the annual bonus scheme and the choice of performance measures for the LTIP:

- base salary for each Executive Director was increased by 3.5 per cent with effect from 1 January 2023, such increase being lower than that of the Group's wider employee population;
- we adopted a similar approach to the bonus scheme as applied in 2022, with an adjusted Profit Before Tax ('PBT') measure applying to the vast majority of the bonus, supplemented with ESG targets linked to the sustainability strategy of the business. We increased the weighting on ESG (versus 2022), from 10 per cent to 15 per cent, acknowledging the increasing importance placed by the Board on driving performance in this area. Achievement against the performance targets was assessed after the end of the financial year and this results in a payment of 95 per cent of the maximum available to the Executive Directors. No discretion was applied to this outcome. The full targets are disclosed on pages 103 to 104; and
- in determining the performance conditions for the LTIP, the Committee took into account the Group's business plan as well as the outlook for the sector, general macroeconomic conditions and the range of analysts' consensus forecasts for the financial year ending 31 December 2025. As disclosed in the 2022 Annual Report, following careful consideration, for the 2023 grant the Committee agreed to retain the relative Total Shareholder Return ('TSR') measure and targets for 50 per cent of the award. For the other 50 per cent, the Committee decided to adopt stretching targets linked to adjusted PBT per share growth over the three-year performance period in place of the adjusted Earnings per Share ('EPS') measure used for previous awards:
  - TSR: 50 per cent of the 2023 LTIP Award will vest by reference to the annualised growth in the Company's TSR relative to the annualised growth in the FTSE AIM All-Share Industrial Goods and Services net return index (the 'Index') over the performance period. None of this element of the 2023 LTIP Award will vest if the TSR growth is less than the Index growth, one quarter will vest if the TSR growth is equal to the Index growth and the whole of this element will vest if the TSR growth is at least seven per cent above the Index growth. Vesting will be on a straight-line basis between these points. This performance target is the same as for previous awards.
  - PBT per Share: The remaining 50 per cent of the 2023 LTIP Award will vest by reference to the Company's adjusted PBT per share growth over the three-year performance period. None of the adjusted PBT per share element of the 2023 LTIP Award will vest if adjusted PBT per share growth is less than 5 per cent per annum above the level of adjusted PBT per share for the financial year ended 31 December 2022. One quarter of this element will vest for adjusted PBT per share growth of 5 per cent per annum, and the whole of this element will vest for adjusted PBT per share growth of 10 per cent per annum or greater. Vesting will be on a straight-line basis if adjusted PBT per share growth is between 5 per cent and 10 per cent per annum.

As disclosed in last year's DRR, the key reason for the change from EPS to PBT per share was to mitigate against the expected changes to tax rates as the benefit of the capital allowances super-deduction unwinds and in recognition of the headline rate of corporation tax increasing to 25 per cent from April 2023. By focusing on adjusted PBT per share, management is incentivised on a similar per share measure but one which is not impacted by these changes (over which the Group has limited control). The Committee is satisfied that the targets chosen for the 2023 LTIP Award are appropriately challenging in the context of expectations of the Company's performance over the three-year performance period.

# Directors' Remuneration Report

Continued >

After the end of the financial year, the Committee assessed the extent to which the targets had been met for the LTIP award made in 2021, with performance measured over the three-year period to 31 December 2023. Taking into account both the Group's TSR performance relative to the FTSE AIM All-Share Industrial Goods and Services net return index and adjusted Earnings Per Share (EPS) performance over the period, the Committee determined that there would be partial vesting of this award. While the adjusted EPS targets were not met, TSR performance against the index was sufficient to lead to 68.7 per cent vesting for this element of the award. The Committee was satisfied that this TSR was aligned with the underlying financial performance of the Company over the performance period. The total vesting level for the 2021 LTIP award was 34.35 per cent. No discretion was applied to this outcome.

## Remuneration Policy and Changes for 2024

During the year, the Committee undertook its usual review of the remuneration policy and its implementation, taking account of Group progress and growth in the current business environment, the leadership demonstrated by the Executive Directors, the provisions of the UK Corporate Governance Code (the 'Code'), the Remuneration Regulations which apply to Main Market companies, and general market developments. The Committee takes seriously its role in ensuring the interests of colleagues, Shareholders and other key stakeholders are considered fairly and in the context of wider societal expectations.

The year's review concluded that the overall approach to executive remuneration remains appropriate. However, the Committee has decided that it is the right time to increase the variable pay opportunities for the Executive Directors. As evidenced by the results for 2023, the Group has made considerable progress since recovering from the impact of the Covid pandemic, reporting strong levels of organic growth while proactively managing the challenges posed by rising input costs. The management team has successfully focused on the strategy of expanding the range and scale of services offered and has taken advantage of selective growth opportunities, as evidenced by the acquisitions of Regency and, more recently, Celtic Linen in the Republic of Ireland which, as a step outside of the UK, has expanded the Group's geographic footprint and the markets it serves as well as introducing additional complexity to business operations. The balance sheet is strong and the Group has a continued commitment to employing a disciplined approach to investment, returns and capital efficiency. At the same time, there has been excellent progress with the sustainability programme, with the Group delivering against the ambitious Vision 2030 goals.

The Group's resilience during the pandemic and its performance in recent years has been spearheaded by the CEO, Peter Egan, who has proved himself to be an exceptionally capable leader since his appointment to the role in January 2019. In Peter and Yvonne Monaghan, the CFO, we have Executive Directors of a very high calibre, supported by a highly capable and experienced senior management team. Given the performance of the business under this leadership and our expectations of future growth, we believe that now is the right time to make changes to reward levels. At this stage, we are focusing on the incentive schemes, with management appropriately incentivised to take full advantage of the exciting growth opportunities available to the business over the coming years. This emphasis on performance is integral to our overall approach to remuneration.

In addition, our philosophy is to pay fairly, and in doing this we are cognisant of the pay levels available for comparable roles at companies of similar scale and complexity. A benchmarking exercise undertaken by the Committee's external advisers last year indicated that the incentive offering (and, as a result, total remuneration) for the Executive Directors is below market when compared to other UK-listed companies of similar scale and complexity in the services, hospitality and transportation sectors.

Taking into account these factors, the Committee has decided to make some relatively modest changes now to avoid falling behind as the Company continues its growth trajectory. Specifically, the Committee has decided to increase the annual bonus limit for 2024 to 150 per cent of base salary for the CEO and to 125 per cent of base salary for the CFO (previously 125 per cent and 110 per cent respectively). In addition, the LTIP grant in 2024 will be at the level of 150 per cent of salary for the CEO and at 125 per cent of salary for the CFO (previously 125 per cent and 110 per cent respectively). There will be a corresponding increase in the levels of performance required for a full bonus payout and maximum LTIP vesting, as explained further below.

These changes will ensure that the Group has an approach to Executive Director remuneration that is transparent, fair, competitive, and appropriate for the future growth of the business. Accordingly, whilst the proposed changes to the remuneration policy for 2024 are focused on the incentive scheme elements of Executive Director reward, as the Group continues its growth trajectory, we shall, in line with our remuneration philosophy, continue to monitor the levels of fixed remuneration to ensure that this remains appropriate and fair relative to the performance, scale and complexity of the business.

I wrote to major shareholders and the main proxy advisory bodies in early 2024 to explain the rationale for these changes, and I am pleased to report that there was an overwhelmingly positive response from the majority of those consulted, with investors very supportive of the management team and particularly appreciative of the focus on performance-related remuneration. Full details of our remuneration policy and the intended approach for 2024 are set out later in this report.

## UK Corporate Governance Code

The Committee believes that the Group's approach to executive remuneration remains consistent with the principles of the Code. There is a clear linkage between the performance metrics and targets used in the incentive schemes and the long-term growth strategy for the business. As outlined in this report, we have a formal and transparent procedure for developing our executive remuneration policy. Discretion is exercised appropriately when reviewing and authorising remuneration outcomes. No such discretion was exercised in respect of 2023.

The remuneration policy is structured in line with the factors set out in Provision 40 of the Code. Pay is designed to be relatively simple and is disclosed transparently in this report. We take into account the Group's approach for the broader employee base when considering executive remuneration. The size of potential awards under the annual bonus scheme and the LTIP is not considered excessive in the context of wider market practice and the likelihood of rewards which would be inconsistent with performance is limited. We set targets under the incentive schemes which are designed to be challenging but achievable and which do not encourage inappropriate risk-taking. We believe that the strong ethical and governance culture across the Group is echoed by the rigour with which executive remuneration is considered by the Committee and the commitment to openness highlighted in this report.

There remain two areas where we do not fully comply with the Code provisions on remuneration:

- 1) We have not introduced a formal post-employment shareholding requirement for the Executive Directors. We believe that our current approach provides for a sufficient long-term alignment of interest between executives and Shareholders through, for example, the LTIP (where the further two-year holding period over and above the three-year performance period continues to apply in the event of cessation of employment) and the existing personal shareholding requirement of 200 per cent of basic salary (which applies during employment). We will keep these matters under regular review as market practice in this area continues to develop.
- 2) Pension rates for the CEO and CFO reflect historic entitlements. We have not yet fully aligned Executive Director pensions with the wider workforce; however, and as previously disclosed, we have established a pathway to alignment towards the rate available to the majority of the wider workforce. Whilst provision for both the CEO and the CFO remains above the workforce average, the effective pension contribution rate for the CEO has moved closer towards the rate payable to the wider workforce, with his maximum entitlement capped at the cash value of his 2019 entitlement such that, over a period of time, the rate payable will reduce. For 2023, this equated to a contribution rate of 9.1 per cent of the CEO's salary (2022: 9.4 per cent). Furthermore, as previously disclosed, the pension contribution rate for the CFO reduced to 15 per cent of base salary with effect from 1 January 2023; then reduced to 12 per cent of base salary with effect from 1 January 2024; and will then reduce to 9 per cent of base salary with effect from 1 January 2025. For all new executive appointments to the Board, the employer pension contribution rate will be aligned with that available to the majority of the UK workforce (currently 6 per cent).

### Looking Ahead

The Committee has agreed to increase the base salary for each of the CEO and CFO by 3.5 per cent with effect from 1 January 2024, such increase being in line with, and in many cases lower than, that for the Group's wider employee population.

The performance measures for the 2024 annual bonus scheme are set out on pages 110 to 111. We have decided to adopt a similar approach to the bonus scheme as applied in 2023, with an adjusted PBT measure applying to the majority of the bonus, supplemented with ESG targets linked to the sustainability strategy of the business. In recognition of the importance placed by the Board on driving ESG performance, we have retained the 15 per cent weighting in respect of ESG for 2024. We will assess similar ESG metrics as were used in 2023, although we have replaced the waste reduction measure with a new metric designed to incentivise a reduction in plastic usage across the business. As explained above, the bonus limit for the CEO and the CFO will increase to 150 per cent of salary and 125 per cent of salary, respectively, with effect from 1 January 2024. The 2024 maximum bonus targets have been increased and stretched accordingly in order to drive and reward stronger Company performance. As in previous years, we will disclose the specific 2024 annual bonus targets and the performance against them in our 2024 Directors' Remuneration Report.

In addition, and as also explained above, the LTIP award limits for the CEO and CFO for 2024 will increase to 150 per cent and 125 per cent of salary, respectively. The 2024 LTIP award will again be made to a wider group of senior employees to ensure that we are providing suitably competitive packages to key people within the organisation. The awards for all participants will have the same performance metrics. We will retain a relative TSR measure for 50 per cent of the award, recognising the importance of rewarding outperformance of other companies and the general investor preference in favour of TSR as a metric. We have, however, decided to change the way in which we measure TSR following a detailed review. The peer group used to date – the FTSE AIM All Share Industrial Goods and Services net return index – is no longer considered the best comparator group as many of the other companies in this index are considerably smaller than Johnson Service Group and can exhibit a significant degree of volatility. After considering a number of alternatives, we have decided to move to comparing performance against the FTSE 250 (excluding investment trusts). Although Johnson Service Group is not a member of the FTSE 250, it shares many characteristics with companies in the index in terms of size, scale and maturity, and the index provides an appropriate market barometer against which the Company's performance can be tested. We have also decided to move to the conventional approach of measuring TSR through the use of a 'ranking' system. Under this structure, one quarter of the award will vest for median performance against the peer group over the performance period, rising to full vesting for upper quartile performance or above. Vesting will be on a straight-line basis between median and upper quartile.

For the other 50 per cent of the 2024 LTIP award, the Committee has decided to revert to stretching targets linked to growth in the Company's adjusted diluted EPS from continuing operations over the LTIP performance period. EPS remains our preferred long-term financial metric and the reasons for the shift to PBT per share for the 2023 award no longer apply. We have further stretched EPS performance targets which are considered suitably challenging in the context of current internal and external forecasts of performance and reflective of the increased grant level. None of the EPS element of the 2024 LTIP Award will vest if growth in EPS over the performance period (on a CAGR basis) is less than 9% p.a., one quarter will vest if EPS growth is 9% p.a. and the whole of this element

# Directors' Remuneration Report

Continued >

of the 2024 LTIP Award will vest if EPS growth is 16% p.a. or greater. Vesting will be on a straight-line basis if EPS growth is between 9% p.a. and 16% p.a.

As part of the investor consultation exercise mentioned above, we received a number of useful comments from shareholders on different performance measures that could be used for both annual bonus and LTIP. We have considered these in detail and are comfortable that the measures agreed for 2024 as set out above are the most appropriate for the business at the current time in light of the investment and growth plans for the coming years. We will, however, continue to consider on an annual basis whether different metrics would be appropriate and will report on this as required in future Directors' Remuneration Reports.

## Conclusion

The changes we have agreed for the incentive schemes for 2024 provide a robust framework for executive reward for the year ahead and will help reinforce the performance-oriented culture of the business. As normal, we will keep the remuneration policy under regular review and will continue to be cognisant of market developments.

None of the changes set out above require formal shareholder approval although, as we have done for many years, we will put our Directors' Remuneration Report to Shareholders for approval at the 2024 AGM. In the interests of good corporate governance, we will defer granting the 2024 LTIP awards until after the AGM, and we will consider the outcome of the vote before granting the awards. If you have any questions on this issue or any other matter regarding executive remuneration, I am contactable via the Company Secretary.

## Nick Gregg

Chair, Remuneration Committee

4 March 2024

# Directors' Remuneration Report

## Committee Summary

### Remuneration Committee

#### Membership and Attendance

Throughout 2023, membership of the Remuneration Committee (the 'Committee') comprised of the Independent Non-Executive Directors (including the Non-Executive Chair of the Board) and the Committee has been chaired by Nick Gregg. Kirsty Homer joined the Committee as an additional member following her appointment as an Independent Non-Executive Director on 1 August 2023. 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.

	Member Since	Eligible to Attend <sup>1</sup>	Meetings Attended <sup>1</sup>
Nick Gregg (Committee Chair)	Jan 2016	5	5
Chris Girling	Aug 2018	5	5
Jock Lennox	Jan 2021	5	5
Nicola Keach	Jun 2022	5	5
Kirsty Homer	Aug 2023	2	2

Note 1: Includes scheduled and unscheduled meetings.

#### Main Responsibilities

In line with the authority delegated by the Board, the Committee sets the Company's Remuneration Policy and is responsible for determining remuneration terms and conditions of employment for the Chair of the Board, Executive Directors and those members of the Group Management Board whom are not Executive Directors.

The Committee:

- ensures that the Executive Directors are appropriately incentivised to enhance the Group's performance and rewarded for their contribution to the success of the business by designing, monitoring and assessing incentive arrangements, including setting stretching targets and assessing performance and outcomes against them;
- reviews the remuneration arrangements for other senior executives within the Group, namely those members of the Group Management Board who are not Executive Directors;
- in undertaking its responsibilities above, reviews and monitors the remuneration and related policies and culture applying to the wider workforce, taking these into account when considering, developing and setting remuneration policies and packages for Executive Directors and the Group Management Board; and
- maintains an active dialogue with Shareholders, ensuring their views and those of their advisors are sought and considered when setting executive remuneration.

The Committee regularly reports to the Board on how it has discharged its responsibilities. The full terms of reference of the Committee are available on the Company's website, or on request to the Company Secretary.

#### External Advisors

The Committee seeks and considers advice from independent remuneration advisors where appropriate. The current appointed advisors, Korn Ferry, were selected through a thorough process led by the Chair of the Committee and were appointed by the Committee in 2019.

The Chair of the Committee has direct access to the advisors as and when required, and the Committee determines the protocols by which the advisors interact with management, in particular the Company Secretary, in support of the Committee. The advice and recommendations of the external advisors are used as a guide, but do not serve as a substitute for thorough consideration of the issues by each Committee member. Advisors attend Committee meetings as and when required by the Committee.

Korn Ferry is a member of the Remuneration Consultants' Group and, as such, voluntarily operates under the Remuneration Consultants' Group Code of Conduct in relation to executive remuneration consulting in the UK. This is based upon principles of transparency, integrity, objectivity, competence, due care and confidentiality by executive remuneration consultants. Korn Ferry has confirmed that it has adhered to that Code of Conduct throughout the year for all remuneration services provided to the Group and therefore the

# Directors' Remuneration Report

## Committee Summary

Continued >

Committee is satisfied that its advice is independent and objective. The Remuneration Consultants' Group Code of Conduct is available at [remunerationconsultantsgroup.com](https://remunerationconsultantsgroup.com).

Fees payable in respect of services provided to the Committee during the current and preceding year, in each case as at 31 December, are as follows:

	2023 £000	2022 £000
Fees payable (note 1)	15	17

Note 1: Fees payable during the current and prior year relate to advice on market practice, governance updates, reward benchmarking and consultancy, attendance at Committee meetings and ad-hoc advice.



# Directors' Remuneration Report

## Remuneration Policy

### Overview

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

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

Prior to proposing the adoption of new or amended employee share schemes, the Company will consult in advance with, and seek feedback from, major Shareholders. New schemes may need to be proposed in order for the Company to be able to continue to operate its executive and all employee share schemes, for example, due to the incumbent scheme nearing the end of its lifetime. Existing schemes may need to be amended to reflect current or emerging best practice. Following any consultation process, the adoption of new or amended employee share schemes will then be proposed at the next relevant AGM (as evidenced at the 2018 AGM). The increase to the LTIP award limit for 2024, as explained on pages 91 to 92, does not require an amendment to the current LTIP rules.

Full details of all current schemes are included within this Report.

# Directors' Remuneration Report

## Remuneration Policy

Continued >

### Remuneration Policy Table

The current remuneration of Executive Directors comprises base salary, taxable benefits, pension, annual bonus and a Long-Term Incentive Plan ('LTIP'). Details of how the various components of remuneration are delivered are set out below.

Component and Link to Strategy	Operation	Maximum Opportunity	Performance Measures
<p><b>Base Salary</b></p> <p>Reflects the individual's role, experience and contribution.</p> <p>Set at levels to attract and retain individuals of the calibre required to lead the business and to ensure no over reliance on variable pay.</p>	<p>Base salaries are reviewed annually with any increases normally taking effect on 1 January of each year.</p> <p>Salaries are appropriately benchmarked and reflect the role, job size and responsibility as well as the performance and effectiveness of the individual.</p>	<p>Whilst there is no prescribed formulaic maximum, any increases will take into account prevailing market and economic conditions as well as increases for the wider workforce.</p> <p>Increases may be above this when an Executive Director progresses in the role, gains substantially in experience, there is a significant increase in the scale of the role, or was appointed on a salary below the market. In addition, increases may be agreed in the event of a significant change in the size, scale and/or complexity of the business.</p> <p>Any increase will be appropriately explained in the relevant year's annual report.</p>	None.
<p><b>Taxable Benefits</b></p> <p>To provide a competitive level of benefits in order to attract and retain individuals of the calibre required to lead the business.</p>	<p>Taxable benefits, which are not performance related, principally include, but are not limited to, the provision of a car or car allowance and private medical insurance for Executive Directors and their dependants.</p>	<p>The cost of providing these benefits can vary in accordance with market conditions, which will, therefore, determine the maximum value.</p>	None.
<p><b>Pension</b></p> <p>To ensure the Company can provide a fully competitive level of benefits in order to attract and retain individuals of the calibre required to lead the business.</p>	<p>Executive Directors are invited to participate in the Company's defined contribution pension scheme or to take a cash alternative allowance in lieu of pension entitlement.</p> <p>In addition, both the CEO and CFO are members of the Company's defined benefit pension scheme. The CEO left active pensionable service on 31 December 2014 and the CFO left active pensionable service on 31 December 2011.</p>	<p>For the Company's pension cash allowance (or pension contribution as appropriate), the CEO was historically entitled to a maximum employer contribution of 14 per cent of base salary. As previously disclosed, the Committee determined that the CEO's maximum entitlement would be capped at the cash value of his 2019 entitlement such that, over a period of time, the rate payable to the CEO would reduce and move closer to that payable to the wider workforce. For 2023, this equated to a contribution rate of 9.1 per cent on the CEO's salary (2022: 9.4 per cent).</p> <p>The CFO was previously entitled to a maximum pension cash allowance of 17.8 per cent of base salary. As previously disclosed, the pension contribution rate for the CFO reduced to 15 per cent of base salary with effect from 1 January 2023; then reduced to 12 per cent of base salary with effect from 1 January 2024; and will then reduce to 9 per cent of base salary with effect from 1 January 2025.</p> <p>For all new executive appointments to the Board, the employer pension contribution rate will be aligned with that available to the majority of the wider workforce, such rate currently being approximately 6 per cent.</p> <p>Further details are set out on pages 102 to 103.</p>	None.

Component and Link to Strategy	Operation	Maximum Opportunity	Performance Measures				
<p><b>Annual Bonus</b></p> <p>To incentivise and reward the achievement of stretching one-year key performance targets set by the Committee at the start of each financial year.</p>	<p>The annual bonus is, ordinarily, earned by the achievement of one-year performance targets set by the Committee at the start of each financial year and is delivered in cash. The Committee sets appropriately challenging targets each year.</p> <p>The Committee retains the discretion to adjust the targets to take account of events which were not foreseen or allowed for at the start of the year when targets were set, for example, acquisitions in the year. The Committee also retains the discretion to adjust the bonus outcomes and/or targets to ensure that they reflect the underlying business performance.</p> <p>The annual bonus is subject to malus and/or clawback.</p> <p>The Chair and the Non-Executive Directors are not eligible to participate in the annual bonus scheme.</p>	<p>For 2024, the maximum amount payable to the CEO is 150 per cent of base salary. The target award is 75 per cent of base salary.</p> <p>The maximum amount payable to the CFO is 125 per cent of base salary. The target award is 62.5 per cent of base salary.</p> <p>In both cases, no bonus is payable for below threshold performance. Payments increase on a straight-line basis from threshold to target and from target to maximum. Maximum performance requires performance significantly ahead of the minimum threshold.</p>	<p>The vast majority of the annual bonus (currently 85 per cent) is based on the Group's adjusted profit before taxation result, with performance measured over the financial year.</p> <p>Since 2022 a minority of the annual bonus has been based on specific and measurable sustainability targets. For 2024 the weighting for this element of the bonus will remain at 15 per cent of the total.</p>				
<p><b>LTIP</b></p> <p>To incentivise and reward Executive Directors for the delivery of longer-term financial performance and Shareholder value.</p> <p>Share-based to provide alignment with Shareholder interests.</p>	<p>An annual conditional award of ordinary shares which may be earned after a single three-year performance period, based on the achievement of stretching performance conditions.</p> <p>Participants are required to hold vested LTIP shares (net of any shares sold to meet tax and social security liabilities) for a period of two years post vesting.</p> <p>Calculations of the achievement of the performance targets are independently performed and are approved by the Committee.</p> <p>To ensure continued alignment between Executive Directors' and Shareholders' interests, the Committee also reviews the underlying financial performance of the Group and retains its discretion to adjust vesting if it considers that performance is unsatisfactory.</p> <p>Malus and clawback rules operate in respect of the LTIP.</p>	<p>In 2024, annual LTIP awards will be made at the following levels of base salary:</p> <table border="0"> <tr> <td>CEO:</td> <td>150 per cent</td> </tr> <tr> <td>CFO:</td> <td>125 per cent</td> </tr> </table>	CEO:	150 per cent	CFO:	125 per cent	<p>The Committee will select the performance measures and weightings prior to the grant of awards that support the Company's longer-term strategy and shareholder value from time to time.</p> <p>Awards have, historically, been granted with performance conditions linked to the Company's Total Shareholder Return (TSR) and Earnings per Share (EPS) performance. However, for the 2023 LTIP Award, as explained in the 2022 Annual Report, the Committee decided to replace EPS with an adjusted PBT per share measure. For the 2024 LTIP, the Committee has decided to revert to an EPS measure in place of adjusted PBT per share.</p> <p>Further details are set out on pages 107 to 108.</p>
CEO:	150 per cent						
CFO:	125 per cent						

# Directors' Remuneration Report

## Remuneration Policy

Continued >

### Notes to the Remuneration Policy Table

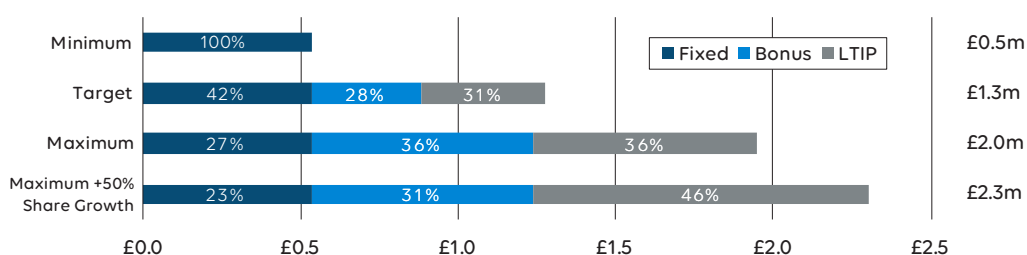
The Remuneration Policy for Executive Directors differs from that of other members of the Group Management Board solely in respect of quantum of the various components and remuneration. Executive Directors have a greater proportion of their total remuneration package at risk than other employees, however, the structure and principles of incentives are broadly consistent. The wider employee population of the Group will receive remuneration that is considered to be appropriate in relation to their geographic location, level of responsibility and performance.

### Illustrations of the Application of the Remuneration Policy

The Company's policy is to provide a total remuneration package that links corporate and individual performance with an appropriate balance between short and long term elements, and fixed and variable components. The charts below show an example of the remuneration that could be receivable by Executive Directors in office at 1 January 2024 under the policy set out in this Directors' Remuneration Report.

Each bar gives an indication of the minimum amount of remuneration payable, remuneration payable at target and at maximum performance to each Executive Director under the policy. Each of the bars is broken down to show how the total under each scenario is made up of fixed elements of remuneration, the annual bonus and the LTIP.

#### Peter Egan Illustration Only



#### Yvonne Monaghan Illustration Only



The above illustration is based on a number of assumptions:

- fixed remuneration includes:
  - annual base salary as at 1 January 2024;
  - value of taxable benefits received in 2023 as shown in the single figure table on page 102; and
  - pension cash alternative allowance as at 1 January 2024.
- the maximum bonus opportunity is 150% of base salary for the CEO and 125% of base salary for the CFO;
- the maximum LTIP award is 150% of base salary for the CEO and 125% of base salary for the CFO;
- variable remuneration at minimum, target and maximum payout has been assumed at 0%, 50% and 100% respectively of maximum bonus opportunity;
- variable remuneration at minimum, target and maximum payout has been assumed at 0%, 55% and 100% respectively of maximum LTIP opportunity;
- share price appreciation has been calculated as a 50% increase in the value of the LTIP between the date of grant and vesting; and
- no dividend accrual has been incorporated in the values relating to the LTIP.

## Malus and Clawback

To reflect best practice, and to align with Shareholder interests, malus and clawback provisions apply to awards under the annual bonus and LTIP schemes (together 'Awards').

Those provisions enable the Committee to decide, up until the third anniversary of an Award becoming payable, in circumstances in which the Committee considers it appropriate, to reduce the quantum of an Award, cancel an Award or impose further conditions on an Award. The provisions also enable the Committee to decide, up until the third anniversary of an Award becoming payable that, in the relevant circumstances, the participant must repay to the Company (or any person nominated by the Company) some or all of the cash or shares received under an Award.

The circumstances in which the Committee may apply the malus and clawback provisions include, but are not limited to:

- a material misstatement of the Company's audited financial results;
- a miscalculation of the extent to which a performance target has been met;
- a material failure of risk management by the Company;
- serious reputational damage to the Company;
- misconduct by a participant; and
- a material downturn in the financial position of the Company.

## Personal Shareholding Requirement and Holding Periods

In order that their interests are linked with those of Shareholders, Executive Directors are expected to build and maintain a personal shareholding in the Company equal to at least 200 per cent of the value of their base salary over a period of five years. For the current Executive Directors, this five-year period commenced on 31 December 2019. For the purpose of this requirement, the net of tax number of vested but unexercised share awards, which are not subject to any further performance conditions, will be included. The Committee will monitor progress annually.

In addition, awards granted under the 2018 Long-Term Incentive Plan (the '2018 LTIP Scheme') in 2019 and thereafter are subject to a two year post-vesting holding period over and above the three year vesting period of an LTIP award (the 'Holding Period'). The Holding Period will continue to apply in the event of cessation of employment, save where cessation is by reason of death in which case the Holding Period shall immediately be deemed to have ended.

# Directors' Remuneration Report

## Remuneration Policy

Continued >

### Approach to Recruitment Remuneration

The Committee would expect to apply the same Remuneration Policy as that which applies to existing Executive Directors when considering the recruitment of a new Executive Director.

Nevertheless, other arrangements may be established specifically to facilitate recruitment of a particular individual, albeit that any such arrangement would be made within the context of minimising the cost to the Company. An example might be the need to provide a level of compensation for forfeiture of bonus entitlements and/or unvested long term incentive awards from an existing employer, if any, or the additional provision of benefits in kind and other allowances, such as relocation, education and tax equalisation, as may be required in order to achieve a successful recruitment. Any arrangement established specifically to facilitate the recruitment of a particular individual would be intended to be of comparable form, timing, commercial value and capped as appropriate. The quantum, form and structure of any buyout arrangement will be determined by the Committee taking into account the terms of the previous arrangement being forfeited. The buyout may be structured as an award of cash or shares, however, the Committee will normally have a preference for replacement awards to be made in the form of shares, deliverable no earlier than the previous awards.

Where an Executive Director is appointed from either within the Company or following corporate activity/reorganisation, the normal policy would be to honour any legacy incentive arrangements to run off in line with the original terms and conditions.

The policy on the recruitment of new Non-Executive Directors would be to apply the same remuneration elements as for the existing Non-Executive Directors. It is not intended that variable pay, cash supplements, day rates or benefits in kind be offered, although in exceptional, currently unforeseen, circumstances such remuneration may be required.

### Executive Directors' Service Agreements

It is the Company's policy that Executive Directors have rolling service agreements. Peter Egan is employed under a service agreement dated 30 March 2018, as amended by a Variation Letter dated 21 December 2018 relating to his appointment to Chief Executive Officer from 1 January 2019. Yvonne Monaghan is employed under a service agreement dated 14 January 2004, as amended with the appointment to Chief Financial Officer on 31 August 2007.

The length of Board service as at 31 December 2023 for Peter Egan and Yvonne Monaghan was five years, nine months and sixteen years, four months respectively.

The current Executive Directors' service agreements contain the key terms shown in the table below:

Provision	Detailed Terms
Remuneration <sup>1</sup>	<ul style="list-style-type: none"><li>base salary, pension and benefits</li><li>car benefit</li><li>family private health insurance</li><li>life assurance</li><li>30 days' paid annual leave</li><li>participation in the annual bonus plan, subject to plan rules</li><li>participation in the LTIP, subject to plan rules</li></ul>
Change Of Control	<ul style="list-style-type: none"><li>no special contractual provisions apply in the event of a change of control</li></ul>
Notice Period	<ul style="list-style-type: none"><li>12 months' notice from the Company</li><li>6 months' notice from the directors</li></ul>
Termination <sup>2,3</sup>	<ul style="list-style-type: none"><li>payment in lieu of notice for a period of up to 12 months</li></ul>
Restrictive Covenants	<ul style="list-style-type: none"><li>during employment and for a period of up to 12 months after leaving</li></ul>

Note 1: Whilst service agreements outline the components of remuneration payable, they do not prescribe how remuneration levels may be adjusted from year to year.

Note 2: In the event of termination without cause, the Company has a contractual obligation to compensate the Executive Director for the unexpired period of his or her notice. The Company will seek to reduce this payment by means of the Executive Director's duty to mitigate this payment wherever possible.

Note 3: Whilst unvested awards will ordinarily lapse upon termination, the Committee may in its absolute discretion allow for awards to continue until the normal vesting date or to be accelerated (for example on death), subject to achievement of the attendant performance conditions. In such circumstances, awards vesting will normally be prorated on a time apportioned basis, unless the Committee determines otherwise. Any such discretion in respect of leavers would only be applied by the Committee to 'good leavers' where it considers that continued participation is justified, for example, by reference to performance prior to the date of leaving. 'Good leaver' status may apply in circumstances of, inter alia, cessation of employment due to death, ill-health, disability, redundancy or retirement. The malus and clawback provisions would continue to apply in the event that any such discretion was exercised.

## Chair's Service Agreement

The Chair has a fixed term appointment. The fee for the Chair, which is commensurate with his experience and contribution to the Group, is reviewed annually with any increase generally taking effect from 1 January. The Chair does not participate in decisions regarding his own remuneration. The Chair is not eligible for pension scheme membership, bonus or incentive arrangements. Costs in relation to business expenses and travel will be reimbursed. The Chair's appointment is terminable without compensation on three months' notice from either side.

The Chair is expected to devote such time as is necessary for the proper fulfilment of the role. Whilst this is not ordinarily expected to exceed 40 days per annum, the nature of the role makes it impossible to be specific about the maximum time commitment.

The Chair is encouraged, but is not required, to hold a personal shareholding in the Company.

Under the terms of the Chair's initial letter of appointment, dated 4 January 2021, the Chair's initial term of appointment was due to end on 4 January 2024. Following recommendation by the Nomination Committee and subsequent approval by the Board, on 23 November 2023, a new letter of appointment was issued to the Chair which extended the Chair's term of appointment end date to 4 January 2027. Accordingly, as at 31 December 2023, the unexpired term of the Chair's letter of appointment was 3 years.

## Non-Executive Directors' Service Agreements

Non-Executive Directors each have fixed term appointments. Fees payable to the Non-Executive Directors, which are commensurate with their experience and contribution to the Group, are reviewed annually by the Board with any increase ordinarily taking effect on 1 January. Non-Executive Directors do not participate in decisions regarding their own remuneration. Non-Executive Directors are not eligible for pension scheme membership, bonus or incentive arrangements. Costs in relation to business expenses and travel will be reimbursed. A Non-Executive Director's appointment is terminable without compensation on three months' notice from the Company and one month's notice from the individual.

Non-Executive Directors are expected to devote such time as is necessary for the proper fulfilment of the role. Whilst this is not, ordinarily, expected to exceed 20 days per annum, the nature of the role makes it impossible to be specific about the maximum time commitment.

Non-Executive Directors are encouraged, but are not required, to hold a personal shareholding in the Company.

At 31 December 2023, the unexpired terms of the Non-Executive Directors letters of appointment were:

	Date of Latest Letter of Appointment <sup>1</sup>	Term Start Date	Term End Date	Unexpired Term at 31 December 2023
Chris Girling	24 August 2021	29 August 2021	28 August 2024	8 months
Nick Gregg	24 August 2021	1 January 2022	31 December 2024	1 year
Nicola Keach	31 May 2022	1 June 2022	31 May 2025	1 year 5 months
Kirsty Homer	13 July 2023	1 August 2023	31 July 2026	2 years 7 months

Note 1: Chris Girling was first appointed to the Board on 29 August 2018; Nick Gregg was first appointed to the Board on 1 January 2016; Nicola Keach was first appointed to the Board on 1 June 2022; and Kirsty Homer was first appointed to the Board on 1 August 2023.

# Directors' Remuneration Report

## Annual Remuneration Report

### Single Total Figure of Remuneration (Audited)

	Note	Peter Egan		Yvonne Monaghan	
		2023 £000	2022 £000	2023 £000	2022 £000
<b>FIXED PAY</b>					
Base Salary		457	441	343	331
Taxable Benefits	1	16	17	19	19
Pension	2	42	42	51	59
		515	500	413	409
<b>PERFORMANCE RELATED PAY</b>					
Bonus	3	542	124	358	82
LTIP	3	157	-	104	-
		699	124	462	82
<b>SINGLE TOTAL FIGURE OF REMUNERATION</b>		<b>1,214</b>	<b>624</b>	<b>875</b>	<b>491</b>

Note 1: Taxable benefits relate to the provision of a car allowance and private medical insurance. Peter Egan's car benefit for the year was £14,500 (2022: £14,500) and his private medical insurance benefit was £1,659 (2022: £2,428). Yvonne Monaghan's car benefit for the year was £17,500 (2022: £17,500) and her private medical insurance benefit was £1,327 (2022: £1,942).

Note 2: Details of the amounts shown for Pension are set out below.

Note 3: Details of the performance measures and weighting as well as the achieved results for the bonus and LTIP components are shown on pages 103 to 104 and 106 to 107 respectively. No bonus was deferred. The LTIP numbers in the table reflect the value of the shares which are due to vest in March 2024 based on performance measured up to 31 December 2023, based on a share price of 133.4 pence, being the average price over the last three months of 2023. No amount of the LTIP award was attributable to share price appreciation.

## Pensions

Executive Directors are contractually entitled to receive retirement benefits, which are calculated on base salary, under one or more of the Group's contributory defined benefit or defined contribution schemes. Details of the schemes are given in note 26 of the Consolidated Financial Statements.

### Defined Benefit Entitlement

Each Executive Director who served during the year has left active pensionable service in the Johnson Group Defined Benefit Scheme (the 'JGDBS'), which is of the defined benefit type, and is entitled to a preserved benefit.

The accrued pension entitlement, which is the amount that would be paid annually on retirement (at normal retirement age), for Peter Egan at 31 December 2023 was £14,600 (2022: £13,200) and allows for revaluation in deferment from the date of leaving to the date of calculation. Pension entitlement is calculated based on the total period of pensionable service to the Company, both before and after becoming a Director.

Yvonne Monaghan took a partial transfer of benefits from the JGDBS on 31 March 2012 and her date of retirement from the JGDBS was 16 September 2021.

### Defined Contribution Entitlement – Peter Egan

From 1 January 2015, Peter became a deferred member of the JGDBS. From that date, he was contractually entitled to a monthly employer pension contribution, equal to up to 14 per cent of his monthly salary, which was paid to the JSG Pension Plan (the 'Plan'), a defined contribution scheme. The majority of UK employees within the Group are eligible to participate in the Plan. Employer contribution rates to the Plan are on a matching plus basis determined with reference to the employee's own pension contribution together with their salary banding. The employer contribution rate that is currently available to the majority of the wider UK workforce is approximately 6 per cent, whilst the maximum employer contribution is 14 per cent, based upon a 7 per cent employee contribution, for all UK employees currently earning an annual salary greater than or equal to £121,903. With effect from April 2019, Peter opted to receive a cash alternative allowance in lieu of an employer pension contribution. From that date, the cash alternative allowance



payable to Peter was 12.3 per cent of his base salary – adjusted downwards from the 14 per cent referred to above in order to take account of the impact of employer's national insurance.

Had Peter received a cash alternative allowance for the whole of 2019, it would have equated to £41,613. As previously disclosed, having regard to developments in executive pensions and in order that the employer rate in respect of Peter progresses towards the rate available to the majority of the wider workforce, the Committee determined that Peter's entitlement in 2020 and thereafter would be capped at the cash value of his 2019 cash alternative entitlement. The effect of this is that as Peter's salary increases, his cash alternative allowance, as a percentage of salary, will progress towards that available to the majority of the wider workforce. The cash alternative allowance payable in the year was £41,613 (2022: £41,613).

#### Defined Contribution Entitlement – Yvonne Monaghan

From 1 January 2012, Yvonne opted to become a deferred member of the JGDBS and is contractually entitled to receive a monthly cash alternative allowance equal to 17.8 per cent of her monthly salary. As previously disclosed and as noted in the letter from the Chair of the Remuneration Committee, the pension contribution rate for Yvonne reduced to 15 per cent of her base salary with effect from 1 January 2023; then reduced to 12 per cent of her base salary with effect from 1 January 2024; and will then reduce to 9 per cent of her base salary with effect from 1 January 2025. The cash alternative allowance payable in the year was £51,410 (2022: £58,944).

### 2023 Bonus Achievement

The annual bonus is normally earned by the achievement of one-year performance targets set by the Committee, ordinarily at the start of each financial year, adjusted accordingly to take account of events which were not foreseen or allowed for at the start of the year when targets were set, for example, acquisitions or changes in accounting policy.

For 2023, whilst the vast majority (85 per cent) of the bonus opportunity was based on the Group's adjusted PBT result, measured over the financial year, a number of specific and measurable sustainability targets were applied to a minority portion (15 per cent) of the bonus.

The performance targets for 2023 are as set out below:

	Minimum £m	Target £m	Maximum £m	Achieved £m	Bonus Achieved as % of Maximum Opportunity
Adjusted PBT (excluding notional interest)	34.3	37.1	41.7	44.9	100%

# Directors' Remuneration Report

## Annual Remuneration Report

Continued >

For the 15 per cent of the bonus based on sustainability, the targets and the performance achieved are set out in the table below.

Target	Weighting	Minimum	Maximum	Achievement	Bonus Achieved as % of Maximum Opportunity
<b>Waste</b>					
5% Reduction in volume of waste sent to landfill					
5% reduction in volume of plastics sent to landfill	5%	Reduction of 5%	Reduction greater than 5%	Deemed not achieved.	0%
<b>Water Consumption</b>					
2% Reduction on 2022 Water intensity					
<ul style="list-style-type: none"> <li>2023 M<sup>3</sup>/ Tonnes processed target: 7.526</li> </ul>	5%	Reduction of 2%	Reduction greater than 2%	Reduction of 5.6%	100%
<b>Carbon Emissions</b>					
5% Reduction on 2022 Carbon Emissions intensity					
<ul style="list-style-type: none"> <li>Tonnes CO<sub>2</sub>e/ Tonnes processed target: 0.324</li> </ul>	5%	Reduction of 5%	Reduction greater than 5%	Reduction of 6.9%	100%
<b>Total</b>	<b>15%</b>				<b>66.67%</b>

The Committee believes that these targets were appropriately stretching in the context of expected levels of performance for the business over 2023. Performance against the targets was assessed after the end of the financial year and this resulted in a bonus outcome as set out in the tables above. The overall bonus, inclusive of both the financial and sustainability measures, was assessed at 95 per cent of maximum. The Committee felt that this represented a strong result in the wider market context and was a fair reflection of the Company's overall performance over the period both in terms of profit performance and against the set of sustainability measures used for incentive purposes. As further explained on pages 34 to 39, an internal review in 2023 of our sustainability data collection, recording and reporting processes resulted in a restatement of our 2021 and 2022 carbon, energy and water data. The restatement did not impact achievement of bonus targets for 2022. Whilst we continue to review and streamline the data collection processes in relation to our waste streams, the Board and the Remuneration Committee determined that achievement against the 2023 waste target be deemed "not achieved".

Bonuses will be paid in cash and are subject to malus and clawback provisions.

## Interests in Share Capital

The interests of the Directors who were in office at 31 December 2023, together with the interests of their close family, in the shares of the Company at the start and close of the financial year, were as follows:

	Beneficial		Conditional (note 4)		Share ownership guidelines
	31 December 2023 Ordinary shares of 10p each	31 December 2022 Ordinary shares of 10p each	31 December 2023 LTIP/SAYE options	31 December 2022 LTIP/SAYE options	
Peter Egan	384,061	359,061	1,107,263	818,654	Note 1
Yvonne Monaghan (note 3)	694,955	694,955	742,291	542,988	Note 1
Jock Lennox	72,000	72,000	-	-	Note 2
Chris Girling	17,333	17,333	-	-	Note 2
Nick Gregg	33,695	33,695	-	-	Note 2
Nicola Keach	-	-	-	-	Note 2
Kirsty Homer	-	-	-	-	Note 2

Note 1: Executive Directors are expected to build up and maintain a personal shareholding in the Company equal to at least 200 per cent of their base salary. Further details of each Executive Director's personal shareholding are set out in the table below.

Note 2: Non-Executive Directors are encouraged, but are not required, to hold a personal shareholding in the Company.

Note 3: In addition to the beneficial and conditional interests shown above, Yvonne Monaghan is a Trustee of the Johnson Brothers Employee Benefit Trust (the "Trust"). The Trust is governed by a Trust deed, originally dated 18 August 1936, and was set up for the benefit of employees or ex-employees of the Company or their respective widows, widowers, children or other dependants. The Trust owns 588,452 Ordinary shares of 10 pence each in the Company. The Company considers this to be a Non-Beneficial interest.

Note 4: Further details of the split between LTIP (with performance conditions attached) and SAYE (no performance conditions attached) options are shown below.

Note 5: There have been no changes in the Directors' interests in the shares of the Company during the period 31 December 2023 up until the date of signing this report.

The extent to which each Executive Director has achieved their personal shareholding requirement, further details of which are set out on page 99, is set out below; all values (including share price) are as at 31 December 2023:

	Beneficial Shareholding (No.)	Conditional Shareholding <sup>1</sup> (No.)	Deemed Shareholding (No.)	Share Price (p)	Value of Deemed Shareholding (£000)	Base Salary (£000)	Value of Deemed Shareholding as a % of Base Salary
Peter Egan	384,061	62,393	446,454	141.6	632	457	138%
Yvonne Monaghan	694,955	41,204	736,159	141.6	1,042	343	304%

Note 1: Vested shares, which have not yet been exercised, together with unvested shares, which are not subject to a further performance condition, can count towards the shareholding requirement on a net of tax basis.

In respect of Peter Egan, the 117,723 options granted on 22 March 2021 under the 2018 LTIP Scheme which are scheduled to vest in March 2024 are not subject to any further performance conditions and consequently, on a net of tax basis, represent a further 62,393 shares.

In respect of Yvonne Monaghan, the 77,743 options granted on 22 March 2021 under the 2018 LTIP Scheme which are scheduled to vest in March 2024 are not subject to any further performance conditions and consequently, on a net of tax basis, represent a further 41,204 shares.

# Directors' Remuneration Report

## Annual Remuneration Report

Continued >

### Beneficial Interests in Share Options (Audited)

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

	Date of Grant	At 31 December 2022	Options Granted During Year	Options Lapsed During Year	Options Cancelled During Year	Options Exercised During Year	At 31 December 2023	Option Price
<b>Peter Egan</b>								
Scheme 1	22 March 2021	342,689	–	(224,966)	–	–	117,723	nil
Scheme 3	1 October 2021	6,936	–	–	–	–	6,936	129.75p
Scheme 1	16 March 2022	469,029	–	–	–	–	469,029	nil
Scheme 1	8 March 2023	–	487,934	–	–	–	487,934	nil
Scheme 2	8 March 2023	–	25,641	–	–	–	25,641	117.0p
		818,654	513,575	(224,966)	–	–	1,107,263	
<b>Yvonne Monaghan</b>								
Scheme 1	22 March 2021	226,309	–	(148,566)	–	–	77,743	nil
Scheme 3	1 October 2021	6,936	–	–	–	–	6,936	129.75p
Scheme 1	16 March 2022	309,743	–	–	–	–	309,743	nil
Scheme 1	8 March 2023	–	322,228	–	–	–	322,228	nil
Scheme 2	8 March 2023	–	25,641	–	–	–	25,641	117.0p
		542,988	347,869	(148,566)	–	–	742,291	

Scheme 1 - The Johnson Service Group 2018 Long-Term Incentive Plan (the '2018 LTIP Scheme')

Scheme 2 - The Johnson Service Group 2018 Long-Term Incentive Plan CSOP Section (the '2018 Approved LTIP Scheme')

Scheme 3 - The Johnson Service Group Sharesave Plan ('SAYE Scheme')

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

Details of the 2018 LTIP, the 2018 Approved LTIP and the SAYE Scheme are given on pages 107 to 108 of the Directors' Remuneration Report.

### Awards Exercised in 2023

No Director exercised any awards during 2023.

### Awards Vested and Lapsed in 2023

Under the 2018 LTIP Scheme, awards were granted to certain employees on 22 March 2021 with an exercise price of £nil (the '2021 LTIP Award'). The closing mid-market share price of Johnson Service Group PLC on the day immediately preceding the date of grant was 153.2 pence.

The number of options granted to each of the Executive Directors was as follows:

	2018 LTIP Scheme
Peter Egan	342,689
Yvonne Monaghan	226,309

The number of options granted under the 2018 LTIP Scheme to each of Peter Egan and Yvonne Monaghan were equivalent to 125 per cent and 110 per cent, respectively, of their base salaries at the time. The performance period was the three financial years starting 1 January 2021 and ending 31 December 2023.

Whilst the award would not be capable of vesting until at least 22 March 2024, the performance period ended on 31 December 2023. The extent to which the performance conditions were met is set out below:

	Minimum Target	Maximum Target	Result	% of Award Vesting	No. of Options to Vest (Peter Egan)	No. of Options to Vest (Yvonne Monaghan)
EPS for 2023	9.45p	10.5p	7.7p	0%	nil	nil
TSR (over Index)	Index	Index + 7% p.a.	Index + 4.1% p.a.	68.7%	117,723	77,743
					117,723	77,743

The EPS performance condition was based on the Company's adjusted diluted EPS from continuing operations as at 31 December 2023. The figure was further adjusted to exclude any impact on EPS of the capital allowances super-deduction. The TSR performance condition was based on the annualised growth in the Company's TSR over the performance period relative to the annualised growth in the FTSE AIM All-Share Industrial Goods and Services net return index (the 'Index').

Based on the performance achieved as set out above, the Remuneration Committee determined that there would be partial vesting of the 2021 LTIP Award. The Committee was satisfied that the TSR achieved was aligned with the underlying financial performance of the Company over the performance period. The total vesting level for the 2021 LTIP Award was 34.35 per cent. No discretion was applied to this outcome.

## Outstanding LTIP Awards

### 2022 LTIP Award

Awards were granted, under the 2018 LTIP Scheme, to certain employees on 16 March 2022 with an exercise price of £nil. The closing mid-market share price of Johnson Service Group PLC on the day immediately preceding the date of grant was 117.6 pence. Peter Egan was granted 469,029 options, equivalent to 125 per cent of his base salary at the time; Yvonne Monaghan was granted 309,743 options, equivalent to 110 per cent of her base salary at the time. The performance period is the three financial years starting 1 January 2022 and ending 31 December 2024. The performance conditions are as set out below within 'Overview of Share Option Schemes'. If the minimum performance criteria were to be achieved, 25 per cent of the scheme interests would become receivable.

### 2023 LTIP Award

Awards were granted, under the 2018 LTIP Scheme, to certain employees on 8 March 2023 with an exercise price of £nil. In addition, linked awards were granted on the same date, under the 2018 Approved LTIP Scheme, with an exercise price of 117.0 pence. The closing mid-market share price of Johnson Service Group PLC on the day immediately preceding the date of grant was 117.0 pence.

The number of options granted to each of the Executive Directors was as follows:

	2018 LTIP Scheme	2018 Approved LTIP Scheme
Peter Egan	487,934	25,641
Yvonne Monaghan	322,228	25,641

The number of options under the 2018 LTIP Scheme to each of Peter Egan and Yvonne Monaghan were equivalent to 125 per cent and 110 per cent, respectively, of their base salaries at the time. The performance period is the three financial years starting 1 January 2023 and ending 31 December 2025. The performance conditions are as set out below within 'Overview of Share Option Schemes'. If the minimum performance criteria were to be achieved, 25 per cent of the scheme interests would become receivable.

### Holding Period

Each of the awards above are subject to an additional holding period for two years from the date on which the award vests (the 'Holding Period'). During the Holding Period, which will continue to apply in the event of cessation of employment, the award holder may not normally dispose of any of the shares which vest except to cover any income tax or social security contributions arising on the exercise of the award.

## Overview of Share Option Schemes

### 2018 LTIP Scheme

The 2018 LTIP Scheme was approved by Shareholders at the 2018 AGM; a summary of the principal features of the rules of the 2018 LTIP Scheme is included within the 2018 Notice of AGM.

The 2018 LTIP Scheme includes an 'unapproved' section, under which nil cost awards are made.

The first award under the 2018 LTIP Scheme was granted in March 2019, with further awards granted on an annual basis since then. Full details of the performance conditions for each outstanding award are included in this report. Details of the performance conditions for earlier awards and the extent to which the conditions were met can be found in previous Directors' Remuneration Reports.

# Directors' Remuneration Report

## Annual Remuneration Report

Continued >

### Performance Conditions

An award was granted under the 2018 LTIP Scheme in March 2021 (the '2021 LTIP Award'). A summary of the performance conditions for this award is included in the section above which explains the performance achieved against the relevant targets.

Another award was granted under the 2018 LTIP Scheme in March 2022 (the '2022 LTIP Award'). Following careful consideration, the Committee agreed two separate performance targets which are similar to the targets agreed for the 2021 LTIP Award:

- 50 per cent of the 2022 LTIP Award will vest by reference to the annualised growth in the Company's TSR over the performance period relative to the annualised growth in the FTSE AIM All-Share Industrial Goods and Services Index over the performance period. None of this element of the 2022 LTIP Award will vest if the TSR growth is less than the Index growth, one quarter will vest if the TSR growth is equal to the Index growth and the whole of this element of the 2022 LTIP Award will vest if the TSR growth is at least seven per cent above the Index growth. Vesting will be on a straight-line basis between these points.
- The remaining 50 per cent of the 2022 LTIP Award will vest by reference to the Company's adjusted fully diluted EPS as at 31 December 2024. None of this element of the 2022 LTIP Award will vest if EPS is less than 9.5 pence, one quarter will vest if EPS is equal to 9.5 pence and the whole of this element of the 2022 LTIP Award will vest if EPS is 10.6 pence or greater. Vesting will be on a straight-line basis if EPS is between 9.5 pence and 10.6 pence.

A further award was granted under the 2018 LTIP Scheme in March 2023 (the '2023 LTIP Award'). Following careful consideration, the Committee agreed two separate performance targets:

- 50 per cent of the 2023 LTIP Award will vest by reference to the annualised growth in the Company's TSR over the performance period relative to the annualised growth in the Index over the performance period. The specific performance targets are the same as for the 2022 LTIP Award as explained above.
- The remaining 50 per cent of the 2023 LTIP Award will vest by reference to the Company's adjusted profit before tax ('PBT') per share as at 31 December 2025. None of the PBT per share element of the 2023 LTIP Award will vest if PBT per share growth is less than 5 per cent per annum above the level of PBT per share for the financial year ended 31 December 2022. One quarter of this element will vest for PBT per share growth of 5 per cent per annum, and the whole of this element will vest for PBT per share growth of 10 per cent per annum or greater. Vesting will be on a straight-line basis if PBT per share growth is between 5 per cent and 10 per cent per annum.

For the purpose of calculating TSR and Index growth, the average of the net return index over the dealing days falling in the period of one month ending on the last day of the performance period will be compared to the average of the net return index over the dealing days falling in the period of one month immediately preceding the first day of the performance period, in each respect of the Company and for the Index.

### 2018 Approved LTIP Scheme

The rules of the 2018 LTIP Scheme also include a 'CSOP' section (the '2018 Approved LTIP Scheme'), under which UK tax-advantaged market value options are awarded and which are linked to the nil cost awards under the 2018 LTIP Scheme. The linked awards give the holder the same potential gross gain as if they had just received the 2018 LTIP Scheme award, however, as the 2018 Approved LTIP Scheme is tax favoured, in certain circumstances all or part of any gain on the 2018 LTIP Scheme award will be received through the 2018 Approved LTIP Scheme 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 2018 LTIP Scheme are achieved, the extent to which they are achieved and also on how much of the gain (if any) can be delivered through the 2018 Approved LTIP Scheme. 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 2018 LTIP Scheme arrangement.

As set out above, on 8 March 2023 certain employees (including the Executive Directors) were granted awards under the 2018 Approved LTIP Scheme, linked to the awards granted on the same date under the 2018 LTIP Scheme, at an exercise price of 117.0 pence.

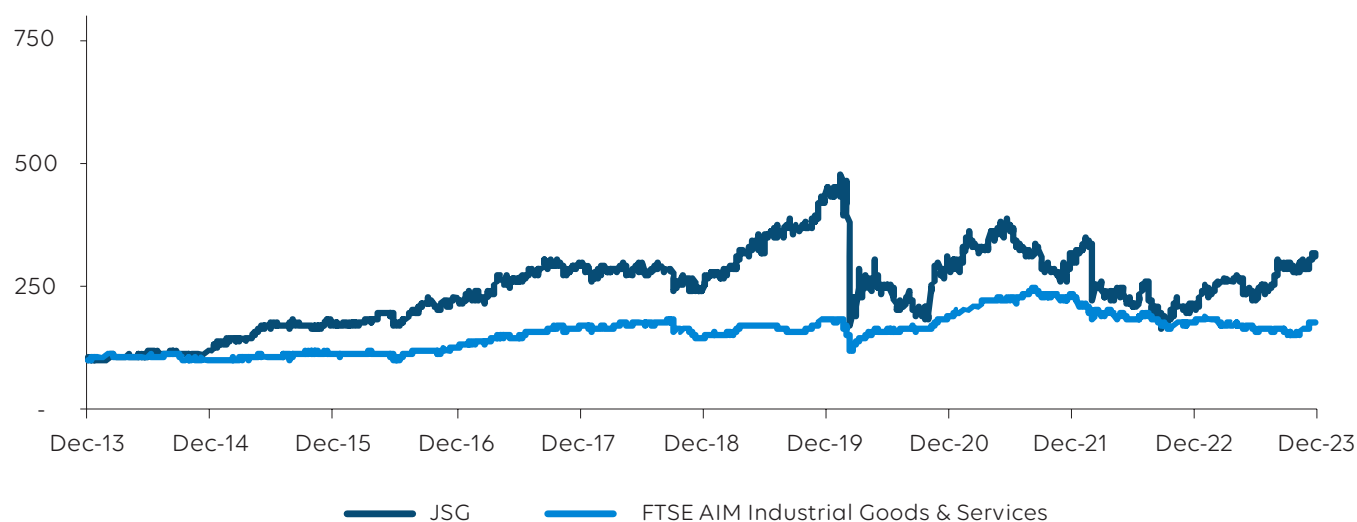
### SAYE Scheme

The SAYE Scheme is open to all employees, including Executive Directors, who have completed two years' service at the date of invitation and who open an approved savings contract.

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. Details of the exercise periods and normal expiry dates are given in note 29 of the Consolidated Financial Statements.

## Total Shareholder Return

The performance graph below shows the Company's TSR performance against the performance of the FTSE AIM Industrial Goods and Services Index over the ten-year period to 31 December 2023. The FTSE AIM Industrial Goods and Services Index has been selected for this comparison as, in the opinion of the Directors, it represents the general sector in which the Group operates.



## Non-Executive Directors' Remuneration (Audited)

Details of the amounts received by the Chair and the Non-Executive Directors during the year ended 31 December 2023 are as follows:

	2023 £000	2022 £000
<b>Current Directors</b>		
Jock Lennox	151	145
Chris Girling	63	61
Nick Gregg	57	55
Nicola Keach	49	28
Kirsty Homer	20	-
	<b>340</b>	<b>289</b>

The base fees referred to above were increased by 3.5 per cent with effect from 1 January 2023. The annualised fee payable to Kirsty Homer was £49,042 in 2023; the figure in the above table reflects the total amount of fees received by Kirsty Homer since her appointment with effect from 1 August 2023. The annualised fee payable to Nicola Keach was £47,383 in 2022; the figure in the above table reflects the total amount of fees received by Nicola Keach since her appointment with effect from 1 June 2022.

Non-Executive Director fees are subject to annual review with any increases generally applying with effect from 1 January. The Board has approved a 3.5 per cent increase to base fees for Non-Executive Directors with effect from 1 January 2024. The Remuneration Committee has also agreed a 3.5 per cent increase to the fee for the Board Chair with effect from the same date. In addition, the Board approved increasing the additional fees payable to each of the Remuneration Committee Chair; the Audit Committee Chair; and the Senior Independent Director to £10,000 per annum, also with effect from 1 January 2024.

# Directors' Remuneration Report

## Annual Remuneration Report

Continued >

### Total Directors' Remuneration (Audited)

The aggregate total amount of remuneration received by all Directors in office during the year ended 31 December 2023, together with the aggregate total amount of remuneration received by all Directors in office during the year ended 31 December 2022, is shown below:

	2023 £000	2022 £000
Executive Directors	2,089	1,115
Non-Executive Directors	340	289
	<b>2,429</b>	<b>1,404</b>

### Payments to Past Directors

There were no payments of money or other assets made to any former directors during the financial year ended 31 December 2023.

### Payments for Loss of Office

There were no loss of office payments made to former directors during the year.

### Implementation of Remuneration Policy in 2024

The Committee anticipates the remuneration policy to apply as follows in the year ending 31 December 2024:

<b>Base Salary<sup>1</sup></b>	CEO: £472,692 CFO: £354,730
<b>Taxable Benefits</b>	Car allowance, medical insurance
<b>Pension</b>	CEO: Capped at the cash value of 2019 entitlement (£41,613) CFO: 12 per cent of base salary
<b>Bonus<sup>2</sup></b>	CEO: Up to 150 per cent of base salary. CFO: Up to 125 per cent of base salary.  Targets: <ol style="list-style-type: none"><li>85 per cent of maximum entitlement to be based on the Group's financial results using the adjusted PBT result excluding notional interest; and</li><li>to reflect our continued commitment to sustainability, 15 per cent of maximum entitlement to be subject to the satisfaction of targets linked to plastic consumption, water consumption and carbon emission reductions.</li></ol>
<b>LTIP<sup>3</sup></b>	CEO: Grant at 150 per cent of base salary. CFO: Grant at 125 per cent of base salary.  Targets: <ol style="list-style-type: none"><li>50 per cent of the award to be based on the Company's TSR performance relative to that of the constituents of the FTSE 250 (excluding investment trusts) over the performance period. None of this element will vest if the Company's TSR positions it below the median of the comparator group, one quarter will vest if the Company's TSR is equal to the median of the group and the whole of this element will vest if the Company's TSR is at the upper quartile level or above when compared to the peer group. Vesting will be on a straight-line basis between median and upper quartile.</li><li>The remaining 50 per cent of the award will vest by reference to growth in the Company's adjusted fully diluted EPS over the three-year performance period. None of this element will vest if EPS growth (on a CAGR basis) is less than 9% p.a., one quarter will vest if EPS growth is equal to 9% p.a. and the whole of this element will vest if EPS growth is 16% p.a. or greater. Vesting will be on a straight-line basis if EPS growth is between 9% p.a. and 16% p.a.</li></ol>

Note 1: Base salary payable in 2024 reflects a 3.5 per cent increase on the base salary payable in 2023.



Note 2: Annual bonus targets are considered by the Committee and the Board to be commercially sensitive as they could inform the Company's competitors of its budgeting. Consequently, we do not publish details of the targets on a prospective basis, however, we will provide full and transparent disclosure of the targets and the performance against these targets on a retrospective basis in next year's Annual Report at the same time that the bonus outcome is reported.

Note 3: The decisions to use the FTSE 250 (excluding investment trusts) as a TSR peer group and to revert to EPS in place of adjusted PBT per share for this LTIP award is explained on pages 91 to 92.

## CEO Pay Ratio

The pay ratio regulations provide companies with a number of options for gathering the data required to calculate the ratio. We have chosen to use "Option B" to calculate the CEO pay ratio which involves the use of data previously gathered for gender pay gap reporting purposes. This option was chosen given the size and complexity of the exercise required to produce these ratios using other means and on the basis that the Company has already completed comprehensive data collation and analysis for the purposes of gender pay gap reporting.

The total pay and benefits of our employees at the 25th, 50th and 75th percentile and the ratios between the CEO and these employees, using the CEO's single total remuneration figure are as follows:

	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
<b>2023</b>	<b>49:1</b>	<b>45:1</b>	<b>32:1</b>
2022	32:1	25:1	19:1
2021	33:1	31:1	28:1
2020	23:1	19:1	16:1
2019	46:1	31:1	26:1

The table below sets out the salary and total pay and benefits for the three identified quartile point employees:

	25th percentile pay ratio	50th percentile pay ratio	75th percentile pay ratio
2023 Salary	£21,681	£22,838	£35,230
2023 Total Pay and Benefits	£24,557	£26,938	£38,156

As explained in previous reports, our pay ratios have fluctuated between each reported year to date (not least due to the impact of the Covid pandemic on employee remuneration) and no overall trend in the median pay ratio is observed at this time.

The majority of our employees work either within one of our processing facilities or in distribution. Irrespective of the specific role, we aim to apply the same reward principles for all employees, in particular, that overall remuneration should be competitive when compared to similar roles in other organisations from which we draw our talent. We are aware that year-to-year movements in the pay ratio will be driven largely by our CEO's variable pay outcomes. These movements will significantly outweigh any other changes in pay within the organisation. Whatever the CEO pay ratio, the Company will continue to invest in competitive pay for all employees.

The Committee also recognises that, due to the specific nature of the Company's business and the flexibility permitted within the regulations for identifying and calculating the total pay and benefits for employees, as well as differences in employment and remuneration models between companies, the ratios reported above may not be comparable to those reported by other companies.

## Gender Pay Gap Reporting

### Background

Under legislation that came into force in 2017, all companies with 250 or more employees must publish and report specific figures about their gender pay gap. In respect of the Group, the legislation applies to Johnsons Textile Services Limited (the "Reporting Company") which for the period under review employed the vast majority of employees within the Group.

Employers must publish the gap in pay between men and women on both a mean basis (average hourly salary) and a median basis (pay per hour based on the person 'in the middle' of the distribution of pay). In relation to bonus pay, employers are required to disclose both a mean and median basis for average bonus pay received. Furthermore, the percentage of employees receiving bonuses by gender must be disclosed. In addition, employers are required to disclose the distribution of gender by pay quartile – in other words, splitting the workforce into four groups based on their pay and showing the proportion of males and females in each group.

The information provided below reflects the results of the most recent comprehensive data collation and analysis for the purposes of our external gender pay gap reporting. The 'Gender Pay Gap' calculations relate to the pay period in which the snapshot date, 5 April 2023, falls for each full-pay relevant employee only. The 'Gender Bonus Gap' calculations relate to the period 6 April 2022 to 5 April 2023 for all relevant employees.

# Directors' Remuneration Report

## Annual Remuneration Report

Continued >

### Gender Pay Gap

The Company provides the following information in respect of its Gender Pay Gap:

Difference in the hourly rate of pay (mean)	9.9%
Difference in the hourly rate of pay (median)	7.4%

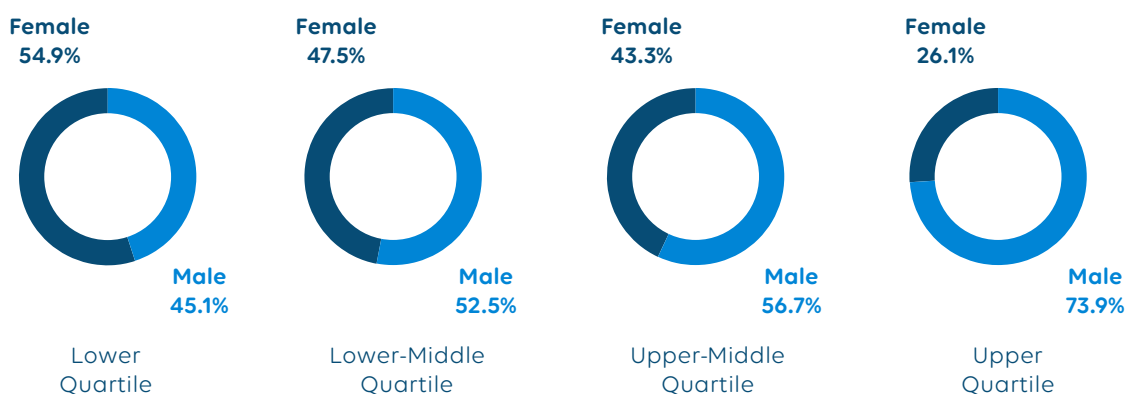
### Gender Bonus Gap

The Company provides the following information in respect of its Gender Bonus Gap:

Difference in bonus pay (mean)	6.3%
Difference in bonus pay (median)	0.0%
Percentage of male employees who receive bonus pay	33.8%
Percentage of female employees who receive bonus pay	23.8%

### Distribution of Male and Female Employees by Quartile

The proportions of male and female full-pay relevant employees in the lower, lower-middle, upper-middle and upper quartile bands were as follows:



### Explanatory Commentary

The results show that, as in previous years, there is a gender pay gap. Whilst having fewer females than males in senior and leadership roles has an impact, it is also significantly influenced by two industry related factors:

- 1) laundries operate large transport fleets and hence employ a significant number of drivers. The role generally commands a higher pay scale and is predominantly populated by males; and
- 2) laundry operations are very labour intensive with such roles being predominantly in the lower quartiles. A higher proportion of these roles are currently performed by females.

The Group strives to ensure that it provides a workplace where all our people feel valued and equal and we continue to take action to address the gap and to make sure our employment policies and practices are fair. This includes actively reviewing decisions around annual pay, bonus pay and promotion opportunities and the Group will continue to endeavour to provide a training and development platform for all individuals to grow, both personally and in their work role, irrespective of gender.

## Relative Importance of Spend on Pay

The following table sets out the amounts payable in dividends; amounts paid in connection with the Company's share buyback programmes, launched in September 2022 and, more recently, September 2023; and total employee costs in respect of the years ended 31 December 2023 and 31 December 2022. The Committee does not consider that there are any other significant distributions or payments outside the ordinary course of business that warrant disclosure.

	2023 £m	2022 £m	% Change
Dividends payable (note 1)	11.7	10.3	13.6%
Share buyback programme (note 2) (note 3)	29.9	5.6	433.9%
Total employee costs (note 4)	204.7	181.4	12.8%

Note 1: The 2023 dividend comprises an interim dividend of 0.9 pence (2022: 0.8 pence) per Ordinary share and a proposed final dividend of 1.9 pence (2022: 1.6 pence) per Ordinary share. This total dividend of 2.8 pence per Ordinary share, subject to the approval of Shareholders and based upon the number of shares in issue as at the date of this report, will amount to a dividend distribution for the year of £11.7 million (2022: £10.3 million).

Note 2: On 15 September 2022, the Company announced the commencement of a share buyback programme with an aggregate market value equivalent of up to £27.5 million (excluding expenses) ('2022 Share Buyback Programme'). Consistent with the Company's capital allocation policy, the purpose of the 2022 Share Buyback Programme was to reduce the Company's share capital. Pursuant to the 2022 Share Buyback Programme, the Company entered into a non-discretionary instruction with Investec Bank plc to purchase up to £27.5 million (excluding expenses) of the Company's Ordinary shares of 10 pence each and to make trading decisions under the 2022 Share Buyback Programme independently of the Company in accordance with certain pre-set parameters. The 2022 Share Buyback Programme commenced on 15 September 2022 and ended on 4 May 2023, being the date of the Company's AGM. The total consideration payable in connection with the 2022 Share Buyback Programme, including expenses, was £25.5 million of which £19.9 million was expended during 2023. All of the Ordinary shares bought back pursuant to the 2022 Share Buyback Programme were cancelled.

Note 3: On 20 September 2023, the Company announced the commencement of a share buyback programme with an aggregate market value equivalent of up to £10.0 million (excluding expenses) ('2023 Share Buyback Programme'). Consistent with the Company's capital allocation policy, the purpose of the 2023 Share Buyback Programme was to reduce the Company's share capital. Pursuant to the 2023 Share Buyback Programme, the Company entered into a non-discretionary instruction with Investec Bank plc to purchase up to £10.0 million (excluding expenses) of the Company's Ordinary shares of 10 pence each and to make trading decisions under the 2023 Share Buyback Programme independently of the Company in accordance with certain pre-set parameters. The 2023 Share Buyback Programme commenced on 20 September 2023 and completed on 27 November 2023. The total consideration payable in connection with the 2023 Share Buyback Programme, including expenses, was £10.0 million all of which was expended during 2023. All of the Ordinary shares bought back pursuant to the 2023 Share Buyback Programme were cancelled.

## Other Details

The mid-market price of the Ordinary shares of 10p each on 31 December 2023 and 31 December 2022 was 141.6 pence and 96.9 pence respectively. During the year, the mid-market price of the Ordinary shares of 10p each ranged between 94.0 pence and 145.4 pence (2022: 77.0 pence and 162.0 pence).

## Annual General Meeting

The table below shows the voting outcome at the 2023 AGM, held on 4 May 2023, for the 2022 Directors' Remuneration Report.

No. of Votes 'For' <sup>1</sup>	% of Votes Cast	No. of Votes 'Against'	% of Votes Cast	Total No. of Votes Cast	No. of Votes 'Withheld' <sup>2</sup>
295,968,686	98.91%	3,248,089	1.09%	299,216,775	7,480

Note 1: Includes 'Discretionary' votes.

Note 2: A vote 'Withheld' is not a vote under English law and is not counted in the calculation of votes 'For' or 'Against' a resolution.

At the 2024 AGM, due to be held on 1 May 2024, Shareholders will be invited to vote on the Directors' Remuneration Report for 2023.

### Nick Gregg

Chair, Remuneration Committee

4 March 2024

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143	Notes to the Consolidated Financial Statements

# 03

## Group Financial Statements



# Independent Auditor's Report to the members of Johnson Service Group PLC

## Opinion

### Our opinion on the financial statements is unmodified

We have audited the financial statements of Johnson Service Group PLC (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2023, which comprise:

Group	Parent Company
Consolidated Income Statement	Company Statement of Changes in Shareholders' Equity
Consolidated Statement of Comprehensive Income	Company Balance Sheet
Consolidated Statement of Changes in Shareholders' Equity	Company Statement of Cash Flows
Consolidated Balance Sheet	Notes to the Company Financial Statements, including a summary of significant accounting policies
Consolidated Statement of Cash Flows	
Notes to the Consolidated Financial Statements, including a summary of significant accounting policies	

The financial reporting framework that has been applied in their preparation is applicable law and UK-adopted international accounting standards and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

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 31 December 2023 and of the Group's profit for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK-adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK-adopted international accounting standards 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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.

Our evaluation of the directors' assessment of the Group's and the Parent Company's ability to continue to adopt the going concern basis of accounting included obtaining and assessing management's paper and assessment of going concern, including forecasts covering the period to 30 June 2025 and testing the mathematical accuracy of the forecasts, as approved by the Board. We have also tested the accuracy of management's forecasting through a comparison of prior period forecasts to actual data and assessed the forecasts prepared to ensure consistency with other areas of the audit, utilising the work performed such as using industry data and other external information to challenge the reasonableness of management's assumptions. We have assessed compliance with financial covenants within the Group's facilities for the period to 30 June 2025 and the available headroom to the Group. In addition, we assessed the reverse stress tested performed by management, determining if scenarios are plausible. We assessed the adequacy of the related disclosures within the Annual Report and Accounts.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the Group's and the Parent Company's business model including effects arising from macro-economic uncertainties such as rising interest rates, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the group's and the parent company's financial resources or ability to continue operations over the going concern period.


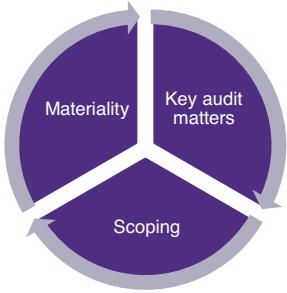
In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's and the Parent Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In relation to the Group's reporting on how it has applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Directors' statement in the financial statements about whether the Directors considered it appropriate to adopt the going concern basis of accounting.

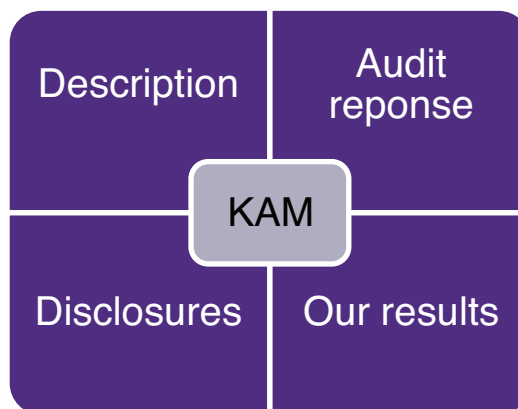
Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

**Our approach to the audit**

 <p><b>Grant Thornton</b></p> 	<p><b>Overview of our audit approach</b></p> <p><b>Overall materiality:</b>                  Group: £225m, which represents 0.5% of the Group's revenue.                  Parent Company: £14m, which represents 0.2% of the Parent Company's total assets.</p> <p>Key audit matters were identified as:</p> <ul style="list-style-type: none"> <li>• Customer (rebate) arrangements (same as previous year);</li> <li>• Carrying value of goodwill (same as previous year); and</li> <li>• Acquisition accounting and valuation of intangible assets acquired (new in the current year).</li> </ul> <p>Our auditor's report for the year ended 31 December 2022 included two key audit matters that have not been reported as key audit matters in our current year's report. These are 'The revenue cycle includes fraudulent transactions', and 'Going concern'. The key audit matter relating to the revenue cycle has been removed due to this no longer being a matter, that in our professional judgement, is of most significance in the audit of the financial statements of the current period. The key audit matter relating to going concern has been removed owing to the increased headroom on facilities and strong performance of the group in the current period.</p> <p>We performed audits of the financial statements of the Parent Company, and of the financial information of one other component using component materiality (full scope audit). We performed specific audit procedures relating to one further component. We performed analytical procedures at Group level for the remaining 10 components in the Group during the year.</p> <p>In total, our procedures covered 96% of the Group's revenue, 94% of the Group's total assets and 97% of the Group's profit before tax.</p>
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**Key audit matters**

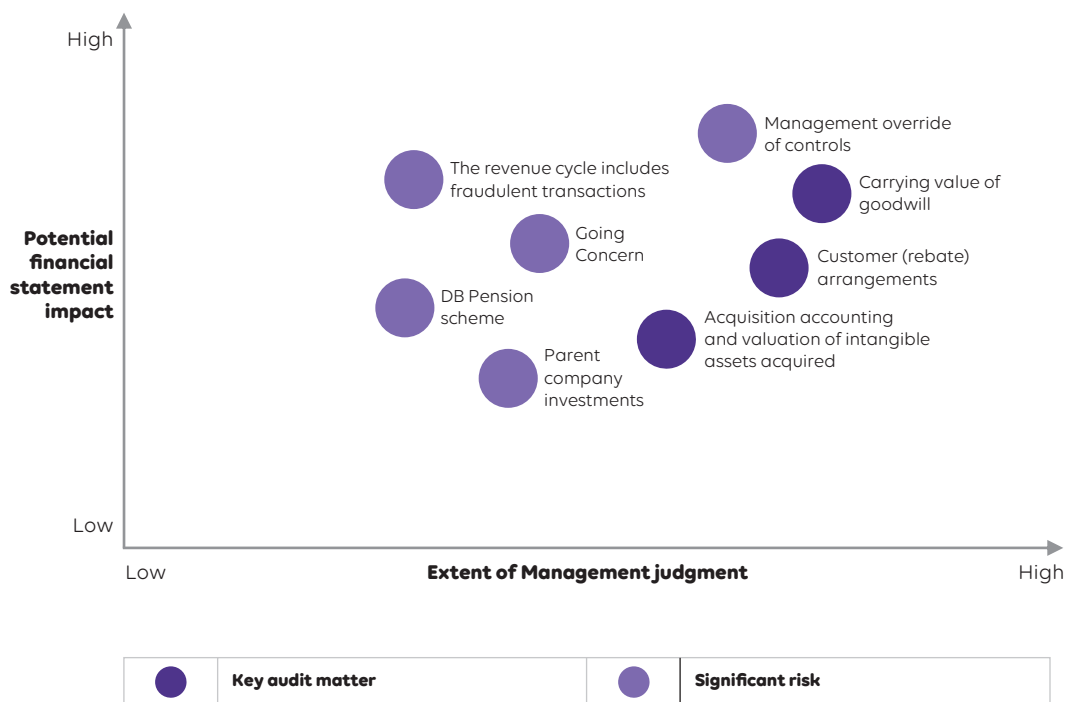
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those that had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.



# Independent Auditor's Report to the members of Johnson Service Group PLC

## Continued >

In the graph below, we have presented the key audit matters and significant risks relevant to the audit. This is not a complete list of all risks identified by our audit.



### Key Audit Matter – Group

#### Customer (rebate) arrangements

We identified the completeness and accuracy of customer (rebate) arrangements as a key audit matter, which includes to rebate arrangements which feature management judgment as one of the most significant assessed risks of material misstatement due to fraud and error.

Through its divisional trading activities, the Group has rebate agreements in place across certain key customers. These vary on a customer-by-customer basis, but largely relate to volume of sales made throughout the year.

The complexity of such arrangements also vary, with some based on retrospective information and others requiring management judgement. We have pinpointed the significant risk to the accuracy and completeness of rebate arrangements which feature management judgment.

The level of rebate granted is based on contractual terms which are specific to each customer. These are not uniform, which means that there is inherently an element of complexity which gives rise to an increased risk of error or fraud occurring in respect of these balances. This includes both the amounts recognised within the income statement and balance sheet at the year end.

#### Relevant disclosures in the Annual Report and Accounts

- Financial statements: Statement of Significant Accounting Policies, Rebates
- Audit committee report: Accounting for Complex Customer Arrangements

### How our scope addressed the matter – Group

In responding to the key audit matter, we performed the following audit procedures:

- For a sample of customers, recalculated the rebate recognised within both the income statement and the balance sheet based on contractual terms from review of customer contracts incorporating unpredictability into our sampling approach;
- Performed year-on-year analysis of the accrual balance per customer to gain assurance of the reasonableness of the year-end balance recognised. We tested completeness of the rebate recognised within both the income statement and the balance sheet by assessing contractual arrangements within the Group's key customers to check these were not indicative of unrecorded (rebate) arrangements;
- Held discussions with employees outside of the finance function to understand new rebate arrangements entered into in the year;
- Obtained an understanding of significant revenue deductions or credits issued to customers in the year to determine if these related to rebate agreements;
- Assessed transactions post year end to agree amounts recorded and check these have been accounted for in the correct period and determine whether post year-end activity is indicative of unrecorded customer arrangements;
- Assessed the ageing of the accruals and considered management's assessment of the likelihood of claims for historic amounts; and
- Assessed management's paper setting out the legal position in relation to aged rebate contracts.

#### Our results

Based on our audit work, we did not identify any material misstatements in relation to customer (rebate) arrangements.



**Key Audit Matter – Group****Carrying value of goodwill**

We identified the carrying value of goodwill as a key audit matter, which includes valuation and allocation of the carrying value of goodwill in relation to the Regency Laundry Limited Cash Generating Unit (CGU) as one of the most significant assessed risks of material misstatement due to error.

Under International Accounting Standard IAS 36 'Impairment of Assets', management is required to assess at the end of each reporting period whether there is any indication that an asset may be impaired and to perform an annual assessment whether the Group's goodwill within a CGU is impaired.

The process for assessing whether impairment of assets exists under International Accounting Standard (IAS) 36 'Impairment of Assets' is complex. Management prepare impairment models to assess the value in use. Calculating value in use, through forecasting cash flows related to CGUs and the determination of CGUs, appropriate discount rate and other assumptions to be applied can be highly judgmental and subject to management bias or error. The selection of certain inputs into the cash flow forecasts can also significantly impact the results of the impairment assessment.

**Relevant disclosures in the Annual Report and Accounts**

- Financial statements: Statement of Significant Accounting Policies, Impairment of non-financial assets; Goodwill and Note 12, Goodwill
- Audit committee report: Impairment

**How our scope addressed the matter – Group**

In responding to the key audit matter, we performed the following audit procedures:

- Considered the appropriateness of management's determination of CGUs relevant for impairment testing, including management's change in CGU determination during the year as a result of the acquisition of Harkglade Limited and its subsidiaries, Celtic Linen Limited and Millbrook Linen Limited;
- Assessed the mathematical accuracy of the impairment model and the methodology applied by management for consistency with the requirements of IAS 36 'Impairment of Assets';
- Obtained management's assessment over carrying value and value in use;
- Tested the accuracy of management's forecasting through a comparison of prior forecasts to actual data;
- Considered the appropriateness of management's key assumptions relating to the calculation of the value in use of CGUs and estimated future cash flows, including the growth rate and discount rate used to assess the level of headroom;
- Used our internal valuations experts to inform our challenge of management, that the methodology used in management's model and assumptions used within the calculation of WACC are reasonable;
- Assessed management's reverse stress test to understand the impact of any reasonably possible changes in assumptions, and evaluated the headroom available from different outcomes to assess whether goodwill could be impaired;
- Performed our own specific sensitivity analysis on management's model relating to the Regency Laundry Limited CGU; and
- Assessed whether the Group's disclosures with respect to the carrying value of Group goodwill are adequate and the key assumptions are disclosed.

**Our results**

Based on our audit work, we found the assumptions used in management's impairment model were appropriate. We did not identify any material misstatements with respect to the carrying value of the Group's goodwill in accordance with IAS 36 'Impairment of Assets'.

# Independent Auditor's Report to the members of Johnson Service Group PLC

## Continued >

Key Audit Matter – Group	How our scope addressed the matter – Group
<p><b>Acquisition accounting and valuation of intangible assets acquired</b></p> <p>The group has completed the acquisition of Harkglade Limited, and its subsidiaries Celtic Linen Limited and Millbrook Linen Limited ('Celtic Linen') in August 2023. We identified the acquisition accounting associated with these acquisitions including valuation of the intangible assets related with the Celtic Linen acquisition, as one of the most significant assessed risks of material misstatement due to error.</p> <p>Under IFRS 3 'Business Combinations', management is required to recognise, separately from goodwill, the assets acquired and liabilities assumed, and then recognise goodwill on purchase. Assets, liabilities and intangible assets should be recognised at fair value. Management make judgments to identify specific intangible assets that are acquired, and make estimates to value these assets. The process for assessing the valuation of intangible assets is complex and therefore this has been included as a key audit matter.</p>	<p>In responding to the key audit matter, we performed the following audit procedures:</p> <ul style="list-style-type: none"> <li>Assessed the share purchase agreement, and documented key details around the acquisition including details of consideration paid;</li> <li>Assessed whether the requirements of control as defined by IFRS 10 'Consolidated Financial Statements' has been achieved;</li> <li>Assessed whether the Group's accounting policy for the valuation of intangible assets acquired is in accordance with IFRS 3 'Business Combinations' and checking that the fair value measurements are accounted for in accordance with the stated accounting policy;</li> <li>Obtained the acquisition date balance sheet of each acquired subsidiary and performed procedures to assess the recognition of the material assets and liabilities acquired;</li> <li>Obtained management's purchase price allocation used to value specific acquired intangibles and assessing the appropriateness and reasonableness of key assumptions made in the calculations, such as growth rates, customer attrition rates and discount rates, considering if assets and liabilities transferred have been recognised at fair value, per the requirements of IFRS 3 'Business Combinations';</li> <li>Used our internal valuations experts to inform our challenge of management, that the methodology used in the valuation calculations and assumptions used are reasonable; and</li> <li>Assessed whether the Group's disclosures with respect to the intangible asset recognised and fair value of assets and liabilities acquired are adequate.</li> </ul>
<p><b>Relevant disclosures in the Annual Report and Accounts</b></p> <ul style="list-style-type: none"> <li>Financial statements: Note 34, Business combinations.</li> <li>Audit committee report: Acquisition Accounting</li> </ul>	<p><b>Our results</b></p> <p>Based on our audit work, we have not identified any material misstatements with respect to acquisition accounting and valuation of intangible assets acquired.</p>

We did not identify any key audit matters relating to the audit of the financial statements of the Parent Company only.

### Our application of materiality

We apply the concept of materiality both in planning and performing the audit, and in evaluating the effect of identified misstatements on the audit and of uncorrected misstatements, if any, on the financial statements and in forming the opinion in the auditor's report.

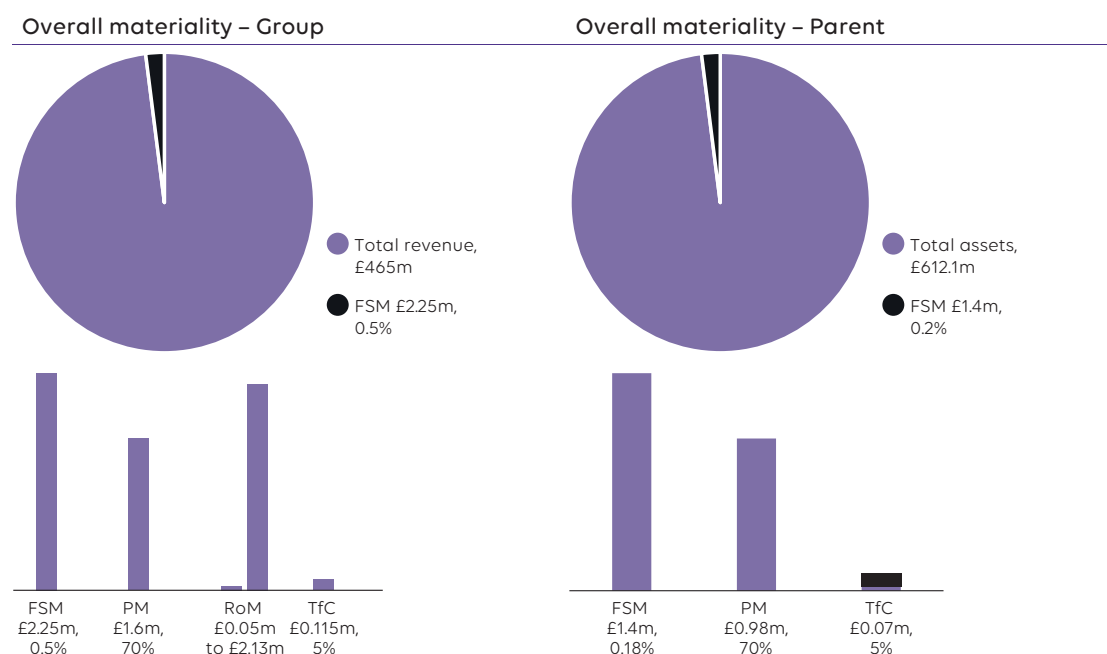
Materiality was determined as follows:

Materiality measure	Group	Parent company
<b>Materiality for financial statements as a whole</b>	We define materiality as the magnitude of misstatement in the financial statements that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of these financial statements. We use materiality in determining the nature, timing and extent of our audit work.	
Materiality threshold	£225m (2022: £1.95m), which represents 0.5% of the Group's revenue. The range of component materialities used across the group was £0.05m to £213m.	£14m (2022: £1.3m), which represents 0.2% of the Parent Company's total assets.
Significant judgments made by auditor in determining the materiality	<p>In determining materiality, we made the following significant judgments:</p> <ul style="list-style-type: none"> <li>We determine revenue to be the most appropriate benchmark for the Group due to this having importance in both external financial reporting and internal management reporting. This is a key driver of business activity and is a measure on which growth is monitored.</li> <li>A market-based measurement percentage was chosen which reflected our knowledge of the business from the prior year audit, as well as our risk assessment of the business.</li> </ul> <p>Materiality for the current year is higher than the level that we determined for the year ended 31 December 2022 to reflect the increase in the Group's revenue</p>	<p>In determining materiality, we made the following significant judgments:</p> <ul style="list-style-type: none"> <li>We determined the Parent Company's total assets to be the most appropriate benchmark because the Parent Company does not trade and largely holds investments in subsidiary undertakings.</li> <li>A market-based measurement percentage was chosen which reflected our knowledge of the business from the prior year audit, as well as our risk assessment of the business.</li> </ul> <p>Materiality for the current year is higher than the level that we determined for the year ended 31 December 2022 to reflect the growth in Parent Company assets.</p>
<b>Performance materiality used to drive the extent of our testing</b>	We set performance materiality at an amount less than materiality for the financial statements as a whole to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality for the financial statements as a whole.	
Performance materiality threshold	£1.6m (2022: £1.365m), which is 70% (2022: 70%) of financial statement materiality.	£0.98m (2022: £0.910m), which is 70% (2022: 70%) of financial statement materiality.
Significant judgments made by auditor in determining performance materiality	<p>In determining performance materiality, we made the following significant judgments:</p> <ul style="list-style-type: none"> <li>Our risk assessment procedures did not identify any significant changes in business objectives and strategy of the Group;</li> <li>We considered qualitative and quantitative factors when evaluating the impact of prior period adjusted and unadjusted misstatements; and</li> <li>We considered whether there were any significant control deficiencies identified in the prior year.</li> </ul>	<p>In determining performance materiality, we made the following significant judgments:</p> <ul style="list-style-type: none"> <li>Our risk assessment procedures did not identify any significant changes in business objectives and strategy of the Parent Company;</li> <li>We considered qualitative and quantitative factors when evaluating the impact of prior period adjusted and unadjusted misstatements; and</li> <li>We considered whether there were any significant control deficiencies identified in the prior year.</li> </ul>
<b>Specific materiality</b>	We determine specific materiality for one or more particular classes of transactions, account balances or disclosures for which misstatements of lesser amounts than materiality for the financial statements as a whole could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.	
Specific materiality	<p>We determined a lower level of specific materiality for the following areas:</p> <ul style="list-style-type: none"> <li>Related party transactions; and</li> <li>Directors' remuneration.</li> </ul>	<p>We determined a lower level of specific materiality for the following areas:</p> <ul style="list-style-type: none"> <li>Related party transactions; and</li> <li>Directors' remuneration.</li> </ul>
<b>Communication of misstatements to the audit committee</b>	We determine a threshold for reporting unadjusted differences to the audit committee.	
Threshold for communication	£0.115m (2022: £0.975m), which represents 5% of Group materiality, and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.	£0.07m (2022: £0.065m), which represents 5% of Parent Company materiality and misstatements below that threshold that, in our view, warrant reporting on qualitative grounds.

# Independent Auditor's Report to the members of Johnson Service Group PLC

## Continued >

The graph below illustrates how performance materiality and the range of component materiality interacts with our overall materiality and the threshold for communication to the audit committee.



FSM: Financial statement materiality, PM: Performance materiality, RoM: Range of materiality at 3 components, TfC: Threshold for communication to the audit committee.

### An overview of the scope of our audit

We performed a risk-based audit that requires an understanding of the Group's and the Parent Company's business and in particular matters related to:

#### Understanding the group, its components, and their environments, including group-wide controls

- The engagement team obtained an understanding of the Group and its environment, including Group-wide controls, and assessed the risks of material misstatement at the Group level; and
- The engagement team further considered the effect of the Group organisational structure on the scope of the audit, and used this to inform our assessment of risk.

#### Identifying significant components

- The engagement team performed an evaluation of identified components to assess the significant components and to determine the planned audit response based on a measure of materiality, calculated by considering the component's significance as a percentage of the Group's total assets, revenue and profit before taxation.

#### Type of work to be performed on financial information of parent and other components (including how it addressed the key audit matters)

- Of the Group's 13 components, we identified 2 which, in our view, required an audit of their financial information using component materiality (full scope audit), either due to their size or their risk characteristics. As a result of this, we performed an audit of the financial statements of the Parent Company and of the financial information of one component, Johnsons Textile Services Limited.
- There were 4 new components identified within the period, as a result of acquisition of Regency Laundry Limited, and Celtic Linen. These were not significant components. There was 1 component in the prior year, Lilliput (Dunmurry) Limited, not present in the current year.
- We identified key audit matters of the Group, which were customer (rebate) arrangements, carrying value of goodwill and acquisition accounting and valuation of intangible assets acquired. The audit procedures performed in respect of these have been included within the key audit matters section of our report.
- We performed specific audit procedures in respect of one component, Johnson Group Properties PLC.
- We performed analytical procedures at Group level over the remaining ten components. These procedures, together with the additional procedures outlined above, were designed to give us the audit evidence needed for our opinion on the Group financial statements as a whole.

#### Performance of our audit

- Together, the components subject to full-scope audits covered 96% of the Group's revenue, 90% of the Group's total assets and 97% of the Group's profit before tax.
- All work including component work was performed by the Group audit team.

Audit approach	No. of components	% coverage total assets	% coverage revenue	% coverage PBT
Full-scope audit	2 (2022: 2)	90 (2022: 95)	96 (2022: 98)	97 (2022: 96)
Specified audit procedures	1 (2022: 1)	4 (2022: 4)	0 (2022: 0)	0 (2022: 0)
Analytical procedures	10 (2022: 7)	6 (2022: 1)	4 (2022: 2)	3 (2022: 4)
Total	13 (2022: 10)	100	100	100

### Other information

The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the Annual Report and Accounts. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### Our opinion on other matters prescribed by the Companies Act 2006 is unmodified

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

### Matter on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which 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.

### Corporate governance statement

We have reviewed the directors' statement in relation to going concern, longer-term viability and that part of the Corporate Governance Statement relating to the group's compliance with the provisions of the UK Corporate Governance Code specified for our review by the Listing Rules.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the Corporate Governance Statement is materially consistent with the financial statements or our knowledge obtained during the audit:

- the directors' statement with regards to the appropriateness of adopting the going concern basis of accounting and any material uncertainties identified as set out on page 60;
- the directors' explanation as to their assessment of the group's prospects, the period this assessment covers and why the period is appropriate as set out on page 59;
- the director's statement on whether they have a reasonable expectation that the group will be able to continue in operation and meet its liabilities as set out on page 60;
- the directors' statement on fair, balanced and understandable as set out on page 61;
- the board's confirmation that it has carried out a robust assessment of the emerging and principal risks as set out on page 75;
- the section of the annual report that describes the review of the effectiveness of risk management and internal control systems as set out on page 75; and
- the section describing the work of the audit committee as set out on page 74.

# Independent Auditor's Report to the members of Johnson Service Group PLC

## Continued >

### Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities set out on page 61, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to the Parent Company and the Group and the industry in which they operate. We determined that the most significant laws and regulations are: the Companies Act 2006, UK-adopted international accounting standards, the UK Corporate Governance Code and taxation laws;
- We obtained an understanding of how the Parent Company and the Group are complying with those legal and regulatory frameworks by making inquiries of management, those responsible for legal and compliance procedures and the company secretary. We corroborated our inquiries through our review of board minutes and papers provided to the Audit Committee;
- We assessed the susceptibility of the Group and Parent Company's financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the Group engagement team included:
  - Assessing the design and implementation of controls management has in place to prevent and detect fraud;
  - Obtaining an understanding of how those charged with governance considered and addressed the potential for override of controls or other inappropriate influence over the financial reporting process;
  - Challenging assumptions and judgments made by management in significant accounting estimates;
  - Obtaining an understanding around rebate agreements and releases of aged accrual balances including obtaining an understanding of the legal requirements of such agreements;
  - Identifying and testing journal entries, in particular any journal with unusual characteristics;
  - Engaging with our internal tax specialist to address the risk of non-compliance with taxation legislation; and
  - Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the Group engagement team included consideration of the Group engagement team's knowledge of the industry in which the Group operates, and the understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation;
- We communicated relevant laws and regulations and potential fraud risks to all engagement team members, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.

### Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Michael Frankish  
Senior Statutory Auditor  
for and on behalf of Grant Thornton UK LLP  
Statutory Auditor, Chartered Accountants  
Manchester  
4 March 2024

# Consolidated Income Statement

	Note	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
<b>Revenue</b>	1,2	<b>465.3</b>	<b>385.7</b>
Impairment loss on trade receivables	18	(1.7)	(0.9)
All other costs	2	(420.0)	(351.5)
<b>Operating profit</b>	1,2	<b>43.6</b>	<b>33.3</b>
<b>Operating profit before amortisation of intangible assets (excluding software amortisation), goodwill impairment and exceptional items</b>	1,2	<b>50.5</b>	<b>41.2</b>
Amortisation of intangible assets (excluding software amortisation)	13	(5.3)	(7.2)
Goodwill impairment	12	–	(1.4)
Exceptional items	6	(1.6)	0.7
<b>Operating profit</b>	1,2	<b>43.6</b>	<b>33.3</b>
Finance cost	7	(6.0)	(3.0)
<b>Profit before taxation</b>		<b>37.6</b>	<b>30.3</b>
Taxation charge	9	(10.4)	(1.5)
<b>Profit for the year from continuing operations</b>		<b>27.2</b>	<b>28.8</b>
<b>Profit for the year from discontinued operations</b>	35	<b>0.1</b>	<b>0.2</b>
<b>Profit for the year attributable to equity holders</b>		<b>27.3</b>	<b>29.0</b>
<b>Earnings per share</b>	11		
<b>Basic earnings per share</b>			
– From continuing operations		6.4p	6.5p
– From discontinued operations		–	–
From total operations		<b>6.4p</b>	<b>6.5p</b>
<b>Diluted earnings per share</b>			
– From continuing operations		6.4p	6.5p
– From discontinued operations		–	–
From total operations		<b>6.4p</b>	<b>6.5p</b>

See note 11 for Adjusted basic earnings per share and Adjusted diluted earnings per share.

# Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
<b>Profit for the year</b>		<b>273</b>	<b>290</b>
<b>Items that will not be subsequently reclassified to profit or loss</b>			
Re-measurement and experience gains/(losses) on post-employment benefit obligations	26	8.8	(10.0)
Taxation in respect of re-measurement and experience (gains)/losses		(2.2)	2.5
Deferred taxation rate change in respect of re-measurement and experience losses		-	0.1
<b>Items that may be subsequently reclassified to profit or loss</b>			
Cash flow hedges (net of taxation) – fair value (losses)/gains	27	(0.5)	1.4
– transfers to administrative costs	27	0.4	(2.2)
Net loss on hedge of a net investment	27	(0.3)	-
Exchange differences on translation of foreign operations		0.3	-
<b>Total other comprehensive income/(loss) for the year</b>		<b>6.5</b>	<b>(8.2)</b>
<b>Total comprehensive income for the year</b>		<b>33.8</b>	<b>20.8</b>

The notes on pages 143 to 177 are an integral part of these Consolidated Financial Statements.



# Consolidated Statement of Changes in Shareholders' Equity

	Share Capital £m	Share Premium £m	Merger Reserve £m	Capital Redemption Reserve £m	Hedge Reserve £m	Retained Earnings £m	Total Equity £m
<b>Balance at 31 December 2021</b>	<b>44.5</b>	<b>16.8</b>	<b>1.6</b>	<b>0.6</b>	<b>0.3</b>	<b>208.6</b>	<b>272.4</b>
Profit for the year	-	-	-	-	-	29.0	29.0
Other comprehensive loss	-	-	-	-	(0.8)	(7.4)	(8.2)
<b>Total comprehensive (loss)/income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.8)</b>	<b>21.6</b>	<b>20.8</b>
Share options (value of employee services)	-	-	-	-	-	0.8	0.8
Share buybacks	(0.6)	-	-	0.6	-	(5.7)	(5.7)
Deferred tax on share options	-	-	-	-	-	(0.2)	(0.2)
Dividend paid	-	-	-	-	-	(3.5)	(3.5)
<b>Transactions with Shareholders recognised directly in Shareholders' equity</b>	<b>(0.6)</b>	<b>-</b>	<b>-</b>	<b>0.6</b>	<b>-</b>	<b>(8.6)</b>	<b>(8.6)</b>
<b>Balance at 31 December 2022</b>	<b>43.9</b>	<b>16.8</b>	<b>1.6</b>	<b>1.2</b>	<b>(0.5)</b>	<b>221.6</b>	<b>284.6</b>
Profit for the year	-	-	-	-	-	27.3	27.3
Other comprehensive (loss)/income	-	-	-	-	(0.1)	6.6	6.5
<b>Total comprehensive (loss)/income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.1)</b>	<b>33.9</b>	<b>33.8</b>
Share options (value of employee services)	-	-	-	-	-	1.0	1.0
Share buybacks	(2.5)	-	-	2.5	-	(29.8)	(29.8)
Deferred tax on share options	-	-	-	-	-	0.1	0.1
Dividend paid	-	-	-	-	-	(10.6)	(10.6)
<b>Transactions with Shareholders recognised directly in Shareholders' equity</b>	<b>(2.5)</b>	<b>-</b>	<b>-</b>	<b>2.5</b>	<b>-</b>	<b>(39.3)</b>	<b>(39.3)</b>
<b>Balance at 31 December 2023</b>	<b>41.4</b>	<b>16.8</b>	<b>1.6</b>	<b>3.7</b>	<b>(0.6)</b>	<b>216.2</b>	<b>279.1</b>

The Group has an Employee Benefit Trust (EBT) to administer share plans and to acquire shares, using funds contributed by the Group, to meet commitments to employee share schemes. At 31 December 2023 the EBT held 9,024 shares (2022: 9,024). Additionally, at 31 December 2022 and pursuant to the then ongoing share buyback programme, the Group also held 116,934 treasury shares. See note 29 for further details.

# Consolidated Balance Sheet

	Note	As at 31 December 2023 £m	As at 31 December 2022 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	12	144.4	133.8
Intangible assets	13	19.1	10.9
Property, plant and equipment	14	134.5	119.6
Right of use assets	15	40.0	31.7
Textile rental items	16	71.9	63.8
Trade and other receivables	18	0.4	0.3
		<b>410.3</b>	<b>360.1</b>
<b>Current assets</b>			
Inventories	17	1.9	1.8
Trade and other receivables	18	83.3	61.0
Reimbursement assets	19	3.9	4.5
Cash and cash equivalents		9.6	6.1
		<b>98.7</b>	<b>73.4</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	20	92.8	75.7
Borrowings	22	8.3	5.1
Current income tax liabilities		0.5	0.2
Lease liabilities	23	5.5	5.1
Derivative financial liabilities	27	0.6	0.4
Provisions	25	4.9	5.1
		<b>112.6</b>	<b>91.6</b>
<b>Non-current liabilities</b>			
Post-employment benefit obligations	26	0.3	10.2
Deferred income tax liabilities	24	15.0	1.8
Trade and other payables	21	0.3	0.3
Borrowings	22	63.0	14.7
Lease liabilities	23	37.7	29.2
Derivative financial liabilities	27	0.2	0.3
Provisions	25	0.8	0.8
		<b>117.3</b>	<b>57.3</b>
<b>Net assets</b>		<b>279.1</b>	<b>284.6</b>
<b>Equity</b>			
<b>Capital and reserves attributable to the company's shareholders</b>			
Share capital	29	41.4	43.9
Share premium	31	16.8	16.8
Merger reserve		1.6	1.6
Capital redemption reserve		3.7	1.2
Hedge reserve		(0.6)	(0.5)
Retained earnings		216.2	221.6
<b>Total equity</b>		<b>279.1</b>	<b>284.6</b>

The notes on pages 143 to 177 are an integral part of these Consolidated Financial Statements. The financial statements on pages 125 to 177 were approved by the Board of Directors on 4 March 2024 and signed on its behalf by:

**Yvonne Monaghan**  
Chief Financial Officer

# Consolidated Statement of Cash Flows

	Note	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
<b>Cash flows from operating activities</b>			
Profit for the year		273	290
Adjustments for:			
Taxation charge	9	10.4	1.5
Total finance cost	7	6.0	3.0
Depreciation		80.6	63.5
Amortisation	13	5.7	7.4
Goodwill impairment	12	–	1.4
Profit on disposal of property, plant and equipment		(0.1)	(0.2)
Decrease in inventories		0.4	0.4
Increase in trade and other receivables		(10.2)	(12.9)
Increase in trade and other payables		9.5	4.3
Deficit recovery payments in respect of post-employment benefit obligations		(1.6)	(1.9)
Share-based payments	30	1.0	0.8
Decrease in provisions		(0.3)	(0.1)
Commodity swaps not qualifying as hedges		–	(0.1)
Income re insurance claims		–	(1.5)
Cash generated from operations		128.7	94.6
Interest paid		(5.7)	(3.6)
Taxation (paid)/received		(1.6)	3.5
<b>Net cash generated from operating activities</b>		<b>121.4</b>	<b>94.5</b>
<b>Cash flows from investing activities</b>			
Acquisition of business (including net of cash acquired)	34	(29.7)	–
Purchase of other intangible assets		–	(1.3)
Purchase of property, plant and equipment		(31.1)	(22.1)
Income re insurance claims		–	1.5
Purchase of software		–	(0.3)
Proceeds from sale of property, plant and equipment		0.2	0.4
Purchase of textile rental items		(61.9)	(52.5)
Proceeds received in respect of special charges	16	3.3	2.7
<b>Net cash used in investing activities</b>		<b>(119.2)</b>	<b>(71.6)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		100.6	48.0
Repayment of borrowings		(54.6)	(51.0)
Capital element of leases		(7.6)	(5.6)
Share buyback	29	(29.9)	(5.6)
Dividends paid to company shareholders		(10.6)	(3.5)
<b>Net cash used in financing activities</b>		<b>(2.1)</b>	<b>(17.7)</b>
<b>Net increase in cash and cash equivalents</b>		<b>0.1</b>	<b>5.2</b>
Cash and cash equivalents at beginning of year		0.8	(4.4)
<b>Cash and cash equivalents at end of year</b>	36	<b>0.9</b>	<b>0.8</b>
Cash and cash equivalents comprise:			
Cash		9.6	6.1
Overdraft		(8.7)	(5.3)
<b>Cash and cash equivalents at end of year</b>		<b>0.9</b>	<b>0.8</b>

The notes on pages 143 to 177 are an integral part of these Consolidated Financial Statements.

# Statement of Significant Accounting Policies

Johnson Service Group PLC (the 'Company') and its subsidiaries (together 'the Group') provide textile rental and related services across the United Kingdom ('UK') and the Republic of Ireland ('ROI').

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

The Group and Company financial statements were authorised for issue by the Board on 4 March 2024.

## Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to the information presented, unless otherwise stated. These financial statements and notes have been rounded to the nearest £0.1 million, unless otherwise stated. Accounting policies have been applied consistently throughout all periods.

The Consolidated Financial Statements of the Group have been prepared on a going concern basis in accordance with UK-adopted international accounting standards. The Consolidated Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss and defined benefit pension plans where plan assets are measured at fair value.

The preparation of financial statements in conformity with UK adopted international standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the Consolidated Financial Statements, are disclosed below in the section entitled 'Judgments made in accounting policies' and 'Sources of estimation and uncertainty'.

## Going concern

After considering the monthly cash flow projections, the stress tests 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 period to 30 June 2025. Accordingly, 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. See the Directors' Report for the full going concern assessment.

## Changes in accounting policy and disclosures

### (a) Standards and amendments that are effective for the first time in 2023 and could be applicable to the Group;

- FRS 17 'Insurance Contracts'
- Amendments to IFRS 17 Insurance Contracts (Amendments to IFRS 17 and IFRS 4)
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12)
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2)
- Definition of Accounting Estimates (Amendments to IAS 8)

### (b) Standards, amendments and interpretations to existing standards that are not yet effective (have not been endorsed by the UKEB) and have not been early adopted by the Group

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- Non-current Liabilities with Covenants (Amendments to IAS 1)
- Lack of Exchangeability (Amendments to IAS 21)

## Judgments made in applying accounting policies

In the course of preparing these financial statements, certain judgments are made by the Group in the process of applying the Group's accounting policies. Those that have the most significant effect on either the amounts recognised in the financial statements or the presentation thereof are discussed below.

## Going concern

The Board have considered the uncertainty that exists on the future financial performance of the Group as part of the Group's adoption of the going concern basis in the preparation of the Consolidated Financial Statements. The Consolidated Financial Statements are prepared on a going concern basis. Additional information on the judgment management has applied in adopting the going concern assumption is set out on pages 59 to 60.

### Sources of estimation and uncertainty

The Group makes estimates and assumptions concerning the future. Whilst such estimates and assumptions are believed to be reasonable under the circumstances, the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that are considered to 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) Post-employment benefit obligations

The Group operates two post retirement defined benefit arrangements (note 26). Asset valuations are based on the fair value of scheme assets. The valuations of the liabilities of the schemes are based on statistical and actuarial calculations, using various assumptions including discount rates, future inflation rates and pension increases, life expectancy of scheme members, flexible retirement options 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. Any of these differences could impact the assets or liabilities recognised in the Balance Sheet in future years.

### Forward looking statements

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

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

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

### Consolidation

The Group controls an entity when the Group has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The accounting periods of subsidiary undertakings are co-terminus with those of the Company. Inter-company transactions, balances and unrealised gains and losses 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.

Inter-company transactions include those relating to internal property leases between Johnson Group Properties PLC (the property holding company of the Group) and each of our other businesses. Under IFRS 16, each of the lessees are now required to recognise an asset (the right to use the leased item) and a financial liability to pay rentals. The accounting for lessors has not significantly changed. On consolidation, each of the right of use asset, lease liability, depreciation and interest recognised by the lessee, relating to internal property leases, is therefore eliminated.

The acquisition 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. Where consideration due to vendors is deferred, but is not contingent on future events, it is included in consideration when assessing the total acquisition cost and is accrued within trade and other payables until such a time that the amounts are settled. Where consideration due to vendors is contingent on future events, management's assessment of the fair value of the amounts payable are included in consideration when assessing the total acquisition cost and is accrued within trade and other payables until such a time that the amounts are settled. 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 non-controlling interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable 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 immediately in the Consolidated Income Statement. As per IFRS 3, where new information is obtained within the measurement period about facts and circumstances that existed as at the acquisition date and, if known, would have affected the amounts recognised as at that date, the fair value of assets and liabilities acquired should be adjusted accordingly. The measurement period does not exceed one year from the acquisition date. Costs directly attributable to acquisitions are expensed to the Consolidated Income Statement as an exceptional item.

Following the acquisition of Celtic Linen in August 2023, the results from overseas operations have been translated into sterling at the weighted average euro rate of exchange for the period of £1 = €1.155 where this is a reasonable approximation to the rate at the dates of the transactions. Euro denominated assets and liabilities have been translated at the relevant rate of exchange at the balance sheet date of £1 = €1.154.

### Segment reporting

Operating segments are identified 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 Executive Directors. For reporting purposes, operating segments are aggregated into reporting segments where operating segments are considered to have similar economic conditions and characteristics and where the aggregation of operating segments provides information that enables users to evaluate the nature and financial effects of the business activities in which the Group engages and the economic environments in which it operates.

# Statement of Significant Accounting Policies Continued >

## Alternative performance measures (APMs)

Throughout this Annual Report, and consistent with prior years, we refer to a number of APMs. APMs are used by the Group to provide further clarity and transparency of the Group's financial performance. The APMs are used internally by management to monitor business performance, budgeting and forecasting, and for determining Directors' remuneration and that of other management throughout the business. The APMs, which are not recognised under UK-adopted international accounting standards, are:

- 'adjusted operating profit', which refers to operating profit before amortisation of intangible assets (excluding software amortisation), goodwill impairment and exceptional items;
- 'adjusted profit before taxation', which refers to adjusted operating profit less total finance cost;
- 'adjusted EBITDA', which refers to adjusted operating profit plus the depreciation charge for property, plant and equipment, textile rental items and right of use assets, plus software amortisation;
- 'adjusted EPS', which refers to EPS calculated based on adjusted profit after taxation;
- 'adjusted EPS excluding capital allowances super-deduction', an additional measure introduced which amends the 'adjusted EPS' to exclude the short-term benefit of the capital allowance super-deduction; and
- 'adjusted net debt', which refers to net debt excluding IFRS 16 lease liabilities.

The Board considers that the above APMs, all of which exclude the effects of non-recurring items or non-operating events, provide useful information for stakeholders on the underlying trends and performance of the Group and facilitate meaningful year on year comparisons.

## Limitations of APMs

The Board is cognisant that APMs do have limitations and should not be regarded as a complete picture of the Group's financial performance. Limitations of APMs may include, inter alia:

- similarly named measures may not be comparable across companies;
- profit-related APMs may exclude significant, sometimes recurring, business transactions (e.g. restructuring charges and acquisition-related costs) that impact financial performance and cash flows; and
- adjusted operating profit, adjusted profit before taxation, adjusted EBITDA, adjusted EPS and adjusted EPS excluding capital allowances super-deduction all exclude the amortisation of intangibles acquired in business combinations, but do not similarly exclude the related revenue.

## Reconciliation of APMs to statutory performance measures

Reconciliations between the above APMs and statutory performance measures are reconciled within this Annual Report as follows:

- Adjusted operating profit – note 1
- Adjusted profit before taxation – note 8
- Adjusted EBITDA – note 8
- Adjusted EPS – note 11
- Adjusted EPS excluding capital allowances super-deduction – note 11
- Adjusted net debt – note 36

## Revenue recognition

### Rendering of services

Revenue recognition is based on the principle that revenue is recognised when the performance obligation is satisfied i.e. control of a service transfers to a customer and is measured based on the consideration specified in a contract with a customer. The Group's contracts are repeat service-based contracts where value is transferred to the customer over time as the services are delivered. The provision of clean items of workwear/linen is a repetitive service of the same nature even though the number of items delivered may vary based on customer needs. As such, the Group's contracts have a single performance obligation as this is a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. The Group applies the practical expedient under IFRS 15 B16 and recognises the revenue in the amount to which the Group has a right to invoice.

Revenue recognised is the amount of consideration to which the Group expects to be entitled to, in accordance with the existing contract, in exchange for transferring promised services to a customer, excluding amounts collected on behalf of third parties, such as VAT.

Customers are generally invoiced weekly or monthly in arrears for service contracts with the vast majority of customers on 30 day credit terms.

Revenue from services provided to customers not invoiced as at the balance sheet date is recognised as unbilled receivables as where the service has already been performed, the Group has an unconditional right to consideration before it invoices where only the passage of time is required before payment of that consideration is due. This typically arises where the timing of the related billing cycle occurs in a period after the performance obligation is satisfied.

Contract modifications occur on a regular basis to record change in stock requirements for customers or price changes. The Group accounts for a contract modification when it is approved by the parties to the contract. Following a contract modification, the customer is billed in line with the delivery of the remaining performance obligations. Changes in stock requirements do not result in additional distinct services being provided as the service provided is of the same nature with the amount of garments/linen varying. Given the provision of clean items of garments/linen is a repetitive service of the same nature, any remaining services following a modification are distinct from those previously provided. The remaining consideration in the original contract not yet recognised as revenue is combined with the additional consideration promised in the modification to create a new transaction price that is then allocated to all remaining performance obligations. This effectively accounts for the modification as a termination of the original contract and the inception of a new contract for all performance obligations that remain unperformed. This approach would also apply to any mid-contract price increases.

The Group applies the practical expedient included in paragraph 121 of IFRS 15 and does not disclose information about its remaining performance obligation for contracts as the Group recognises revenue in line with the value of the services received by the customer to date.

### Supply of goods

Where sale of goods occur, revenue is recognised at a point in time when goods are delivered to customers. Revenue recognised is the amount of consideration to which the Group expects to be entitled to, in accordance with the existing contract, in exchange for transferring promised goods to a customer, excluding amounts collected on behalf of third parties, such as VAT.

Invoices are raised to customers for the sale of goods following delivery.

The breakdown of revenue within the Group is presented, by operating segment, in the Segment Analysis (note 1).

### Rebates

Rebates payable to customers are recognised in line with relevant contractual terms. Rebates payable to customers are contingent on the occurrence or non-occurrence of a future event e.g. the customer meeting certain agreed criteria. Rebates are recorded using the most likely method (the single most likely amount in a range of possible consideration amounts). Accruals are made for each individual rebate based on the specific terms and conditions of the customer agreement, including where they are subject to a demand from the customer. Management makes estimates on an ongoing basis, primarily based on current customer spending, historic data and its accumulated experience, in order to assess customer revenues and to calculate total rebates earned to be recorded as deductions from revenue. Rebates are charged directly to the Consolidated Income Statement over the period to which they relate.

### Costs incurred to obtain a contract

The incremental costs incurred to directly obtain a contract with a customer are capitalised and recognised as an asset within Trade and other receivables (note 18) where management expects to recover those costs. Such costs are subsequently amortised over the period consistent with the Group's transfer of the related goods or services to the customer. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained are recognised as an expense in the period where incurred.

The costs capitalised include sales commission paid to employees where payment is identified as relating directly to the signing of a customer contract. Where consideration is paid to customers relating to a contract for a period over which services will be provided, the Group also capitalises these costs. The costs are amortised over the average contract life.

Management is required to determine the recoverability of contract related assets at each reporting date. An impairment exists if the carrying amount of any asset exceeds the amount of consideration the Group expects to receive in exchange for providing the associated goods and services, less the remaining costs that relate directly to providing those goods and services under the relevant contract. An impairment is recognised immediately where such losses are forecast.

The movement in the asset balance in the period therefore represents additional payments made, subsequent amortisation and any required impairment.

### Exceptional items

Items that are material in size, non-operating or non-recurring in nature are presented as exceptional items in the Consolidated Income Statement, within the relevant account heading. The Directors are of the opinion that the separate recording of exceptional items provides helpful information about the Group's underlying business performance. Events which may give rise to the classification of items as exceptional include, but are not restricted to, restructuring of businesses, gains or losses on the disposal of certain properties, one off gains or losses relating to pension liabilities, one off income relating to non-trading activities, gains and losses related to capital insurance claims and expenses incurred and costs relating to business acquisitions and any subsequent reorganisation cost.

### Employee benefits

#### Post-employment benefits

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

A defined contribution plan is a pension plan under which the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a

# Statement of Significant Accounting Policies Continued >

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 the defined benefit pension plan 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.

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

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

## **Other post-employment benefit obligations**

The Group provides unfunded post-retirement healthcare benefits to a limited number of current and future 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 'Post-employment benefit obligations'. Re-measurement gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in the Consolidated Statement of Comprehensive Income in the year in which they arise.

## **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 Consolidated 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 at the grant date of the award is recognised in the Consolidated 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 Consolidated Income Statement with a corresponding adjustment to equity to the extent it relates to past service and the remainder over the rest of the vesting period. All options cancelled are fully expensed to the Consolidated Income Statement upon cancellation. 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 Consolidated Income Statement by any of the Group's subsidiaries is reflected in the books of the Company via an increase or decrease in investments, with a corresponding increase or decrease to equity. These entries are eliminated within the Consolidated Financial Statements. See the Directors' Remuneration Report for further information.

## **Bonus plans**

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

## **Termination 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.

## **Discontinued operations**

Business components that represent separate major lines of business or geographical areas of operations are recognised as discontinued if the operations have been disposed of.

## **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, or more frequently if there are indicators that an impairment may have arisen. 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 dispose 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 suffer an impairment are reviewed for possible reversal of the impairment at each reporting date. Value in use calculations are considered first followed by fair value less costs to dispose if it is deemed necessary. See note 12 for further information.



## Intangible assets

### Goodwill

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

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

Gains and losses on the disposal of a business include the carrying amount of goodwill relating to the business sold. Goodwill is tested at least annually for impairment and carried at cost less accumulated impairment losses. Where an impairment is identified, it is charged to the Consolidated Income Statement within amortisation and impairment of intangible assets (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 (four to ten 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 are expected to 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 thirteen years).

Costs incurred in respect of the configuration and customisation of cloud-based software arrangements are expensed as and when the services are received. Configuration and customisation costs which include the development of software code that enhances or modifies, or creates additional capability to the existing on-premise software to enable it to connect with the cloud-based software applications, are recognised as intangible assets and amortised over their estimated useful lives (not exceeding thirteen years).

### Other intangible assets

Other intangible assets comprise customer contracts and relationships, recognised at cost. 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 (three to thirteen years).

For assets resulting from a business combination, fair value is calculated based upon historical and prospective information and financial data specific to each business combination, with an appropriate discount factor applied.

## 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, vehicles and fixtures is two to fifteen years. Improvements to short leasehold properties are amortised over the shorter of the terms of the leases and their useful life. The residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date.

Properties are depreciated over their estimated remaining useful life not exceeding 50 years commencing on 26 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 Consolidated Income Statement.

The fit-out costs of new freehold or long leasehold industrial buildings are depreciated, in equal annual instalments, over their expected useful lives which range from 10 to 25 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 Consolidated Income Statement during the financial year in which they are incurred.

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

The cost of property, plant and equipment acquired through business combinations is accounted for as the fair value of assets acquired.

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

# Statement of Significant Accounting Policies Continued >

## Right of use assets and lease liabilities

Under IFRS 16, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases where costs are charged to the Consolidated Income Statement on a straight-line basis over the lease term.

At the date of lease inception, the Group determines whether the arrangement is a lease or contains a lease, while examining if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In its assessment of whether an arrangement conveys the right to control the use of an identified asset, the Group assesses whether it has the following two rights throughout the lease term:

- (a) The right to obtain substantially all the economic benefits from use of the identified asset; and
- (b) The right to direct the identified asset's use.

Where a contract is deemed to contain a lease, the lease liability is initially recognised at the commencement day and measured at an amount equal to the present value of the lease payments during the lease term (the non-cancellable period) that are not yet paid.

Lease payments, excluding non-lease components (which are charged to the Consolidated Income Statement on a straight-line basis over the lease term) such as service costs, are discounted using the incremental borrowing rate of the lessee, since the interest rate implicit in the Group's leases is not readily determinable. The incremental borrowing rate is the rate that the Group would have to pay for a loan of a similar term, and with similar security, to obtain an asset of similar value. The Group consults with its main bankers to determine what interest rate they would expect to charge the Group to borrow money to purchase a similar asset to that which is being leased.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a break clause. Periods after extension options/break clauses are only included in the lease term if the lease is reasonably certain to be extended or not be terminated.

Break clause options are included in a number of property leases across the Group. These are used to maximise operational flexibility in terms of being able to make decisions regarding the Group's processing facilities in order to manage the needs of the Group. The majority of break clauses held are exercisable by either the Group or the lessor.

At the commencement date, it is unlikely that management would consider a break clause to be reasonably certain of being exercised given management would be unlikely to enter into a new lease agreement for a term which it was not their current intention to utilise in full. The lease term is reassessed if a break clause is exercised or the likelihood of exercise becomes reasonably certain. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Group. An example of a significant change for the Group may include changing economic conditions and customer requirements impacting the Group's activities or long-term strategy.

All property break clause options held by the Group have not been included in the lease liability unless otherwise stated i.e. the periods after the break clauses have been included in the lease term. This is due to the fact the Group could not move the plants to other locations without significant cost and disruption, for reasons such as the Group will have made significant leasehold improvements to the property to meet the requirements of a laundry processing facility, the costs involved in moving plant and machinery, the availability of a workforce and the lack of suitable alternative premises.

Variable lease payments that depend on an index or a rate, are initially measured using the index or rate existing at the commencement of the lease and are included in the measurement of the lease liability. The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Each subsequent lease payment is allocated between the liability and finance cost. The finance cost is charged to the Consolidated Income Statement over the lease period using the effective interest method.

The right of use asset is initially recognised at the commencement day and measured at cost, consisting of the amount of the initial measurement of the lease liability, plus any lease payments made to the lessor at or before the commencement date, plus any initial direct costs incurred by the Group, less any lease incentives received.

The right of use asset is subsequently depreciated in accordance with the requirements in IAS 16 'Property, Plant and Equipment' which results in depreciation on a straight-line basis over the shorter of the asset's useful life and the lease term on a straight-line basis. IAS 36 'Impairment of Assets' is also applied to determine whether the right of use asset is impaired and to account for any impairment loss identified. An impairment can be recognised where onerous property leases are identified which can occur where a particular property becomes non-trading but for which the Group still has a remaining lease obligation. The net book value of the right of use asset is written down to Enil.

Reassessment of a lease occurs where there is a change in cash flows based on contractual clauses that have been part of the contract since inception. Any remeasurement of the lease liability results in a corresponding adjustment of the right of use asset. If the carrying amount of the right of use asset has already been reduced to zero, the remaining remeasurement is recognised in profit or loss. The Group remeasures the lease liability to reflect those revised lease payments only when there is a change in the cash flows, using an unchanged discount rate. Reassessment of leases in the Group occurs where lease consideration changes due to a market rent review clause or changes to variable lease payments dependent on an index or rate.

A modification to a lease occurs where there is a change in scope of the lease, or the consideration for a lease, that was not part of the original terms and conditions. Where the modification increases the scope of the lease by adding the right to use one or more underlying assets, and the consideration increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the contract's circumstances, the Group accounts for the modification as a separate lease.

In all other cases, on the initial date of the lease modification, the Group allocates the consideration in the modified contract to the contract components, determines the revised lease term and measures the lease liability by discounting the revised lease payments using a revised discount rate. This occurs in the case where the Group agrees property lease term extensions that were not contractual as part of the original lease.

Rentals payable in respect of operating leases (net of any incentives received from the lessor) for short term and low value leases are charged to the Consolidated Income Statement on a straight-line basis over the lease term.

Lease payments are presented in the Consolidated Statement of Cash Flows as follows:

- short term lease payments relating to low value assets are presented within cash flows from operating activities
- payments for the interest element of recognised lease liabilities are included within Interest paid within cash flows from operating activities
- payments for the capital element of recognised lease liabilities are presented within cash flows from financing activities

For lessor accounting, leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Sublet income is therefore recognised on a straight-line basis over the lease term.

Assets financed by leasing or hire purchase arrangements, which give rights approximating to ownership, and which had an outstanding liability on transition to IFRS 16 were transferred from Property, plant and equipment to be disclosed within Right of use assets. Where such agreements expire and ownership is transferred, the cost and accumulated depreciation of the relevant assets are transferred back to Property, plant and equipment.

### Textile rental items

Textile rental items which principally comprise workwear garments, cabinet towels, linen and dust mats are initially treated as inventories. On issue to customers or into pool stock, rental items are transferred to non-current 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 with the majority being between two and three years. Issued textile rental items bought through acquisition of other businesses are accounted for as the fair value of issued textile rental items acquired. This will be the deemed cost of these items.

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

Where textile rental items are damaged and no charges are levied, an impairment loss is charged to the Consolidated Income Statement.

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

### Inventories

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

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

### Trade receivables

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

Under IFRS 9, the Group applies the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables.

The Group continues to establish a provision for impairment of trade receivables 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. In addition, IFRS 9 requires the Group to consider forward looking information and the probability of default when calculating expected credit losses. The measurement of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating the range of possible outcomes as well as incorporating the time value of money. The expected loss rates are based on the payment profiles of sales over the year and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on factors affecting the ability of the customers to settle the receivables. Trade receivables have been grouped for this analysis based on shared credit risk characteristics, including operating segment and region in which the customer operates. The model considers indicators such as actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customers' ability to meet its obligations. The forward looking loss rate is applied to the Trade receivables excluding those specifically provided as per details below.

Further to the above model, trade receivables are specifically impaired where there are indicators of significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, or there is default or delinquency in payments.

The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows of the asset, discounted, where material, at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the Consolidated Income Statement within 'impairment loss on trade receivables'. When a trade receivable

# Statement of Significant Accounting Policies Continued >

is uncollectable, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'impairment loss on trade receivables' in the Consolidated Income Statement. Only when amounts are confirmed irrecoverable, are they written off to the Consolidated Income Statement.

## Reimbursement assets

The Group recognise a reimbursement asset in respect of third-party claims made against the Group, but which are indemnified under the terms of its insurance policies. A corresponding provision for such claims is also recognised. All of the expenditure required to settle such claims will be reimbursed by the insurer under the terms of the policies, therefore it is virtually certain that reimbursement will be received. See note 19 for further details.

## Cash and cash equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand.

In accordance with IAS 32: 'Financial instruments: Presentation', even where banking arrangements have a right of set off, bank overdrafts are not netted against cash and cash equivalents with the resulting net position shown as either a bank overdraft or a cash balance as appropriate, but are instead 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.

## Trade payables

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

## Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Transaction costs are amortised, as a finance cost, over the expected term of the facility, using the effective interest method. Borrowings are classified on the Balance Sheet as either current or non-current liabilities, dependent upon the maturity date of the loan. Where no borrowings exist to offset transaction costs, these costs are presented in current or non-current assets.

Bank overdrafts are shown within borrowings in current liabilities on the Balance Sheet.

## Net debt

Net debt is defined as borrowings and lease liabilities, less cash and cash equivalents.

## 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. Provisions are discounted where the impact is deemed to be material.

## Insurance claims

The Group recognise a provision for third-party claims made against the Group which are indemnified under the terms of its insurance policies. A corresponding reimbursement asset in respect of third party claims is also recognised. See note 25 for further details.

## Property

Provision is made for dilapidations and environmental remediation costs. Liabilities for environmental costs are recognised as a property provision when environmental assessments or remediation 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 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 remediation operations and dilapidations.

## 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 years are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

**Deferred tax**

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

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

**Government grants**

Government grants are recognised at fair value when there is reasonable assurance that the conditions associated with the grants have been complied with and the grants will be received. Grants compensating for expenses incurred are recognised as a deduction of the related expenses in the Consolidated Income Statement on a systematic basis in the same periods in which the expenses are incurred.

**Foreign currency translation**

The Consolidated Financial Statements are presented in Sterling, which is the functional and presentational currency of the Group and Company.

Monetary assets and liabilities denominated in foreign currencies are translated into functional currency at the rates of exchange quoted at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Day-to-day transactions in a foreign currency are recorded in the functional currency at an average rate for the month in which those transactions take place, which is used as a reasonable approximation to the actual transaction rate.

Translation differences on monetary items are taken to the Consolidated Income Statement.

Following the acquisition of Celtic Linen, a number of subsidiaries within the Group have a non-sterling functional currency. The financial performance and end position of these entities are translated into Sterling in the Consolidated Financial Statements. Balance sheet items are translated at the rate applicable at the balance sheet date. Transactions reported in the Consolidated Income Statement are translated using an average rate for the month in which they occur.

The differences that arise from translating the results of foreign entities at average rates of exchange, and their assets and liabilities at closing rates, are dealt with in a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the Consolidated Income Statement. All other currency gains and losses are dealt with in the Consolidated Income Statement.

**Derivative financial instruments and hedging activities**

The Group enters into commodity swaps to hedge against the Group's exposure to price changes in respect of diesel. 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 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 within Comprehensive income and accumulated in a separate component of equity. The gain or loss relating to the ineffective portion is recognised immediately in the Consolidated Income Statement.

Amounts accumulated in equity are recycled in the Consolidated Income Statement in the years 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 Consolidated 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 Consolidated 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 Consolidated Income Statement.

# Statement of Significant Accounting Policies Continued >

## Net investment hedging

Financial instruments are classified as net investment hedges when they hedge the Group's net investment in an overseas operation. The effective element of any foreign exchange gain or loss from remeasuring the instrument is recognised directly in other comprehensive income and accumulated in the translation reserve in equity. Any ineffective element is recognised immediately in the Consolidated Income Statement. Gains and losses accumulated in the translation reserve are reclassified to the Consolidated Income Statement when the foreign operation is disposed of.

## Investment in own shares

Ordinary shares in the Company held by the Trustee of the Employee Benefit Trust (EBT), and those held as Treasury shares awaiting cancellation, are recorded in the Balance Sheet as a reduction in Shareholders' equity.

As part of the previously announced share buyback, own shares are treated as a deduction to equity until the shares are cancelled, at which point they are transferred to retained earnings. The nominal value of shares in the Company purchased and subsequently cancelled is shown as a reduction in share capital and an equal and opposite transfer to the capital redemption reserve.

## 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 year in which the dividends are approved by the Company's Shareholders. Interim dividends are recognised when paid.

## Shareholders' equity

### 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.

### Share premium

Amounts in excess of the nominal value of Ordinary shares issued are recognised in share premium except where the Company was able to take relief under section 612 of the Companies Act 2006 from crediting share premium and instead transfer the net proceeds in excess of the nominal value to retained earnings.

### Capital redemption reserve

Amounts in respect of the redemption of certain of the Company's ordinary shares are recognised in the Capital redemption reserves once shares have been cancelled. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

### Merger reserve

The merger reserve represents the difference arising on completion of the relevant mergers in accordance with applicable accounting standards.

### Translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and exchange differences on financial instruments that provide a hedge against net investments in foreign operations.

### Hedging reserve

The hedging reserve represents the accumulated movements in the Group's derivative financial instruments that have been designated as hedging instruments. Amounts are transferred in and out of the reserve on the revaluation, or realisation, of identified hedging instruments.

## 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), price 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 companies. The Board provides written principles for overall risk management, as well as written policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments and investment of excess liquidity.

#### (a) Market risk

##### Currency risk

The Group monitors the growth and risks associated with its overseas operations. In August 2023, the Group entered into a net investment hedge to manage the impact of movements in the GBP : EUR exchange rate on the value of the Group's investment in its business in the Republic of Ireland.

Further details are provided in note 27 of these Consolidated Financial Statements.

##### 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 its borrowings and lease liabilities. 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. Lease liabilities are calculated on commencement of a lease as the remaining lease payments discounted using the incremental borrowing rate of the Group, thus exposing the Group to fair value interest rate risk.

Note 27 to the Consolidated Financial Statements provides additional disclosures regarding cash flow and fair value interest rate risk.

##### Price risk – Utilities and fuel

Key costs incurred by the Group in its operations include utilities costs for gas, electricity, water and effluent. The Group also incurs significant costs in respect of diesel given the size of the fleet of vehicles operated across the Group. Changes in utilities or fuel costs could have a material impact on the Group's financial performance.

The Group takes steps to mitigate the risk of price changes across both utilities and fuel as appropriate. In respect of gas and electricity, the Group enters into contracts with suppliers to fix prices for determined periods, ensuring the Group has appropriate visibility of future costs and to protect the Group, in the short term, over price volatility.

To try and mitigate the price risk associated with diesel costs the Group has entered into certain forward contracts with financial institutions to fix an element of the diesel cost being incurred by the Group. Contracts are in place to cover a portion of the Group's forecast diesel usage and allow for actual costs to be swapped for a fixed rate on a monthly basis. Additional details of the contracts entered into by the Group are included in note 27.

#### (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 customers, including outstanding receivables and committed transactions.

The Group's credit risk is relatively low as, for banks and financial institutions, only independently rated parties with a minimum rating of 'A-2' are accepted. If wholesale customers are independently rated, these ratings are used. If there is no independent rating, Management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the Board. The utilisation of credit limits is regularly monitored.

With regards to credit exposures to customer, the Group applies the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables. The Group continues to establish a provision for impairment of trade receivables 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. In addition, IFRS 9 requires the Group to consider forward looking information and the probability of default when calculating expected credit losses. The measurement of expected credit losses reflects an unbiased and probability-weighted amount that is determined by evaluating the range of possible outcomes as well as incorporating the time value of money. The expected loss rates are based on the payment profiles of sales over the year and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on factors affecting the ability of the customers to settle the receivables. Trade receivables have been grouped for this analysis based on shared credit risk characteristics, including segment and region in which the customer operates. The model considers indicators such as actual or expected significant

# Statement of Significant Accounting Policies Continued >

adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customers' ability to meet its obligations. This would include the impact of possible customer closures, unemployment increases etc which are factors impacting the ability of customers to settle outstanding debts.

Further to the above model, trade receivables are specifically impaired where there are indicators of significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, or there is default or delinquency in payments.

Note 18 and Note 27 provide both numerical and narrative disclosures regarding credit risk.

## **(c) Liquidity risk**

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

Management monitors rolling forecasts of the Group's liquidity reserve (comprising an undrawn borrowing facility (note 22) and cash and cash equivalents (note 27) 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 the Financial Review and in note 27.



# Notes to the Consolidated Financial Statements

## 1 SEGMENT ANALYSIS

Segment information is presented based on the Group's management and internal reporting structure as at 31 December 2023.

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

For reporting purposes, the CODM considered the aggregation criteria set out within IFRS 8, 'Operating Segments', which allows for two or more operating segments to be combined as a single reporting segment if:

- 1) aggregation provides financial statement users with information that allows them to evaluate the business and the environment in which it operates; and
- 2) they have similar economic characteristics (for example, where similar long-term average gross margins would be expected) and are similar in each of the following respects:
  - the nature of the products and services;
  - the nature of the production processes;
  - the type or class of customer for their products and services;
  - the methods used to distribute their products or provide their services; and
  - the nature of the regulatory environment (i.e. banking, insurance or public utilities), if applicable.

The CODM deems it appropriate to present two reporting segments (in addition to 'Discontinued Operations' and 'All Other Segments'), being:

- 1) Workwear: comprising of our Workwear business only; and
- 2) Hotel, Restaurant and Catering ('HORECA'): comprising of our Stalbridge, Hotel Linen, and following the acquisitions completed in the year, Regency and Ireland businesses (to include Celtic Linen and Lilliput), each of which are a separate operating segment.

The CODM's rationale for aggregating the Stalbridge, Hotel Linen, Regency and Ireland operating segments into a single reporting segment is set out below:

- the gross margins of each operating segment are within a similar range, with the long-term average margin expected to further align;
- the nature of the customers, products and production processes of each operating segment are very similar;
- the nature of the regulatory environment is the same due to the similar nature of products, processes and customers involved; and
- distribution is via exactly the same method across each operating segment.

The CODM assesses the performance of the reporting segments based on a measure of operating profit, both including and excluding the effects of non-recurring items from the reporting segments, such as restructuring costs and impairments when the impairment is the result of an isolated, non-recurring or non-operating event. Interest income and expenditure are not included in the result for each reporting segment that is reviewed by the CODM. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis, for example rental income received by Johnson Group Properties PLC (the property holding company of the Group) is credited back, where appropriate, to the paying company for the purpose of segmental reporting. There have been no changes in measurement methods used compared to the prior year.

Other information provided to the CODM is measured in a manner consistent with that in the financial statements. Segment assets exclude deferred income tax assets, derivative financial assets, current income tax assets and cash and cash equivalents, all of which are managed on a central basis. Segment liabilities include lease liabilities but exclude current income tax liabilities, bank borrowings, derivative financial liabilities, post-employment benefit obligations and deferred income tax liabilities, all of which are managed on a central basis. These balances are part of the reconciliation to total assets and liabilities.

Exceptional items have been included within the appropriate reporting segment as shown on pages 144 to 145.

# Notes to the Consolidated Financial Statements Continued >

## 1 SEGMENT ANALYSIS (Continued)

Year ended 31 December 2023	Workwear £m	HORECA £m	All Other Segments £m	Total £m
<b>Revenue</b>				
Rendering of services	138.9	322.6	–	461.5
Sale of goods	3.7	0.1	–	3.8
<b>Total revenue</b>	<b>142.6</b>	<b>322.7</b>	<b>–</b>	<b>465.3</b>
<b>Operating profit/(loss) before amortisation of intangible assets (excluding software amortisation), and exceptional items</b>	<b>21.4</b>	<b>36.0</b>	<b>(6.9)</b>	<b>50.5</b>
Amortisation of intangible assets (excluding software amortisation)	(0.4)	(4.9)	–	(5.3)
Exceptional items	–	(1.6)	–	(1.6)
<b>Operating profit/(loss)</b>	<b>21.0</b>	<b>29.5</b>	<b>(6.9)</b>	<b>43.6</b>
Total finance cost				(6.0)
<b>Profit before taxation</b>				<b>37.6</b>
Taxation charge				(10.4)
<b>Profit for the year from continuing operations</b>				<b>27.2</b>
<b>Profit for the year from discontinued operations</b>				<b>0.1</b>
<b>Profit for the year attributable to equity holders</b>				<b>27.3</b>

All of the above revenues are generated in the United Kingdom, with the exception of £11.0 million generated within the Republic of Ireland.

	Workwear £m	HORECA £m	All Other Segments £m	Total £m
<b>Balance sheet information</b>				
Segment assets	152.1	345.9	1.4	499.4
Unallocated assets: Cash and cash equivalents				9.6
<b>Total assets</b>				<b>509.0</b>
Segment liabilities	(43.5)	(95.2)	(3.3)	(142.0)
Unallocated liabilities: Bank borrowings				(71.3)
Derivative financial liabilities				(0.8)
Post-employment benefit obligations				(0.3)
Current income tax liabilities				(0.5)
Deferred income tax liabilities				(15.0)
<b>Total liabilities</b>				<b>(229.9)</b>
<b>Other information</b>				
Non-current asset additions				
– Property, plant and equipment	6.1	20.8	–	26.9
– Right of use assets (including reassessment/modifications)	2.7	10.6	0.1	13.4
– Textile rental items	23.5	37.5	–	61.0
Depreciation, impairment and amortisation expense				
– Property, plant and equipment	5.9	15.1	–	21.0
– Right of use assets depreciation	2.5	4.0	0.1	6.6
– Textile rental items depreciation	18.5	34.5	–	53.0
– Capitalised software	0.3	0.1	–	0.4
– Customer contracts	0.4	4.9	–	5.3

With the exception of non-current assets of £11.3 million (2022: £nil) which were located in the Republic of Ireland, all non-current assets of the Group reside in the Group's country of domicile, the United Kingdom.

## 1 SEGMENT ANALYSIS (Continued)

Year ended 31 December 2022	Workwear £m	HORECA £m	All Other Segments £m	Total £m
<b>Revenue</b>				
Rendering of services	131.0	251.0	–	382.0
Sale of goods	3.6	0.1	–	3.7
<b>Total revenue</b>	<b>134.6</b>	<b>251.1</b>	<b>–</b>	<b>385.7</b>
<b>Operating profit/(loss) before amortisation of intangible assets (excluding software amortisation), goodwill impairment and exceptional items</b>	<b>21.9</b>	<b>24.1</b>	<b>(4.8)</b>	<b>41.2</b>
Amortisation of intangible assets (excluding software amortisation)	(0.4)	(6.8)	–	(7.2)
Goodwill impairment	–	(1.4)	–	(1.4)
Exceptional items	0.9	–	(0.2)	0.7
<b>Operating profit/(loss)</b>	<b>22.4</b>	<b>15.9</b>	<b>(5.0)</b>	<b>33.3</b>
Total finance cost				(3.0)
<b>Profit before taxation</b>				<b>30.3</b>
Taxation charge				(1.5)
<b>Profit for the year attributable to equity holders</b>				<b>28.8</b>
<b>Profit for the year from discontinued operations</b>				<b>0.2</b>
<b>Profit for the year attributable to equity holders</b>				<b>29.0</b>

All of the above revenues are generated in the United Kingdom, with the exception of £0.5 million generated within the Republic of Ireland.

	Workwear £m	HORECA £m	All Other Segments £m	Total £m
<b>Balance sheet information</b>				
Segment assets	144.7	281.8	0.9	427.4
Unallocated assets: Cash and cash equivalents				6.1
<b>Total assets</b>				<b>433.5</b>
Segment liabilities	(37.4)	(76.3)	(2.5)	(116.2)
Unallocated liabilities: Bank borrowings				(19.8)
Derivative financial liabilities				(0.7)
Post-employment benefit obligations				(10.2)
Current income tax liabilities				(0.2)
Deferred income tax liabilities				(1.8)
<b>Total liabilities</b>				<b>(148.9)</b>
<b>Other information</b>				
Non-current asset additions				
– Property, plant and equipment	6.3	18.5	–	24.8
– Right of use assets (including reassessment/modifications)	0.8	1.3	–	2.1
– Textile rental items	21.5	35.9	–	57.4
– Capitalised software	0.2	0.1	–	0.3
– Customer contracts	1.3	–	–	1.3
Depreciation, impairment and amortisation expense				
– Property, plant and equipment	5.8	12.5	–	18.3
– Right of use assets depreciation	2.0	3.8	0.1	5.9
– Textile rental items depreciation	16.7	22.6	–	39.3
– Capitalised software	0.2	–	–	0.2
– Customer contracts	0.4	6.8	–	7.2
– Goodwill impairment	–	1.4	–	1.4

All non-current assets of the Group reside in the Group's country of domicile, the United Kingdom.

# Notes to the Consolidated Financial Statements Continued >

## 2 EXPENSES BY FUNCTION

	2023 £m	2022 £m
<b>Revenue</b>		
Rendering of services	461.5	382.0
Sale of goods	3.8	3.7
<b>Total revenue</b>	<b>465.3</b>	<b>385.7</b>
Cost of sales	(285.9)	(237.4)
Administrative expenses	(56.5)	(41.5)
Distribution costs	(72.4)	(65.6)
<b>Operating profit before amortisation of intangible assets (excluding software amortisation), goodwill impairment and exceptional items</b>	<b>50.5</b>	<b>41.2</b>
Amortisation of intangible assets (excluding software amortisation)	(5.3)	(7.2)
Goodwill impairment	–	(1.4)
Exceptional items	(1.6)	0.7
<b>Operating profit</b>	<b>43.6</b>	<b>33.3</b>

The items outlined below have been charged/(credited) to the Consolidated Income Statement in deriving operating profit:

	2023 £m	2022 £m
Employee benefit expense (note 4)	204.7	181.4
Auditor's remuneration	0.7	0.5
Exceptional items (note 6)	1.6	(0.7)
Trade receivables impairment (note 18)	1.7	0.9
Insurance proceeds re business interruption costs	–	(1.0)
Energy costs*	46.6	36.4
Water and effluent costs	7.3	6.1
All other operating costs**	70.4	55.4
Amortisation of intangible assets: (note 13)		
Capitalised software	0.4	0.2
Customer contracts	5.3	7.2
Depreciation and impairment of:		
Property, plant and equipment (note 14)	21.0	18.3
Right of use assets (note 15)	6.6	5.9
Textile rental items (note 16)	53.0	39.3
Short term/low value leases:		
Land and buildings	0.4	0.3
Sublet rental income	(0.4)	(0.3)
Plant and equipment	2.3	2.5

\* Energy costs comprise of electricity, gas and fuel costs.

\*\* All other operating costs includes other distribution costs, other production costs, costs of inventory and other administrative costs.

## 3 AUDITOR'S REMUNERATION

	2023 £m	2022 £m
Fees payable for the audit of the Company	0.1	0.1
Fees payable for the audit of the Company's subsidiaries	0.6	0.4
<b>Auditors' remuneration</b>	<b>0.7</b>	<b>0.5</b>

Included in the above for the year to 31 December 2023 is £15,481 for non-audit related fees (2022: £15,450) in respect of the current Auditor.

#### 4 EMPLOYEE BENEFIT EXPENSE

	2023 £m	2022 £m
Wages and salaries	169.5	145.8
Social security costs	15.6	13.7
Redundancy costs	0.2	–
Pension costs – defined contribution plans (Note 26)	4.8	4.1
<b>Total costs</b>	<b>190.1</b>	<b>163.6</b>
Agency costs	13.5	17.0
Cost of employee share schemes (Note 30)	1.1	0.8
<b>Total employee benefit expense</b>	<b>204.7</b>	<b>181.4</b>

The monthly average number of persons employed by the Group during the year was:

	2023 £m	2022 £m
Workwear	1,953	2,021
HORECA	4,195	3,655
All other segments	17	15
<b>Total</b>	<b>6,165</b>	<b>5,691</b>

#### 5 DIRECTORS' EMOLUMENTS AND RENUMERATION OF THE KEY MANAGEMENT PERSONNEL

Detailed disclosures that form part of these financial statements are given in the Directors' Remuneration Report on pages 89 to 113. Key management personnel is defined as the Board.

	2023 £m	2022 £m
Short-term employee benefits	2.4	1.5
Share based payments	0.4	0.3
Post-employment benefits	0.1	0.1
<b>Total</b>	<b>2.9</b>	<b>1.9</b>

Short-term employee benefits shown in the table above includes social security costs, bonuses and other benefits. Post-employment benefits above include cash in lieu of pension contributions.

#### 6 EXCEPTIONAL ITEMS

	2023 £m	2022 £m
Costs in relation to business acquisition activity	(1.6)	–
Insurance claims	–	1.5
Other costs re insurance claims	–	(0.8)
<b>Total exceptional items</b>	<b>(1.6)</b>	<b>0.7</b>

Exceptional items shown are all included in administrative expenses.

#### CURRENT YEAR EXCEPTIONAL ITEMS

During the year, professional fees of £1.4 million were incurred relating to the acquisitions of Regency and Celtic Linen, of which £1.2 million were paid in the year. Further information relating to the acquisitions is provided in note 34. A further £0.2 million was incurred and paid in respect of other business acquisition related activities.

#### PRIOR YEAR EXCEPTIONAL ITEMS

In 2020 a Workwear processing plant was destroyed as a result of a fire. Final settlement proceeds of £1.5 million were received in 2022 in respect of this insurance claim, relating to capital items.

In addition, costs of £0.8 million were incurred in respect of the demolition of the destroyed site and preparing the site for sale.

# Notes to the Consolidated Financial Statements Continued >

## 7 FINANCE COST

	2023 £m	2022 £m
Interest payable on bank loans and overdrafts	31	13
Gain on interest rate swaps not qualifying as hedges	–	(0.1)
Amortisation of bank facility fees	0.3	0.3
Finance costs on lease liabilities relating to IFRS 16 (note 23)	2.1	1.5
Notional interest on post-employment benefit obligations (note 26)	0.5	–
<b>Total finance cost</b>	<b>6.0</b>	<b>3.0</b>

Following the equity placing in June 2020 which raised £82.7 million, the Group repaid its loans outstanding at that date. Hedge accounting was therefore discontinued at that date as the Group no longer had any loans for the Group's interest rate swaps to economically hedge. Accordingly, the Mark to Market value of £0.6 million, as at 30 June 2020, was transferred from equity and recognised as an expense within finance costs. Thereafter, any subsequent change in the fair value of those derivatives was recognised directly within finance costs, resulting in £0.1 million credit in 2022. The Group no longer has any interest rate swaps in place following the final outstanding interest rate swap ending on 8 January 2023.

## 8 ALTERNATIVE PERFORMANCE MEASURES (APMS)

As discussed on page 132 of these Consolidated Financial Statements, we refer to a number of APMs. A reconciliation of the APMs for continuing operations used are shown below:

	2023 £m	2022 £m
<b>Adjusted profit before taxation</b>		
Profit before taxation	37.6	30.3
Amortisation of intangible assets (excluding software amortisation)	5.3	7.2
Goodwill impairment	–	1.4
Exceptional items	1.6	(0.7)
<b>Adjusted profit before taxation</b>	<b>44.5</b>	<b>38.2</b>
Taxation thereon	(11.5)	(2.6)
<b>Adjusted profit after taxation</b>	<b>33.0</b>	<b>35.6</b>
<b>Adjusted EBITDA</b>		
Operating profit before amortisation of intangible assets (excluding software amortisation), goodwill impairment and exceptional items	50.5	41.2
Software amortisation	0.4	0.2
Property, plant and equipment depreciation	21.0	18.3
Right of use asset depreciation	6.6	5.9
Textile rental items depreciation	53.0	39.3
<b>Adjusted EBITDA</b>	<b>131.5</b>	<b>104.9</b>

## 9 TAXATION

	2023 £m	2022 £m
<b>Current tax</b>		
UK corporation tax charge for the year	1.7	–
Adjustment in relation to previous years	–	0.3
<b>Current tax charge for the year</b>	<b>1.7</b>	<b>0.3</b>
<b>Deferred tax</b>		
Origination and reversal of temporary differences	8.4	3.3
Adjustment in relation to previous years	0.3	(2.1)
<b>Deferred tax charge for the year</b>	<b>8.7</b>	<b>1.2</b>
<b>Total charge for taxation included in the Consolidated Income Statement for continuing operations</b>	<b>10.4</b>	<b>1.5</b>

## 9 TAXATION (Continued)

The tax charge for the year is higher than (2022: lower than) the effective rate of Corporation Tax in the UK of 23.5% (2022: 19%). A reconciliation is provided below:

	2023 £m	2022 £m
Profit before taxation	37.6	30.3
Profit before taxation multiplied by the effective rate of Corporation Tax in the UK	8.8	5.8
Factors affecting taxation charge for the year:		
Non-taxable income	–	(0.3)
Tax effect of expenses not deductible for tax purposes	0.8	1.1
Current year impact of the super-deduction	(0.3)	(2.9)
Difference in current and deferred taxation rates	0.9	(0.4)
Tax rate differential on non-UK profits	(0.1)	–
Adjustments in relation to previous years	0.3	(0.9)
Adjustments in relation to previous years – super-deduction	–	(0.9)
<b>Total charge for taxation included in the Consolidated Income Statement for continuing operations</b>	<b>10.4</b>	<b>1.5</b>

Taxation in relation to the amortisation of intangible assets (excluding software amortisation) has decreased the charge for taxation on continuing operations by £1.0 million (2022: £1.1 million). Taxation in relation to exceptional items has decreased the charge for taxation on continuing operations by £0.1 million (2022: £nil).

The Finance Bill 2021 enacted provisions to increase the main rate of UK corporation tax to 25% from 6 April 2023 for businesses with profits of £250,000 or more. As such, deferred income tax balances at the balance sheet date have been measured at the tax rate expected to be applicable at the date the deferred income tax assets and liabilities are realised. Management has performed an assessment, for all material deferred income tax assets and liabilities, to determine the period over which the deferred assets and liabilities are forecast to be realised, which has resulted in an average deferred income tax rate of 25.0% (2022: 24.6%).

Deferred tax balances in relation to balances held in the Republic of Ireland have been recognised at 12.5%, in line with the prevailing rate of tax in 2023.

A capital allowance super-deduction, which offered 130% first year relief on qualifying main rate plant and machinery investments until 31 March 2023, has been included within the tax calculations for 31 December 2023. This allowance provides a permanent tax benefit on our Textile Rental items given their short life nature. The impact of the super-deduction to 31 December 2023 is a credit of £0.3 million (2022: credit of £3.8 million) of which £nil (2022: £0.9 million) is in relation to adjustments in the prior year recognised within the Consolidated Income Statement.

During the year, a deferred taxation charge of £2.2 million (2022: £2.6 million credit) has been recognised in Other Comprehensive Income in relation to post-employment benefit obligations.

## 10 DIVIDENDS

	2023 £m	2022 £m
<b>Dividend per share</b>		
Final dividend proposed	1.90p	1.60p
Interim dividend proposed and paid	0.90p	0.80p
	2023 £m	2022 £m
<b>Shareholders' funds committed</b>		
Final dividend proposed	7.9	6.8
Interim dividend proposed and paid	3.8	3.5

The Directors propose the payment of a final dividend in respect of the year ended 31 December 2023 of 1.9 pence per share. This will utilise Shareholders' funds of £7.9 million and will be paid, subject to Shareholder approval, on 10 May 2024 to Shareholders on the register of members on 12 April 2024. In accordance with IAS 10 there is no payable recognised at 31 December 2023 in respect of this proposed dividend. The trustee of the EBT has waived the entitlement to receive dividends on the Ordinary shares held by the trust.

# Notes to the Consolidated Financial Statements Continued >

## 11 EARNINGS PER SHARE

	2023 £m	2022 £m
Profit for the financial year from continuing operations attributable to Shareholders	272	28.8
Amortisation of intangible assets from continuing operations (net of taxation)	4.3	6.1
Goodwill impairment (net of taxation)	–	1.4
Exceptional costs from continuing operations (net of taxation)	1.5	(0.7)
Adjusted profit from continuing operations attributable to Shareholders	33.0	35.6
Profit from discontinued operations attributable to Shareholders	0.1	0.2
<b>Total profit from all operations attributable to Shareholders</b>	<b>33.1</b>	<b>35.8</b>

	No. of shares	No. of shares
Weighted average number of Ordinary shares	424,327,473	444,288,818
Potentially dilutive Ordinary shares	406,218	95,000
Diluted number of Ordinary shares	424,733,691	444,383,818

	Pence per share (p)	Pence per share (p)
<b>Basic earnings per share</b>		
From continuing operations	64p	6.5p
From discontinued operations	–	–
From total operations	64p	6.5p
Adjustments for amortisation of intangible assets (continuing)	1.0p	1.4p
Adjustment for goodwill impairment (continuing)	–	0.3p
Adjustment for exceptional items (continuing)	0.4p	(0.2)p
Adjusted basic earnings per share (continuing)	7.8p	8.0p
Adjusted basic earnings per share (discontinued)	–	–
Adjusted basic earnings per share from total operations	7.8p	8.0p
<b>Diluted earnings per share</b>		
From continuing operations	64p	6.5p
From discontinued operations	–	–
From total operations	64p	6.5p
Adjustments for amortisation of intangible assets (continuing)	1.0p	1.4p
Adjustment for goodwill impairment (continuing)	–	0.3p
Adjustment for exceptional items (continuing)	0.4p	(0.2)p
Adjusted diluted earnings per share (continuing)	7.8p	8.0p
Adjusted diluted earnings per share (discontinued)	–	–
Adjusted diluted earnings per share from total operations	7.8p	8.0p
Adjusted diluted earnings per share excluding super-deduction (continuing)	7.7p	7.2p

Basic earnings per share is calculated using the weighted average number of Ordinary shares in issue during the year, excluding those held by the Employee Benefit Trust and those held as Treasury shares awaiting cancellation, based on the profit for the year attributable to Shareholders. Adjusted earnings per share figures are given to exclude the effects of amortisation of intangible assets (excluding software amortisation), goodwill impairment and exceptional items, all net of taxation, and are considered to show the underlying performance of the Group.

As disclosed in note 9, the current year total taxation credit benefited from £0.3 million (2022: £3.8 million) of tax credit resulting from the capital allowance super-deduction, which offered 130% first year relief on qualifying main rate plant and machinery investments until 31 March 2023. Due to the distortion this has on adjusted diluted earnings per share in 2023 and 2022, an adjusted diluted earnings per share value excluding this benefit has also been disclosed.



**11 EARNINGS PER SHARE** (Continued)

For diluted earnings per share, the weighted average number of Ordinary shares in issue is adjusted to assume conversion of all potentially dilutive Ordinary shares. The Company has potentially dilutive Ordinary shares arising from share options granted to employees. Options are dilutive under the SAYE scheme, where the exercise price together with the future IFRS 2 charge of the option is less than the average market price of the Company's Ordinary shares during the year. Options under the LTIP schemes, as defined by IFRS 2, are contingently issuable shares and are therefore only included within the calculation of diluted EPS if the performance conditions, as set out in the Directors' Remuneration Report, are satisfied at the end of the reporting period, irrespective of whether this is the end of the vesting period or not.

Potentially dilutive Ordinary shares are dilutive at the point, from a continuing operations level, when their conversion to Ordinary shares would decrease earnings per share or increase loss per share. Potentially dilutive Ordinary shares have been treated as dilutive in both years, as their inclusion in the diluted earnings per share calculation decreases the 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 potentially dilutive Ordinary shares outstanding at the balance sheet date if those transactions had occurred before the end of the reporting period.

**12 GOODWILL**

	2023 £m	2022 £m
<b>Cost</b>		
Brought forward	135.2	135.2
Impact of foreign exchange translation	0.1	–
Business combinations (note 34)	10.5	–
<b>Carried forward</b>	<b>145.8</b>	<b>135.2</b>
<b>Accumulated impairment losses</b>		
Brought forward	1.4	–
Losses in the year	–	1.4
<b>Carried forward</b>	<b>1.4</b>	<b>1.4</b>
<b>Carrying amount</b>		
Opening	133.8	135.2
<b>Closing</b>	<b>144.4</b>	<b>133.8</b>

In accordance with UK adopted international accounting standards, goodwill is not amortised, but instead is tested annually for impairment, or more frequently if there are indicators that an impairment has arisen and carried at cost less accumulated impairment losses.

**Impairment tests for goodwill**

The allocation of goodwill to Cash Generating Units (CGUs) is as follows:

	2023 £m	2022 £m
Workwear	41.7	41.7
Stalbridge	48.3	48.3
Hotel Linen	40.9	40.9
Regency	3.2	–
Ireland*	10.3	2.9
HORECA	102.7	92.1
<b>Total</b>	<b>144.4</b>	<b>133.8</b>

\* The CGUs have been reassessed in the year, resulting in Lilliput no longer being determined as separately identifiable and instead now forming part of the Ireland group of CGUs. Following the acquisition of Celtic Linen in August 2023, the Board determined that the day to day management and responsibility for the Lilliput business (based in Belfast) should be with Celtic Linen. With effect from 1 November 2023, the two businesses are now reported and reviewed by management as one business. Work is transferred between various sites across both businesses and therefore revenue streams from individual assets are no longer easily obtained or separable. Accordingly, the figures in the table above for Ireland reflect goodwill for both Celtic Linen and Lilliput (2022: Lilliput).

Goodwill is tested for impairment by comparing the carrying value of each CGU against its recoverable amount. The carrying value for each CGU includes the net book value of goodwill, intangible assets and related deferred tax balances, property, plant and equipment, right of use assets, textile rental items and lease liabilities.

# Notes to the Consolidated Financial Statements Continued >

## 12 GOODWILL (Continued)

The recoverable amount of a CGU is primarily determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets and forecasts, ordinarily covering three years, which are approved by the Board. In arriving at the values assigned to each key assumption management make reference to past experience and external sources of information regarding the future. Key assumptions around income and costs within the budget are derived on a detailed, 'bottom up' basis. All income streams and cost lines are considered and appropriate growth, or decline, rates are assumed for each, all of which are then reviewed, challenged and stress tested, firstly by senior management and ultimately by the Board. Income and cost growth forecasts are risk adjusted to reflect specific risks facing each CGU and take into account the markets in which they operate. Cash flows beyond the above period are, ordinarily, extrapolated using the estimated growth rate stated below, which does not exceed the long-term average growth rate for the markets in which the CGU's operate, into perpetuity.

When assessing the recoverable amount for CGUs as at 30 November 2023, the forecasts covered the period to the end of 2026. Cash flows beyond that period were then extrapolated using the estimated growth rate stated below. It is assumed that there are no material adverse changes in legislation that would affect the forecast cash flows.

The pre-tax discount rate used within the recoverable amount calculations was 14.7% (2022: 13.1%) for all Sterling denominated cashflows and 11.5% (2022: N/A) for Euro denominated cashflows and is based upon the weighted average cost of capital reflecting specific principal risks and uncertainties. The discount rate takes into account, amongst other things, the risk free rate of return, the market risk premium, size premium and beta factor reflecting the average Beta for the Group and comparator companies which are used in deriving the cost of equity.

The same discount rate has been used for each CGU (with the exception of Euro denominated cashflows within the Ireland CGU) as the principal risks and uncertainties associated with the Group, as highlighted on pages 45 to 51, would also impact each CGU in a similar manner. Although Ireland is also impacted by the same principal risks and uncertainties associated with the Group as a whole, it is also subject to a different economic and regulatory environment and, therefore, where relevant, a different WACC has been calculated to take these differences into account. The Board acknowledge that there are additional factors that could impact the risk profile of each CGU.

These additional factors were considered by way of sensitivity analysis performed as part of the annual impairment tests. The level of headroom is predominantly dependent upon judgments used in arriving at future growth rates and the discount rate applied to cash flow projections. Within the cash flow projections, key drivers to future growth rates are dependent on the Group's ability to maintain and grow income streams including price increases and volume growth, whilst effectively managing operating costs in light of the current inflationary pressures in the wider macroeconomic environment. The level of headroom may change if different growth rate assumptions, a different pre-tax discount rate were used or cash flow projections were not met in the calculation of value-in-use for each CGU. Where the value-in-use calculations suggest an impairment, the Board would consider alternative use values prior to realising any impairment, being the fair value less costs to dispose.

Sensitivity analysis has been performed in assessing the recoverable amounts of goodwill such that (i) the long-term growth rate for the forecast period was reduced to nil and (ii) the pre-tax discount rate was increased by 3.70%. Such changes did not result in any impairment of goodwill. Significant headroom exists in each of the CGUs and, based on the stress testing performed, reasonable possible changes in the assumptions would not cause the carrying amount of the CGUs to equal or to exceed their recoverable amount. From this sensitivity analysis, it was identified that the Regency CGU is the most sensitive to any changes beyond the assumptions considered.

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

	2023		2022	
	Sterling	Euro	Sterling	Euro
Annual growth rate (after forecast period)	2.00%	2.00%	2.00%	N/A
Risk free rate of return	4.40%	2.77%	3.52%	N/A
Market risk premium	5.08%	5.21%	5.25%	N/A
Beta Factor	1.14	1.14	1.14	N/A
Size Premium	3.00%	3.00%	3.00%	N/A
Cost of debt	7.75%	7.60%	7.55%	N/A

Having completed the 2023 impairment review, no impairment has been recognised in relation to the CGUs.

## 13 INTANGIBLE ASSETS

	Capitalised Software £m	Other Intangible Assets £m	Total £m
<b>Cost</b>			
<b>At 31 December 2021</b>	<b>2.3</b>	<b>84.3</b>	<b>86.6</b>
Additions	0.3	1.3	1.6
<b>At 31 December 2022</b>	<b>2.6</b>	<b>85.6</b>	<b>88.2</b>
Business combination (note 34)	–	13.8	13.8
Foreign exchange differences	–	0.1	0.1
<b>At 31 December 2023</b>	<b>2.6</b>	<b>99.5</b>	<b>102.1</b>
<b>Accumulated amortisation</b>			
<b>At 31 December 2021</b>	<b>0.8</b>	<b>69.1</b>	<b>69.9</b>
Charged during the year	0.2	7.2	7.4
<b>At 31 December 2022</b>	<b>1.0</b>	<b>76.3</b>	<b>77.3</b>
Charged during the year	0.4	5.3	5.7
<b>At 31 December 2023</b>	<b>1.4</b>	<b>81.6</b>	<b>83.0</b>
<b>Carrying amount</b>			
<b>At 31 December 2021</b>	<b>1.5</b>	<b>15.2</b>	<b>16.7</b>
<b>At 31 December 2022</b>	<b>1.6</b>	<b>9.3</b>	<b>10.9</b>
<b>At 31 December 2023</b>	<b>1.2</b>	<b>17.9</b>	<b>19.1</b>

Amortisation of capitalised software is included within administrative expenses in the Consolidated Income Statement in determining Adjusted operating profit. Amortisation of other intangible assets is shown separately on the face of the Consolidated Income Statement.

Other intangible assets comprise of customer contracts and relationships and brands arising from business combinations together with the customer contracts acquired not as part of a business combination. For assets resulting from a business combination, fair value is calculated based upon historical and prospective information and financial data specific to each business combination, with an appropriate discount factor applied. For assets not acquired as part of a business combination, fair value is deemed to be the amounts to purchase the contracts plus associated costs less value of stock acquired.

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 (usually three to thirteen years).

The longest estimated useful life remaining at 31 December 2023 is 13 years.

# Notes to the Consolidated Financial Statements

## Continued >

### 14 PROPERTY, PLANT AND EQUIPMENT

	Properties £m	Plant and Equipment £m	Total £m
<b>Cost</b>			
<b>At 31 December 2021</b>	<b>41.5</b>	<b>190.4</b>	<b>231.9</b>
Additions	0.5	24.3	24.8
Disposals	(0.1)	(2.3)	(2.4)
<b>At 31 December 2022</b>	<b>41.9</b>	<b>212.4</b>	<b>254.3</b>
Additions	0.1	26.8	26.9
Disposals	(0.1)	(4.8)	(4.9)
Business Acquisitions (note 34)	3.1	3.3	6.4
Transfers from right of use assets	-	2.7	2.7
<b>At 31 December 2023</b>	<b>45.0</b>	<b>240.4</b>	<b>285.4</b>
<b>Accumulated depreciation and impairment</b>			
<b>At 31 December 2021</b>	<b>15.0</b>	<b>103.6</b>	<b>118.6</b>
Charged during the year	1.2	17.1	18.3
Eliminated on disposals	-	(2.2)	(2.2)
<b>At 31 December 2022</b>	<b>16.2</b>	<b>118.5</b>	<b>134.7</b>
Charged during the year	1.2	19.8	21.0
Eliminated on disposals	(0.1)	(4.7)	(4.8)
<b>At 31 December 2023</b>	<b>17.3</b>	<b>133.6</b>	<b>150.9</b>
<b>Carrying amount</b>			
<b>At 31 December 2021</b>	<b>26.5</b>	<b>86.8</b>	<b>113.3</b>
<b>At 31 December 2022</b>	<b>25.7</b>	<b>93.9</b>	<b>119.6</b>
<b>At 31 December 2023</b>	<b>27.7</b>	<b>106.8</b>	<b>134.5</b>

The value of assets under construction at 31 December 2023 was £6.6 million (2022: £2.0 million) and are included above within plant and equipment. Depreciation charges are recognised in cost of sales, administrative expenses and distribution costs depending on the assets to which the depreciation relates.

The transfer of assets from right of use assets represents the reclassification of the cost of assets from right of use assets where the lease was repaid in the year and the asset is now owned.

**15 RIGHT OF USE ASSETS**

	Properties £m	Plant and Equipment £m	Total £m
<b>Cost</b>			
<b>At 31 December 2021</b>	<b>43.2</b>	<b>7.4</b>	<b>50.6</b>
Additions	0.7	1.3	2.0
Reassessment/modification of assets previously recognised	–	0.1	0.1
Disposals	(0.3)	(1.5)	(1.8)
<b>At 31 December 2022</b>	<b>43.6</b>	<b>7.3</b>	<b>50.9</b>
Additions	6.6	3.1	9.7
Business combinations (note 34)	1.5	2.7	4.2
Reassessment/modification of assets previously recognised	3.6	0.1	3.7
Disposals	(0.7)	(2.2)	(2.9)
Transfers to property, plant and equipment	–	(2.7)	(2.7)
<b>At 31 December 2023</b>	<b>54.6</b>	<b>8.3</b>	<b>62.9</b>
<b>Accumulated depreciation and impairment</b>			
<b>At 31 December 2021</b>	<b>11.0</b>	<b>4.1</b>	<b>15.1</b>
Charged during the year	4.2	1.7	5.9
Disposals	(0.3)	(1.5)	(1.8)
<b>At 31 December 2022</b>	<b>14.9</b>	<b>4.3</b>	<b>19.2</b>
Charged during the year	4.7	1.9	6.6
Disposals	(0.7)	(2.2)	(2.9)
<b>At 31 December 2023</b>	<b>18.9</b>	<b>4.0</b>	<b>22.9</b>
<b>Carrying amount</b>			
<b>At 31 December 2021</b>	<b>32.2</b>	<b>3.3</b>	<b>35.5</b>
<b>At 31 December 2022</b>	<b>28.7</b>	<b>3.0</b>	<b>31.7</b>
<b>At 31 December 2023</b>	<b>35.7</b>	<b>4.3</b>	<b>40.0</b>

Depreciation charges are recognised in distribution expenses and administrative expenses within the Consolidated Income Statement depending on the assets to which the depreciation relates.

The transfer of assets to property, plant and equipment represents the reclassification of the cost and associated depreciation of assets to property, plant and equipment where the lease was repaid in the year and the asset is now owned.

**16 TEXTILE RENTAL ITEMS**

	2023 £m	2022 £m
<b>Cost</b>		
Brought forward	121.6	90.9
Additions	61.0	57.4
Business combinations (note 34)	3.4	–
Disposals	(49.7)	(21.3)
Special charges	(6.6)	(5.4)
<b>Carried forward</b>	<b>129.7</b>	<b>121.6</b>
<b>Accumulated depreciation and impairment</b>		
Brought forward	57.8	42.5
Charged during the year	53.0	39.3
Disposals	(49.7)	(21.3)
Special charges	(3.3)	(2.7)
<b>Carried forward</b>	<b>57.8</b>	<b>57.8</b>
<b>Carrying amount</b>		
Opening	63.8	48.4
<b>Closing</b>	<b>71.9</b>	<b>63.8</b>

Depreciation charges are recognised in cost of sales within the Consolidated Income Statement.

# Notes to the Consolidated Financial Statements Continued >

## 17 INVENTORIES

	2023 £m	2022 £m
New textile rental items	1.5	1.1
Goods for resale	–	0.1
Raw materials and stores	0.4	0.6
	<b>1.9</b>	<b>1.8</b>

The amounts above are net of an inventory provision of £0.3 million (2022: £0.3 million). There has been £nil (2022: £0.3 million) stock provision recognised during the year within cost of sales in the Consolidated Income Statement. Amounts transferred to cost of sales in the year are £8.1 million (2022: £5.5 million).

## 18 TRADE AND OTHER RECEIVABLES

	2023 £m	2022 £m
<b>Amounts falling due within one year:</b>		
Trade receivables	70.9	55.9
Less: provision for impairment of trade receivables	(4.1)	(3.4)
Trade receivables – net	66.8	52.5
Unbilled receivables	3.0	4.0
Other receivables	2.7	0.2
Prepayments	10.1	3.7
Costs incurred to obtain a contract	0.7	0.6
	<b>83.3</b>	<b>61.0</b>
<b>Amounts falling due after more than one year:</b>		
Other receivables	–	–
Costs incurred to obtain a contract	0.4	0.3
	<b>0.4</b>	<b>0.3</b>
	<b>83.7</b>	<b>61.3</b>

Prepayments include £6.1 million (2022: £nil) of deposits relating to items of Property, plant and equipment where no asset has physically been received as at 31 December 2023.

Costs capitalised as costs incurred to obtain a contract during the year total £1.1 million (2022: £0.9 million). The charge recognised during the year relating to costs incurred to obtain a contract is £0.9 million (2022: £0.9 million). Costs capitalised in relation to costs incurred to obtain a contract are expected to be recoverable.

The maturity of financial assets (which comprise of current and non-current trade receivables, unbilled receivables and other receivables) is analysed below:

	Gross £m	Provision £m	2023 Net £m	Gross £m	Provision £m	2022 Net £m
<b>Trade receivables, unbilled receivables and other receivables</b>						
– Not yet due and up to 3 months overdue	72.3	(2.5)	69.8	57.7	(2.5)	55.2
– 3 to 6 months past due	2.6	(0.8)	1.8	1.9	(0.7)	1.2
– 6 to 12 months past due	1.7	(0.8)	0.9	0.4	(0.1)	0.3
– Over 12 months past due	–	–	–	0.1	(0.1)	–
	<b>76.6</b>	<b>(4.1)</b>	<b>72.5</b>	<b>60.1</b>	<b>(3.4)</b>	<b>56.7</b>

Under IFRS 9, the Group is required to utilise objective evidence as well as consider forward looking information and the probability of default when calculating expected credit losses. The maturity of financial assets is therefore used as an indicator as to the probability of default.

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

Under IFRS 9, the Group applies the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables. Forward looking loss rates for each debt aging category takes into account how overdue the debt is, the type of receivable, operating segment and region in which the customer operates, as well as other current market and trading conditions. Further to the expected credit loss model, trade receivables are specifically impaired where there are indicators of significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, or there is default or delinquency in payments.

**18 TRADE AND OTHER RECEIVABLES** (Continued)

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

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

	2023 £m	2022 £m
At 1 January	(3.4)	(3.3)
Business acquisitions	(0.2)	–
Provisions for receivables impairment	(1.7)	(1.3)
Amounts unused reversed	–	0.4
Receivables written off during the year as uncollectable	1.2	0.8
<b>At 31 December</b>	<b>(4.1)</b>	<b>(3.4)</b>

The creation and release of the provision for impaired receivables has been included in impairment loss on trade receivables in the Consolidated 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.

All trade and other receivable balances at the balance sheet date are denominated in Sterling (2022: Sterling), with the exception of £4.4 million (2022: £0.1 million) which are denominated in Euros, and are held at amortised cost. Given the short-term nature of current receivables there is deemed to be no difference between this and fair value. The difference between the book value and fair value of non-current trade and other receivables is deemed to be not material.

The maximum exposure to credit risk at the reporting date is the fair value of each class of receivable detailed within this note. The Group does not hold any collateral as security.

**19 REIMBURSEMENT ASSETS**

	2023 £m	2022 £m
Reimbursement assets	3.9	4.5
	<b>3.9</b>	<b>4.5</b>

As the Group expects, on average, insurance claims to be settled within one year which is driven by a review of the historic claims data, recognition of these balances is made within current assets and current liabilities.

The Group recognises a reimbursement asset in respect of third-party claims made against the Group, but which under the terms of its insurance policies, the Group is indemnified. All of the expenditure required to settle such claims will be reimbursed by the insurer under the terms of the policies, and therefore it is virtually certain that reimbursement will be received.

**20 TRADE AND OTHER PAYABLES (CURRENT)**

	2023 £m	2022 £m
Trade payables	40.6	38.5
Other payables	1.8	1.5
Other taxation and social security liabilities	14.3	8.0
Deferred income	0.3	0.3
Accruals	35.8	27.4
	<b>92.8</b>	<b>75.7</b>

All trade and other payables at the balance sheet date are denominated in Sterling, with the exception of £4.0 million which are denominated in Euros (2022: All sterling) and are held at amortised cost. Given the short term nature there is to be no difference between this and fair value.

Trade payables are unsecured and are usually paid within 60 days of recognition.

# Notes to the Consolidated Financial Statements

## Continued >

### 21 TRADE AND OTHER PAYABLES (NON-CURRENT)

	2023 £m	2022 £m
Deferred income	0.3	0.3
	<b>0.3</b>	<b>0.3</b>

The difference between the book value and fair value of non-current trade and other payables is not material.

### 22 BORROWINGS

	2023 £m	2022 £m
<b>Current</b>		
Overdraft	8.7	5.3
Bank loans	(0.4)	(0.2)
	<b>8.3</b>	<b>5.1</b>
<b>Non-current</b>		
Bank loans	63.0	14.7
	<b>63.0</b>	<b>14.7</b>
	<b>71.3</b>	<b>19.8</b>
The maturity of non-current bank loans is as follows:		
– Between one and two years	–	15.0
– Between two and five years	63.2	–
– Unamortised issue costs of bank loans	(0.2)	(0.3)
	<b>63.0</b>	<b>14.7</b>
The currency of the outstanding bank loans is as follows:		
– Sterling	32.0	15.0
– Euros	31.2	–
	<b>63.2</b>	<b>15.0</b>

At 31 December 2023, borrowings were secured and drawn down under a committed facility dated 8 August 2022. The facility comprises a £120.0 million revolving credit facility (including an overdraft) which runs to August 2026 with a one-year extension option with a further option, both with bank consent, to increase the facility by up to an additional £15.0 million.

Individual tranches are drawn down, in Sterling or Euros, for periods of up to six months at SONIA or Euribor rates of interest respectively, prevailing at the time of drawdown, plus the credit adjustment spread and the applicable margin. The margin on the facility ranges between 1.45% and 2.45% and was 1.45% at 31 December 2023. Margin is determined on the achievement of leverage ratios.

The secured bank loans are stated net of unamortised issue costs of £0.6 million (2022: £0.5 million) of which £0.4 million is included within current borrowings (2022: £0.2 million) and £0.2 million is included within non-current borrowings (2022: £0.3 million). Details of the security are provided in note 28 to the Consolidated Financial Statements.

The Group has three net overdraft facilities for £5.0 million, £3.0 million and €1.5 million (£1.3 million) with its three principal bankers (2022: £5.0 million, £3.0 million and €nil).

Amounts drawn under the revolving credit facility have been classified as either current or non-current depending upon when the loan is expected to be repaid.



## 23 LEASE LIABILITIES

	Properties £m	Plant and Equipment £m	Total £m
<b>At 31 December 2021</b>	<b>34.5</b>	<b>3.3</b>	<b>37.8</b>
Additions	0.7	1.3	2.0
Reassessment/modification of liabilities previously recognised	–	0.1	0.1
Lease liability payments (including finance costs)	(5.4)	(1.7)	(7.1)
Finance costs	1.5	–	1.5
<b>At 31 December 2022</b>	<b>31.3</b>	<b>3.0</b>	<b>34.3</b>
Additions	6.4	3.1	9.5
Business combinations (note 34)	1.4	1.9	3.3
Reassessment/modification of liabilities previously recognised	3.6	0.1	3.7
Lease liability payments (including finance costs)	(5.9)	(3.8)	(9.7)
Finance costs	2.0	0.1	2.1
<b>At 31 December 2023</b>	<b>38.8</b>	<b>4.4</b>	<b>43.2</b>

Lease liabilities are comprised of the following balance sheet amounts:

	2023 £m	2022 £m
Amounts due within one year (Lease liabilities, Current liabilities)	5.5	5.1
Amounts due after more than one year (Lease liabilities, Non-Current liabilities)	37.7	29.2
	<b>43.2</b>	<b>34.3</b>

Lease liabilities are as follows:

	2023 £m	2022 £m
<b>Not more than one year</b>		
Minimum lease payments	7.5	6.4
Interest element	(2.0)	(1.3)
<b>Present value of minimum lease payments</b>	<b>5.5</b>	<b>5.1</b>
<b>Between one and five years</b>		
Minimum lease payments	23.9	19.6
Interest element	(5.7)	(3.7)
<b>Present value of minimum lease payments</b>	<b>18.2</b>	<b>15.9</b>
<b>More than five years</b>		
Minimum lease payments	2.91	1.92
Interest element	(0.96)	(0.59)
<b>Present value of minimum lease payments</b>	<b>1.95</b>	<b>1.33</b>

Future increases or decreases in rentals linked to an index or rate are not included in the lease liability until the change in cash flows takes effect. Of the remaining lease liability at 31 December 2023 £0.2 million (2022: £0.4 million) is subject to inflation-linked rentals, relating to the commercial vehicle fleet within the HORECA division. A further £32.5 million (2022: £28.6 million) is subject to rent reviews relating to the Group's property portfolio.

Following the adoption of IFRS 16, short term leases (those with an expected term of 12 months or less) and leases for low value assets, continue to be expensed on a straight line basis over the lease term, as under IAS 17. The expense relating to these payments was £2.3 million (2022: £2.5 million).

Total cash outflow for leases, comprising capital and interest payments, for the year ended 31 December 2023 was £9.7 million (2022: £7.1 million).

Furthermore, the Group sublets properties under operating leases. Income recognised in the Consolidated Income Statement during the year amounts to £0.4 million (2022: £0.3 million).

# Notes to the Consolidated Financial Statements Continued >

## 24 DEFERRED TAXATION

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

	Deferred Income Tax Assets		Deferred Income Tax Liabilities	
	2023 £m	2022 £m	2023 £m	2022 £m
<b>Recognised deferred income tax assets and liabilities</b>				
Depreciation less than capital allowances	-	-	(35.0)	(27.6)
Employee share schemes	0.3	0.1	-	-
Post-employment benefit obligations	0.1	2.6	-	-
Derivative financial liabilities	0.2	0.2	-	-
Trading losses	22.4	24.9	-	-
Other short term timing differences	-	0.1	(0.1)	-
Separately identifiable intangible assets	-	-	(2.9)	(2.1)
	<b>23.0</b>	<b>27.9</b>	<b>(38.0)</b>	<b>(29.7)</b>

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

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

	Depreciation less than Capital Allowances £m	Employee Share Schemes £m	Post- employment Benefit Obligations £m	Derivative Financial Instruments £m	Trading Losses £m	Other Short Term Timing Differences £m	Intangible Assets £m	Total £m
<b>At 31 December 2021</b>	<b>(11.2)</b>	<b>0.3</b>	<b>0.4</b>	<b>(0.1)</b>	<b>10.3</b>	<b>0.2</b>	<b>(3.2)</b>	<b>(3.3)</b>
(Charge)/credit to income	(16.4)	-	(0.4)	-	14.6	(0.1)	1.1	(1.2)
Charge to Shareholders' equity	-	(0.2)	-	-	-	-	-	(0.2)
Credit to other comprehensive income	-	-	2.6	0.3	-	-	-	2.9
<b>At 31 December 2022</b>	<b>(27.6)</b>	<b>0.1</b>	<b>2.6</b>	<b>0.2</b>	<b>24.9</b>	<b>0.1</b>	<b>(2.1)</b>	<b>(1.8)</b>
Deferred income tax liabilities acquired	(0.8)	-	-	-	0.2	-	(1.8)	(2.4)
(Charge)/credit to income	(6.6)	0.1	(0.3)	-	(2.7)	(0.2)	1.0	(8.7)
Credit to Shareholders' equity	-	0.1	-	-	-	-	-	0.1
Charge to other comprehensive income	-	-	(2.2)	-	-	-	-	(2.2)
<b>At 31 December 2023</b>	<b>(35.0)</b>	<b>0.3</b>	<b>0.1</b>	<b>0.2</b>	<b>22.4</b>	<b>(0.1)</b>	<b>(2.9)</b>	<b>(15.0)</b>

The charge to income above of £8.7 million (2022: £1.2 million charge) is all in relation to continuing operations.

Deferred income taxes at the balance sheet date have been measured at an effective tax rate of 25.0% as at 31 December 2023 (2022: 24.6%),

The Group does not expect to utilise any of the Group's net deferred income tax liability in the next 12 months. This is management's current best estimate and may not reflect the actual outcome in the next 12 months.

## 25 PROVISIONS

	Insurance Claims £m	Property £m	Self Insurance £m	Total £m
<b>At 31 December 2021</b>	<b>4.3</b>	<b>1.1</b>	<b>0.3</b>	<b>5.7</b>
Additions	0.9	0.2	0.1	1.2
Utilised during the year	(0.7)	(0.3)	–	(1.0)
<b>At 31 December 2022</b>	<b>4.5</b>	<b>1.0</b>	<b>0.4</b>	<b>5.9</b>
Business acquisitions (note 34)	0.1	–	0.6	0.7
Additions	1.6	–	–	1.6
Utilised during the year	(2.3)	–	(0.1)	(2.4)
Credit to Income Statement	–	(0.1)	–	(0.1)
<b>At 31 December 2023</b>	<b>3.9</b>	<b>0.9</b>	<b>0.9</b>	<b>5.7</b>

	2023 £m	2022 £m
<b>Analysis of total provisions</b>		
Current	4.9	5.1
Non-current	0.8	0.8
	<b>5.7</b>	<b>5.9</b>

### Insurance claims

The Group recognises a provision for liabilities in respect of third party claims made against it. A corresponding reimbursement asset of £3.9 million (2022: £4.5 million) has been recognised as all of the expenditure required to settle such claims will be reimbursed by the insurer under the terms of the policy. As the Group expects insurance claims to be settled within one year, recognition of these balances is made within current assets and current liabilities. All movement shown above in respect of Insurance claims is non-cash movement as the amounts are settled by the third party insurance provider and therefore there will be no amounts shown within the Consolidated Cashflow Statement.

### Property

The property provision includes onerous property costs, expected lease dilapidation costs and the estimated remediation costs of property where an environmental problem has been identified and the costs to rectify can be reliably measured. The estimates and judgments used in determining the value of provisioning are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The majority of the property provision is expected to be utilised over a period of up to four years.

### Self insurance

£0.3 million of the self insurance provision is in respect of the estimated payments due to existing claimants under the self funded incapacity scheme over an estimated period of 10 years. This scheme is now closed to new entrants.

The remaining provision relates to Celtic Linen, whereby under the terms of its employers' public and products liability insurance policy, Celtic Linen has indemnified the insurer for the first £0.2 million in the aggregate in respect of any one period of insurance.

## 26 POST-EMPLOYMENT BENEFIT OBLIGATIONS

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

### Pensions – defined contribution

Several defined contribution pension schemes are used within the Group. The total cost of employer contributions for the year was £4.8 million (2022: £4.1 million).

### Pensions – defined benefit

The Group operates a defined benefit pension scheme, the Johnson Group Defined Benefit Scheme (JGDBS). The JGDBS was closed to future accrual on 31 December 2014.

A full actuarial valuation of the JGDBS was carried out as at 30 September 2022 and has been updated to 31 December 2023 by an independent qualified actuary. The updated actuarial valuation at 31 December 2023 showed that the scheme has a deficit of £nil (2022: £94 million). During the year, no employer or employee contributions were made (2022: £nil).

# Notes to the Consolidated Financial Statements Continued >

## 26 POST-EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

The schedule of contributions put in place on 4 August 2020, which superseded all earlier versions, required deficit recovery payments of £1.9 million per annum to be paid up to and including December 2026. Following discussions with the Trustee of the scheme following the finalisation of the full actuarial valuation, deficit recovery payments to ceased from 31 October 2023 in accordance with a new schedule of contributions dated 31 October 2023. Deficit recovery payments of £1.6 million (2022: £1.9 million) were made to the Scheme during the year.

### Actuarial assumptions

#### Considerations when calculating the IAS 19 liability

IAS19 sets out prescribed (qualitative) conditions for selecting the actuarial assumptions used to calculate the pension liabilities and pension costs. A key assumption is the discount rate which is used to determine the value of pension liabilities at the balance sheet date. The selection of the price inflation assumptions (both RPI and CPI) is also critical as these are relevant for the pre-retirement revaluation and pension increases in payment assumptions.

These assumptions are based on market yields at the balance sheet date, and may not be borne out in practice due to the long-term expected duration of the Scheme. The weighted average duration of the defined benefit obligation is approximately 9 years (2022: 11 years). The duration is calculated based on the membership data and results of the 2022 triennial valuation but updated to reflect market conditions as at 31 December 2023. Within the prescribed conditions however, assumptions must be mutually compatible and lead to the best estimate of the future cash flows in respect of pension liabilities.

A summary of relevant considerations is set out below.

#### Assumption for valuing pension liabilities

Discount rate (pre and post retirement)

Retail Price inflation (RPI)

Consumer Price Inflation (CPI)

Pension increases

Demographic assumptions (e.g. rates of mortality and early retirement)

#### Comments on prescribed conditions

Based on yields on "high quality" corporate bonds of appropriate duration and currency, or a suitable proxy. Our approach is to value sample pensioner and non-pensioner cash flows with different durations using a yield curve approach and to calculate the single equivalent discount rate for each set of cash flows

Based on the yield differential between index-linked bonds and fixed-interest bonds of appropriate duration and of a similar credit standing (for example, using spot yields derived from the inflation yield curve published by the Bank of England) with the allowance for an inflation premium to reflect market conditions

Based on the RPI assumption with an adjustment to reflect the historic and future expected long term differences between the RPI and CPI indices

Compatible with the rate of price inflation above taking into account the effects of scheme rules and valid expectations of discretionary increases based on best past practice

Compatible assumptions that lead to a best estimate of future cash flows

#### Assumptions used

	2023	2022
Rate used to discount scheme liabilities	4.55%	4.90%
Retail price inflation (RPI)	3.15%	3.20%
Consumer price inflation (CPI)	2.40%	2.55%
Rate of increase of pensions in payment (5.0% RPI linked)	2.91%	2.89%
Rate of increase of pensions in payment (2.5% RPI linked)	1.89%	1.83%
Rate of increase of pensions in payment (2.5% CPI linked)	1.74%	1.71%

Life expectancy at age 60 for current male pensioners is assumed to be 25.6 years (2022: 26.4 years) and 28.0 years for current female pensioners (2022: 29.1 years). Life expectancy at age 60 for future male pensioners is assumed to be 25.6 years (2022: 26.6 years) and 27.9 years for future female pensioners (2022: 29.2 years). "S3PXA 112%/113% males/females (YoB) CMI 2022 with a 1.25% long term trend rate with core parameters" has been used to derive these mortality rates for future pensioners (2022: "S2PXA 102%/99% males/females (YoB) CMI 2021 with a 1.25% long term trend rate with core parameters" used).

It is assumed that 100% of non-retired members of the JGDBS will commute 25% of their pension at retirement (2022: 100% of members will commute 25% of pension).

It has been assumed that 50% (2022: 50%) of future pensioners at retirement will exchange their non-statutory pension increases at retirement for a higher, but non-increasing pension.

Following the High Court ruling on 26 October 2018 regarding the equalisation of Guaranteed Minimum Pension ('GMP') benefit within the Lloyds pension scheme, the Scheme is required to adjust benefits to remove the inequalities between the GMP benefits awarded to males and females. The Company have historically included a reserve in defined benefit obligation IAS19 valuation for GMP equalisation.

**26 POST-EMPLOYMENT BENEFIT OBLIGATIONS** (Continued)

On 20 November 2020 the High Court issued a supplementary ruling in the Lloyds bank GMP equalisation case with respect to members that have transferred out of their scheme prior to the ruling. The ruling obliged Trustees to make top-up payments in respect of historic transfers that were not paid on an equalised basis. The additional cost is required to be recognised through the income statement as a past service cost.

The full effect of the ruling can only be known following a detailed review of the history of Scheme membership movements, dating back as far as the early 1990s. This will take some time to complete. No allowance has been included in the defined benefit obligations in respect of the supplementary ruling on the grounds of immateriality.

**Sensitivity of key assumptions**

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

Item	Approximate increase/(decrease) on Post-employment benefit obligation
Increase/decrease discount rate by 0.5%	(£6.7 million)/£6.7 million
Increase/decrease price inflation assumption by 0.50%	£1.9 million/(£1.9 million)
1 year increase/decrease in life expectancy at age 60	£5.9 million/(£5.9 million)

The above sensitivities are applied to adjust the defined benefit obligations at the end of the reporting year. Whilst the analysis does not take account of the full distribution of cash flows expected under the Scheme, it does provide an approximation of the sensitivity of the assumptions shown. No changes have been made to the method and assumptions used in this analysis from those used in the previous year.

**Private healthcare**

The Group operates an unfunded defined benefit private healthcare scheme for eligible retirees. At 31 December 2023, the deficit of the scheme was £0.3 million (2022: £0.8 million). The Group accounted for a current service cost of £nil and a notional interest cost of £37,000 in the Consolidated Income Statement (2022: £nil and £15,000 respectively). The current service cost in 2024 is expected to be £nil with a notional interest cost of £15,000.

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 31 December 2023. As a result, an actuarial gain of £0.5 million was recognised in the year within the Consolidated Statement of Comprehensive Income.

The latest review was performed using the projected unit credit method, and a discount rate of 4.55%. The main long-term actuarial assumptions used in the review were that the retirement age of eligible employees will be 60 for females and males and the rate of increase in medical costs is to be 5.50% throughout. There have been no material changes in circumstances since the last formal review.

An increase of 1.00% in the medical cost trend would increase the scheme liabilities by an estimated £0.1 million and the aggregate of the service cost and interest cost by an estimated £15,000 per annum. A decrease of 1% in the medical cost trend would reduce the scheme liabilities by an estimated £0.1 million and the aggregate of the service cost and interest cost by an estimated £15,000 per annum.

**Post-employment benefit obligations disclosures**

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

	2023 £m	2022 £m
Notional interest on post-employment benefit obligations	0.5	-
<b>Total amounts charged to the Consolidated Income Statement</b>	<b>0.5</b>	<b>-</b>

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

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

	2023 £m	2022 £m
Return on scheme assets excluding interest income	(12)	(68.2)
Re-measurement gains/(losses) arising from changes in demographic assumptions	5.8	(0.2)
Re-measurement (losses)/gains arising from changes in financial assumptions	(4.8)	61.5
Experience gains/(losses) on liabilities	9.0	(3.1)
<b>Total amounts recognised in the Consolidated Statement of Comprehensive Income</b>	<b>8.8</b>	<b>(10.0)</b>

# Notes to the Consolidated Financial Statements Continued >

## 26 POST-EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

Amounts recognised in the Balance Sheet are as follows:

	2023 £m	2022 £m
Present value of funded obligations	(145.4)	(157.6)
Fair value of scheme assets	145.4	221.2
Net defined benefit pension obligations	–	(9.4)
Post-retirement healthcare obligations	(0.3)	(0.8)
<b>Net post-employment benefit obligations</b>	<b>(0.3)</b>	<b>(10.2)</b>

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

	2023 £m	2022 £m
Fair value of scheme assets at beginning of the year	148.2	221.2
Interest income	7.1	4.2
Return on scheme assets (excluding interest income)	(1.2)	(68.2)
Deficit recovery payments	1.6	1.9
Benefits paid – defined benefit pension obligations	(10.3)	(10.9)
<b>Fair value of scheme assets at end of the year</b>	<b>145.4</b>	<b>148.2</b>

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

	2023 £m	2022 £m
Fair value of scheme liabilities at beginning of the year	(158.4)	(223.3)
Interest expense	(7.6)	(4.2)
Re-measurement gains/(losses) from changes in demographic assumptions	5.8	(0.2)
Re-measurement (losses)/gains from changes in financial assumptions	(4.8)	61.5
Experience gains/(losses) on liabilities	9.0	(3.1)
Benefits paid - defined benefit pension obligations	10.3	10.9
<b>Fair value of scheme liabilities at the end of the year</b>	<b>(145.7)</b>	<b>(158.4)</b>

Movements in post-employment benefit obligations were as follows:

	2023 £m	2022 £m
Opening post-employment benefit obligation	(10.2)	(2.1)
Notional interest	(0.5)	–
Deficit recovery payments	1.6	1.9
Re-measurement and experience gains/(losses)	8.8	(10.0)
<b>Closing post-employment benefit obligation</b>	<b>(0.3)</b>	<b>(10.2)</b>

The major categories of scheme assets were as follows:

	Quoted Market Price Active Market £m	No Quoted Market Price Active Market £m	2023 Total Scheme £m	Quoted Market Price Active Market £m	No Quoted Market Price Active Market £m	2022 Total Scheme £m
Bonds	26.0	–	26.0	–	24.6	24.6
Liability driven investments	24.9	–	24.9	21.9	–	21.9
Alternative return seeking assets	–	80.0	80.0	–	75.8	75.8
Cash and cash equivalents	14.5	–	14.5	25.9	–	25.9
<b>Total market value of assets</b>	<b>65.4</b>	<b>80.0</b>	<b>145.4</b>	<b>47.8</b>	<b>100.4</b>	<b>148.2</b>

The assets of the pension scheme include do not include shares in the Group in either 2023 or 2022.

## 26 POST-EMPLOYMENT BENEFIT OBLIGATIONS (Continued)

In the prior year the Bonds held by the scheme were shown as no quoted market price. During the year weekly traded pricing is now available and as such, these are now classified as quoted market price.

Scheme assets held with no quoted market price on active market are valued by the fund managers. The managers determine fair value of their holdings based on several factors. They may use secondary market prices, internal valuation models or independent valuations. This process adopted will vary by manager and asset class, although independent third parties are typically used to verify and support the net asset value valuations.

The Liability Driven Investments (LDI) shown above comprise of nominal and real LDI funds, investing in partly funded leveraged gilts and funds for liability matching and liquidity funds investing in pooled cash funds. Under these arrangements, if interest rates fall, the value of the LDI would be expected to rise, all else being equal, to help offset the expected increase in the present value placed on the scheme's liabilities arising from a fall in the discount rate (and vice versa).

The funding position in respect of the JGDBS is influenced by both the measurement of plan liabilities and the valuation of plan assets. The Trustee, in conjunction with the Group, has tried to ensure an appropriate balance of investments has been made by the scheme to mitigate potential price volatility in individual asset categories. The Group and Trustee regularly monitor the composition of plan assets and amend the composition accordingly to try and match scheme assets with the liabilities they are intended to fund. However, any underperformance of scheme assets could result in future increases in the deficit recognised on the JGDBS.

During the year, a high court ruling was handed down in the case of Virgin Media Limited vs NTL Pension Trustees II Limited and Others that relates to the validity of certain historical pension changes. The Trustees are aware that a Court of Appeal hearing for the case set for 25 June 2024 as well as the potential for overriding government legislation to be introduced. As a result the Group and the Trustees of the Scheme, similar to many other schemes, have not yet investigated the potential implications for the Group's accounts in detail.

As detailed investigation has not yet been carried out, the Group considers that the amount of any potential impact on the Defined Benefit Obligation cannot be measured with sufficient reliability. We will therefore review at the 2024 year end when we expect further clarity to be available.

## 27 FINANCIAL INSTRUMENTS

### Policies and strategies

Details of the Group's policies and strategies in relation to financial instruments are given within the Statement of Significant Accounting Policies.

IAS 32, Financial Instruments: Presentation, IFRS 9, Financial Instruments 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 18. Financial assets and liabilities are stated at either amortised cost or fair value. Where stated at amortised cost, this is not materially different to the fair value unless otherwise stated due to their short term nature.

### Financial assets

The Group has recognised current and non-current trade receivables, unbilled receivables and other receivables of £76.6 million (2022: £60.1 million) in the year. See note 18 for further details. In addition, reimbursement assets of £39 million in the year to 31 December 2023 (2022: £4.5 million) have also been recognised. See note 19 for further details.

	2023 £m	2022 £m
<b>Cash at bank and in hand</b>		
Sterling	72	6.0
Euro	2.4	0.1
<b>At 31 December</b>	<b>9.6</b>	<b>6.1</b>

For interest purposes cash is offset against overdrafts through a pooling arrangement with each of the Group's principal bankers. Surplus cash is placed on deposit with one or more of the Group's bankers.

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

	Rating	2023 £m	2022 £m
Cash at bank and in hand			
Royal Bank of Scotland	A-1	42	3.1
Lloyds Bank	A-1	32	2.3
Bank of Ireland	A-1	0.2	0.7
Allied Irish Bank	A-1	2.0	–
<b>Total cash and cash equivalents</b>		<b>9.6</b>	<b>6.1</b>

# Notes to the Consolidated Financial Statements Continued >

## 27 FINANCIAL INSTRUMENTS (Continued)

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 & Poor's. The obligor's capacity to meet its financial commitment on the obligation is strong.

Cash balances are used for working capital purposes. The Directors do not consider deposits at these institutions to be at risk.

### Financial liabilities

	As per Balance Sheet £m	Future Interest Cost £m	2023 Total Cash Flows £m	As per Balance Sheet £m	Future Interest Cost £m	2022 Total Cash Flows £m
Trade and other payables**	782	–	782	674	–	674
Overdraft	8.7	–	8.7	5.3	–	5.3
Bank loans*	632	–	632	15.0	–	15.0
Lease liabilities	432	173	60.5	34.3	10.9	45.2
Derivative financial instruments	0.8	–	0.8	0.7	–	0.7
	<b>194.1</b>	<b>17.3</b>	<b>211.4</b>	<b>122.7</b>	<b>10.9</b>	<b>133.6</b>

\* IFRS 7 requires the contractual future interest cost of a financial liability to be included within the above table. As disclosed in note 22 of these financial statements, all bank loans are currently drawn under an RCF arrangement and as such there is no contractual future interest cost. Interest charged in the year in relation to bank loans drawn down amounted to £3.1 million. Interest is payable at a rate of SONIA or EURIBOR prevailing at the time of drawdown plus the credit adjustment spread and the applicable margin, which ranges from 145% and 245% and are drawn monthly. Bank loans drawn as at 31 December 2023 were £632 million. Should these bank loans remain drawn until the expiry of the bank facility in August 2026, at the prevailing rates of interest at the balance sheet date, the future interest cost would be £98 million.

\*\* Trade and other payables comprise both current and non-current payables as disclosed within notes 20 and 21, excluding other taxation and social security liabilities and deferred income.

Bank loans and overdraft in the table above do not include unamortised bank fees.

	Current £m	Non-Current £m	2023 Total £m	Current £m	Non-Current £m	2022 Total £m
Bank loans	–	632	632	–	15.0	15.0
Overdraft	8.7	–	8.7	5.3	–	5.3
Less: Unamortised bank fees	(0.4)	(0.2)	(0.6)	(0.2)	(0.3)	(0.5)
	<b>8.3</b>	<b>63.0</b>	<b>71.3</b>	<b>5.1</b>	<b>14.7</b>	<b>19.8</b>

	Current £m	Non-Current £m	2023 Total £m	Current £m	Non-Current £m	2022 Total £m
Trade and other payables	92.8	0.3	93.1	75.7	0.3	76.0
Less: Other taxation and social security liabilities	(14.3)	–	(14.3)	(8.0)	–	(8.0)
Less: Deferred income	(0.3)	(0.3)	(0.6)	(0.3)	(0.3)	(0.6)
	<b>78.2</b>	<b>–</b>	<b>78.2</b>	<b>67.4</b>	<b>–</b>	<b>67.4</b>



## 27 FINANCIAL INSTRUMENTS (Continued)

### Liquidity risk

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

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

	Trade and Other Payables £m	Overdrafts £m	Bank Loans £m	Leases Liabilities £m	Derivative Financial Instruments £m	Total £m
<b>As at 31 December 2023</b>						
Due within one year	78.2	8.7	–	7.5	0.6	95.0
Due within one to two years	–	–	–	7.1	0.2	7.3
Due within two to five years	–	–	63.2	16.8	–	80.0
Due after more than five years	–	–	–	29.1	–	29.1
	<b>78.2</b>	<b>8.7</b>	<b>63.2</b>	<b>60.5</b>	<b>0.8</b>	<b>211.4</b>
<b>As at 31 December 2022</b>						
Due within one year	67.4	5.3	–	6.4	0.4	79.5
Due within one to two years	–	–	15.0	5.8	0.3	21.1
Due within two to five years	–	–	–	13.7	–	13.7
Due after more than five years	–	–	–	19.3	–	19.3
	<b>67.4</b>	<b>5.3</b>	<b>15.0</b>	<b>45.2</b>	<b>0.7</b>	<b>133.6</b>

With the exception of derivative financial instrument which are held at fair value, all financial liabilities shown above are held at amortised cost.

### 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
<b>As at 31 December 2023</b>				
Sterling	60.5	40.7	74.1	175.3
Euro	–	31.2	4.9	36.1
<b>As at 31 December 2022</b>				
Sterling	45.2	20.3	68.1	133.6

### Fixed rate financial liabilities

At 31 December 2023 the Group's fixed rate financial liabilities related to lease liabilities (2022: lease liabilities).

For lease liabilities, the weighted average interest rate incurred is 5.0% (2022: 4.5%) and the weighted average period remaining is 140 months (2022: 128 months).

### Floating rate financial liabilities

#### Interest rate swaps

Floating rate financial liabilities bear interest at rates based on relevant SONIA or EURIBOR 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 1 month (2022: 1 month).

The variation in the interest rate of floating rate financial liabilities (with all other variables held constant) required to increase or decrease post-tax profit for the year by £0.1 million is 18 basis points (2022: 61 basis points).

# Notes to the Consolidated Financial Statements Continued >

## 27 FINANCIAL INSTRUMENTS (Continued)

### Fair values of financial liabilities

Bank loans are drawn down and interest set for no more than a six month period (2022: six month period). In view of this the fair value of bank loans is not materially different from the book value. The fair value of other financial liabilities was not materially different from the book value.

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

The different levels have been defined as follows:

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

The only financial instruments held at fair value by the Group relate to commodity swaps.

### Commodity swaps

The Group enters into commodity swaps (hedging instrument) to economically hedge the Group's exposure to changes in diesel prices (hedged item). The fair values of the hedging instrument and the hedged item move in the opposite direction because of the price risk. Therefore, there is an economic relationship between the hedged item and the hedging instrument.

The Group hedges a portion of its annual diesel usage using commodity swaps. The diesel hedged for future periods is based on management forecasts of future diesel purchases and would meet the 'highly probable' assessment for hedge accounting.

Hedge ineffectiveness for price risk may occur due to differences in critical terms between the commodity swaps and diesel purchases such as payment date or due to changes in fair value affecting the hedging instrument, such as credit risk, which is not replicated on the hedged item. Ineffectiveness may also occur where diesel purchases were forecast but do not occur. There was no ineffectiveness recognised within the Consolidated Income Statement during 2023 or 2022 in relation to the commodity swaps. The quantity of the hedging instrument and the hedged item are the same when applying hedge accounting and are the same as that used for risk management purposes at a ratio of 1:1.

As at the balance sheet date, the Group has the following commodity swaps in place:

- 8.8 million litres of diesel at a weighted average price of 58.35 pence per litre for the period 1 January 2024 to 31 December 2026

For the proportion of our commodity swaps where hedge accounting is still applicable and thus any gains and losses on these swap contracts continue to be recognised in the hedging reserve as of 31 December 2023, these gains and losses will be continuously released to the Consolidated Income Statement within distribution costs until the end of the hedged period.

The movement in the Group's hedging reserve as disclosed in the Consolidated Statement of Changes in Shareholders' Equity relate to the commodity swaps above:

	Commodity swaps £m
<b>At 31 December 2021</b>	<b>(0.3)</b>
Gain in fair value of swaps recognised in OCI	(11)
Reclassified from OCI to Consolidated Income Statement	22
Deferred tax	(0.3)
<b>At 31 December 2022</b>	<b>0.5</b>
Loss in fair value of swaps recognised in OCI	0.5
Reclassified from OCI to Consolidated Income Statement	(0.4)
<b>At 31 December 2023</b>	<b>0.6</b>

**27 FINANCIAL INSTRUMENTS** (Continued)

For both the years ended 31 December 2023 and 31 December 2022 the assets/(liabilities) arising from these instruments have been classified as Level 2. The fair value of these instruments at each of the year ends was:

	Fair Value 2023 £m	Fair Value 2022 £m
Derivative financial instruments held:		
Current Liabilities		
– Commodity products – cash flow hedges	(0.6)	(0.4)
Non-Current liabilities		
– Commodity products – cash flow hedges	(0.2)	(0.3)

Derivatives are only used for economic hedging purposes and not as speculative investments. However, where derivatives do not meet the hedge accounting criteria, they are classed as 'held for trading' for accounting purposes and are accounted for at fair value through profit or loss. They are presented as current liabilities to the extent they are expected to be settled within 12 months after the end of the reporting period. Where available, market rates have been used to determine fair value.

The movement in the Group's derivative financial liabilities during the year is as follows:

	Interest rate swaps £m	Commodity swaps £m	Total £m
<b>At 31 December 2021</b>	<b>(0.1)</b>	<b>0.3</b>	<b>0.2</b>
Gain in fair value of swaps recognised in OCI	–	1.1	1.1
Gain in fair value of swaps not qualifying as hedges recognised in profit or loss	0.1	0.2	0.3
Cash receipts	–	(2.3)	(2.3)
<b>At 31 December 2022</b>	<b>–</b>	<b>(0.7)</b>	<b>(0.7)</b>
Loss in fair value of swaps recognised in OCI	–	(0.5)	(0.5)
Cash payments	–	0.4	0.4
<b>At 31 December 2023</b>	<b>–</b>	<b>(0.8)</b>	<b>(0.8)</b>

Fair value gains on interest rate swaps and commodity swaps not qualifying as hedges are recognised directly in profit or loss and are included within finance costs and distribution costs respectively within the Consolidated Income Statement.

Cash flows from operating activities include a £0.2 million payment (2022: £0.2 million credit) relating to non-cash movements on commodity swaps. Nil was recognised (2022: £0.1 million credit) relating to non-cash movements on interest rate swaps is recognised within total finance cost within cash flows from operating activities.

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

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

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

**Valuation techniques used to derive Level 2 fair values**

Level 2 trading and hedging derivatives comprise interest rate swaps and commodity swaps. Interest rate swaps are fair valued using forward interest rates extracted from observable yield curves. Commodity swaps are using a mark to market valuation at the balance sheet date. The effects of discounting are generally insignificant for Level 2 derivatives.

# Notes to the Consolidated Financial Statements Continued >

## 27 FINANCIAL INSTRUMENTS (Continued)

### Foreign currency risk

#### Hedge of net investment in foreign operations

In August 2023, the Group acquired Celtic Linen, a business located in the Republic of Ireland. The Group utilised its multicurrency facility to fund the acquisition. €29.4 million of the bank loan was designated as a net investment hedge to manage the impact of movements in the GBP:EUR exchange rate on the value of the Group's investment in the Republic of Ireland.

There is an economic relationship between the hedged item and the hedging instrument as the net investment creates a translation risk that will match the foreign exchange risk on the bank loan. The Group has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. The hedge ineffectiveness will arise when the amount of the investment in the foreign subsidiary becomes lower than the nominal amount of the loans.

The net investment hedges were assessed to be highly effective at 31 December 2023 and a net unrealised loss of £0.3 million (2022: £nil) has been recorded in the translation reserve.

### Capital risk management

The Group's objective is to employ a disciplined approach to investment, returns and capital efficiency to deliver sustainable compounding growth whilst also maintaining a strong balance sheet.

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

The Group manages its capital structure using a number of measures and taking into account future strategic plans. Such measures include interest cover and gearing ratios. The Group therefore manages capital which includes cash and cash equivalents, bank borrowings and lease liabilities. The total capital held as at 31 December 2023 is £105.5 million (2022: £48.5 million).

Gearing, for bank purposes, is calculated as Adjusted EBITDA (being EBIT plus property, plant and equipment, rental stock and right of use depreciation and software amortisation) compared to total debt, including IFRS 16 liabilities, and the agreed covenant is for the ratio to be not more than 3 times. The Group's medium- to long-term intention is to maintain the capital structure such that we operate at no more than 1 – 1.5 times on this basis, other than for short term specific exceptions. Under this framework, our capital allocation policy remains unchanged and will take into account the following criteria as part of a periodic review of capital structure:

- maintaining a strong balance sheet;
- continuing capital investment to increase processing capacity and efficiency;
- appropriate accretive acquisitions;
- operating a progressive dividend policy; and
- distributing any surplus cash to Shareholders.

Against this backdrop, in September 2022, the Company announced the launch of a share buyback programme of the Company's Ordinary shares for up to a maximum aggregate consideration of £27.5 million (excluding expenses). This was followed by a second share buy-back programme of the Company's Ordinary shares for up to £10.0 million (excluding expenses). In reaching its decision, the Board considered ongoing capital expenditure at current levels to fund organic growth, payment of dividends and acquisitions within the M&A pipeline. Even after taking account of these factors, the Group had significant headroom under its committed facilities and target leverage. Accordingly, the Board concluded that the share buyback programme is prudent, reflects the cash generative ability of the Group, maintains a strong balance sheet consistent with its capital allocation policy and would therefore promote the success of the Company for the benefit of its members as a whole.

Reflecting the post COVID-19 pandemic recovery and the resumption of more normal levels of cash generation, in the first half of 2023, the Board approved an interim dividend of 0.9 pence per Ordinary share which was paid on 3 November 2023. The interim dividend represents a return to the Company's progressive dividend policy and the Board's intention to reduce dividend cover from the Company's historical level of cover of 3 times cover to 2.5 times cover by financial year 2024. The Board considers this provides an appropriate return to Shareholders but also enables the Group to invest in the business, such as through strategic acquisitions, purchasing energy efficient equipment, improving production efficiencies and investing in new laundries.

## 28 CONTINGENT LIABILITIES

The Group operates from a number of sites across the UK and the Republic of Ireland. 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 Trustee of the Pension Scheme (the 'Trustee') security over the assets of the Group. The priority of security is as follows:

- first ranking security for £28.0 million to the Trustee ranking pari passu with up to £155.0 million of bank liabilities; and
- second ranking security for the balance of any remaining liabilities to the Trustee ranking pari passu with any remaining bank liabilities.

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

## 29 SHARE CAPITAL

Issued and Fully Paid	Shares	2023 £m	Shares	2022 £m
Ordinary shares of 10p each:				
– At start of year	439,151,346	43.9	445,256,639	44.5
– Share buybacks	(24,736,223)	(2.5)	(6,105,293)	(0.6)
<b>At end of year</b>	<b>414,415,123</b>	<b>41.4</b>	<b>439,151,346</b>	<b>43.9</b>

In respect of the two share buyback programmes which were running during the year, 24,619,289 (2022: 6,222,227) Ordinary shares with a total nominal value of £2,461,929 (2022: £622,222) were bought back by the Company and cancelled for a total consideration including transaction costs of £29.8 million (2022: £5.7 million) which represents an average price of 121.0p per share (2022: 91.1p). The total shares repurchased across the two share buyback programmes to 31 December 2023 represent 6.9% of the Company's issued share capital outstanding immediately prior to the commencement of the first share buyback programme.

At 31 December 2022, 6,105,293 Ordinary shares with a total nominal value of £610,529 had been cancelled. The remaining 116,934 Ordinary shares were held as Treasury shares until they were subsequently cancelled, and paid for, on 3 January 2023.

Cash payments made in respect of the above transactions were (debited)/credited as follows:

	2023 £m	2022 £m
Share capital	(2.5)	(0.6)
Capital redemption reserve	2.5	0.6
Retained earnings	(29.9)	(5.6)
	<b>(29.9)</b>	<b>(5.6)</b>

### Potential issues of Ordinary shares of 10p each

As at the balance sheet date, certain senior executives hold options in respect of potential issues of Ordinary shares of 10 pence each granted pursuant to the 2009 Long-Term Incentive Plan (the '2009 LTIP'), the 2018 Long-Term Incentive Plan (the '2018 LTIP') and the 2018 Long-Term Incentive Plan Approved Section ('2018 Approved LTIP') (together referred to as 'Executive Schemes').

Certain Group employees also hold options in respect of potential issues of Ordinary shares of 10p each granted pursuant to the Johnson Service Group Sharesave Plan (hereinafter referred to as the 'SAYE Scheme').

Options granted under the SAYE Scheme are normally exercisable within six months from the date exercisable as shown below. Options under the Executive Schemes are normally exercisable, subject to the achievement of performance conditions, three years after the date of grant and within seven years from the date exercisable as shown below. Upon exercise, all options are generally settled in equity.

# Notes to the Consolidated Financial Statements Continued >

## 29 SHARE CAPITAL (Continued)

The number of shares subject to option under each scheme which were outstanding at 31 December 2023, the date on which they were granted and the date from which they may be exercised are given below:

Scheme	Date Options Granted	Number of Shares	Date Exercisable	Exercise Price per Share
2009 LTIP	27 March 2017	95,000	Note a	Nil
2018 LTIP	22 March 2021	311,220	Note a	Nil
2018 LTIP	16 March 2022	1,373,262	Note a	Nil
2018 LTIP	8 March 2023	1,726,349	Note a	Nil
2018 Approved LTIP	8 March 2023	666,666	Note a	1170
		4,172,497		
SAYE Scheme	3 October 2019	693	1 December 2022	155.75p
SAYE Scheme	3 October 2019	136,625	1 December 2024	155.75p
SAYE Scheme	1 October 2021	837,429	1 December 2024	129.75p
SAYE Scheme	1 October 2021	266,614	1 December 2026	129.75p
		1,241,361		
		5,413,858		

Note a: The LTIP options granted are subject to performance conditions linked to one or more of the Company's Earnings Per Share, adjusted profit before taxation and Total Shareholder Return and will ordinarily vest three years from grant. Further details are set out within the Directors' Remuneration Report.

The weighted average remaining contractual life of options outstanding at the end of the year is 1.56 years (2022: 1.42 years).

## 30 SHARE BASED PAYMENTS

### Executive Schemes

The 2009 LTIP provides for an exercise price of nil. 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 vesting periods or non-market vesting conditions apply, the expense is allocated over the vesting period based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. If the options outstanding at the balance sheet date 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.

The 2018 LTIP provides for an exercise price of nil. The 2018 LTIP also contains a sub-plan (the 2018 Approved LTIP) which permits the grant of options 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. The vesting period is generally three years and will be subject to a further holding period at the discretion of the Remuneration Committee. 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 vesting periods or non-market vesting conditions apply, the expense is allocated over the vesting period based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. If the options remain outstanding at the balance sheet date 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 Service Group Sharesave Plan provides for an exercise price equal to the average of the quoted mid-market price of the Company shares on the business days immediately preceding the date of grant, less a discount of up to ten per cent. The vesting period under the scheme is either three or five years and no performance conditions, other than remaining a Group employee, are attached to the options.

### Disclosures

During the year the Group recognised total expenses of £1.1 million (2022: £0.8 million) including associated social security costs of £0.1 million (2022: £nil) in relation to equity-settled share based payment transactions.

The average share price of Johnson Service Group PLC during the year was 119.4 pence (2022: 111.0 pence).

The aggregate gain made by Directors on the exercise of share options during the year was £nil (2022: £nil). Further details are disclosed within the Directors' Remuneration Report on pages 89 to 113.

**30 SHARE BASED PAYMENTS** (Continued)

Movements in the current and prior year in respect of all share schemes are summarised below:

	Number of Options	2023 Weighted Average Exercise Price (p)	Number of Options	2022 Weighted Average Exercise Price (p)
<b>Executive schemes</b>				
Outstanding at beginning of the year	2,374,213	–	1,790,453	10p
Granted during the year	2,408,015	32p	1,373,262	–
Lapsed during the year	(609,731)	–	(789,502)	23p
Outstanding at the end of the year	4,172,497	19p	2,374,213	–
Exercisable at the end of the year	95,000	–	95,000	–
<b>SAYE schemes</b>				
Outstanding at beginning of the year	2,153,234	138p	2,516,444	138p
Lapsed during the year	(911,873)	145p	(363,210)	141p
Outstanding at the end of the year	1,241,361	133p	2,153,234	138p
Exercisable at the end of the year	693	156p	728,767	148p

For options outstanding at 31 December 2023, the exercise date and the exercise price are disclosed within note 29.

The fair value of options awarded to employees is determined by reference to option pricing models, principally Binomial models 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 2023	Options Granted During 2022
Weighted average share price at date of grant (pence)	117	118
Weighted average exercise price (pence)	32	–
Weighted average fair value (pence)	116	115
Expected volatility (%)	55.3	53.4
Expected life (years)	3.0	3.0
Risk free interest rate (%)	3.8	1.4
Expected dividend yield (%)	0.4	0.8

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.

**31 SHARE PREMIUM**

	2023 £m	2022 £m
Balance brought forward	16.8	16.8
Received on allotment of shares	–	–
<b>Balance carried forward</b>	<b>16.8</b>	<b>16.8</b>

# Notes to the Consolidated Financial Statements Continued >

## 32 OWN SHARES

	2023 £m	2022 £m
Balance brought forward	0.1	-
Purchase of own shares	(0.1)	0.1
<b>Balance carried forward</b>	<b>-</b>	<b>0.1</b>

Own shares represent the cost of shares in Johnson Service Group PLC purchased in the market and held by the Trustee of the EBT, to satisfy options under the Group's share option schemes, along with, in the prior year, own shares acquired via the share buyback but not cancelled at 31 December 2022.

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

	2023	2022
Number of shares held in EBT	9,024	9,024
Number of own shares purchased through share buyback	-	116,934
Market value £m	-	0.1

## 33 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' EQUITY

	2023 £m	2022 £m
Profit for the year	273	290
	<b>273</b>	<b>290</b>
Other recognised gains and losses relating to the year:		
Share options (value of employee services)	1.0	0.8
Deferred tax on share options	0.1	(0.2)
Share buyback	(29.8)	(5.7)
Dividends paid to Shareholders	(10.6)	(3.5)
Re-measurement and experience gains/(losses) (net of taxation)	6.6	(7.4)
Cash flow hedges movement	(0.1)	(0.8)
<b>Net addition to Shareholders' equity</b>	<b>(5.5)</b>	<b>12.2</b>
Opening Shareholders' equity	284.6	272.4
<b>Closing Shareholders' equity</b>	<b>279.1</b>	<b>284.6</b>

## 34 BUSINESS COMBINATIONS

On 13 February 2023, the Group acquired 100% of the share capital of Regency Laundry Limited ('Regency') for a net consideration of £5.3 million (being gross consideration of £5.75 million on a debt free, cash free basis, subject to a level of normalised working capital) plus associated fees. Since acquisition, Regency has generated a profit of £0.6 million on revenue of £6.2 million. Had the business been acquired at the start of the period, it is estimated that profit of £0.5 million would have been generated on revenue of £6.8 million.

On 31 August 2023, the Group acquired 100% of the share capital of Harkglade Limited, together with its trading subsidiaries Celtic Linen Limited and Millbrook Linen Limited ('Celtic Linen'), for a net consideration of £25.2 million (being a gross consideration of £27.1 million on a debt free, cash free basis, subject to a locked box mechanism and a normalised level of working capital) plus associated fees. Since acquisition, Celtic Linen has generated a profit of £0.8 million on revenue of £10.3 million. Had the business been acquired at the start of the period, it is estimated that a profit of £2.3 million would have been generated on revenue of £30.3 million.



**34 BUSINESS COMBINATIONS** (Continued)

The provisional fair value of assets and liabilities acquired are as follows:

	Regency £m	Celtic Linen £m	Total £m
Intangible assets – Goodwill	32	73	105
Intangible assets – Customer contracts and brands	14	124	138
Property, plant and equipment	1.0	5.4	6.4
Right of use assets	1.5	2.7	4.2
Textile rental items	0.5	2.9	3.4
Reimbursement asset	–	0.1	0.1
Unissued textile rental stock	–	0.5	0.5
Trade and other receivables	0.8	5.4	6.2
Cash and cash equivalents	0.2	0.6	0.8
Trade and other payables	(1.1)	(6.0)	(7.1)
Borrowings	(0.2)	(1.6)	(1.8)
Lease Liabilities	(1.6)	(1.7)	(3.3)
Provisions	–	(0.7)	(0.7)
Current income tax liability	–	(0.1)	(0.1)
Deferred income tax liability	(0.4)	(2.0)	(2.4)
<b>Net consideration</b>	<b>5.3</b>	<b>25.2</b>	<b>30.5</b>

Goodwill represents the deferred income tax arising on the recognition of the customer contracts and customer relationships and brand names plus the expected benefits to the wider Group arising from the acquisition. None of the acquired goodwill is expected to be deductible for tax purposes.

Regency has been included within the HORECA reporting segment and is a standalone CGU. Celtic Linen has been included in the HORECA reporting segment and has formed an 'Ireland' CGU along with our 'Johnsons Belfast' business.

**Cash flows from business acquisition activity**

The cash flows in relation to business acquisition activity are summarised below:

	£m	2023 £m	£m	2022 £m
Costs in relation to business acquisition activity	(1.6)		–	
Trade and other payables	0.2		–	
Net cash used in operating activities		(1.4)		–
Net consideration payable	(30.5)		–	
Cash acquired	0.8		–	
Net cash used in investing activities		(29.7)		–
<b>Cash flows in relation to business acquisition activity</b>		<b>(31.1)</b>		<b>–</b>

# Notes to the Consolidated Financial Statements Continued >

## 35 DISCONTINUED OPERATIONS

During the year, a provision against deferred consideration of £0.1 million (2022: £0.2 million) was released relating to the sale of the Facilities Management division in August 2013.

### Income Statement

The Income Statement from discontinued operations included within the Consolidated Income Statement is as follows:

	2023 £m	2022 £m
Operating profit	0.1	0.2
Taxation	-	-
<b>Profit for the year from discontinued operations</b>	<b>0.1</b>	<b>0.2</b>

### Cash Flows

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

	2023 £m	2022 £m
<b>Net cash generated from operating activities</b>	<b>0.1</b>	<b>0.2</b>

## 36 ANALYSIS OF NET DEBT

Net debt is calculated as total borrowings net of unamortised bank facility fees, less cash and cash equivalents. Non-cash changes represent the effects of the recognition and subsequent amortisation of fees relating to the bank facility, changing maturity profiles, debt acquired as part of an acquisition and the recognition of lease liabilities entered into during the year.

December 2023	At 31 December 2022 £m	Cash Flow £m	Non-cash Changes £m	Foreign Exchange adjustments £m	At 31 December 2023 £m
Debt due within one year (note 22)	0.2	2.0	(1.8)	-	0.4
Debt due after more than one year (note 22)	(14.7)	(47.6)	(0.3)	(0.4)	(63.0)
Lease liabilities (note 23)	(34.3)	7.6	(16.5)	-	(43.2)
Total debt and lease financing	(48.8)	(38.0)	(18.6)	(0.4)	(105.8)
Cash and cash equivalents	0.8	0.1	-	-	0.9
<b>Net debt</b>	<b>(48.0)</b>	<b>(37.9)</b>	<b>(18.6)</b>	<b>(0.4)</b>	<b>(104.9)</b>

**36 ANALYSIS OF NET DEBT** (Continued)

December 2022	At 31 December 2021 £m	Cash Flow £m	Non-cash Changes £m	Foreign Exchange adjustments £m	At 31 December 2022 £m
Debt due within one year (note 22)	0.1	0.3	(0.2)	–	0.2
Debt due after more than one year (note 22)	(18.0)	3.4	(0.1)	–	(14.7)
Lease liabilities (note 23)	(37.8)	5.6	(2.1)	–	(34.3)
<b>Total debt and lease financing</b>	<b>(55.7)</b>	<b>9.3</b>	<b>(2.4)</b>	<b>–</b>	<b>(48.8)</b>
Cash and cash equivalents	(4.4)	5.2	–	–	0.8
<b>Net debt</b>	<b>(60.1)</b>	<b>14.5</b>	<b>(2.4)</b>	<b>–</b>	<b>(48.0)</b>

The cash and cash equivalents figures are comprised of the following balance sheet amounts:

	2023 £m	2022 £m
Cash (Current assets)	9.6	6.1
Overdraft (Borrowings, Current liabilities)	(8.7)	(5.3)
	<b>0.9</b>	<b>0.8</b>

Lease liabilities are comprised of the following balance sheet amounts:

	2023 £m	2022 £m
Amounts due within one year (Lease liabilities, Current liabilities)	(5.5)	(5.1)
Amounts due after more than one year (Lease liabilities, Non-current liabilities)	(37.7)	(29.2)
	<b>(43.2)</b>	<b>(34.3)</b>

**37 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	2023 £m	2022 £m
Increase in cash in the year	0.1	5.2
(Increase)/decrease in debt and lease financing	(38.0)	9.3
<b>Change in net debt resulting from cash flows</b>	<b>(37.9)</b>	<b>14.5</b>
Debt acquired through business acquisitions	(5.1)	–
Lease liabilities recognised during the year	(13.2)	(2.1)
Non-cash movement in unamortised bank facility fees	(0.3)	(0.3)
Foreign exchange adjustments	(0.4)	–
<b>Movement in net debt</b>	<b>(56.9)</b>	<b>12.1</b>
Opening net debt	(48.0)	(60.1)
<b>Closing Net Debt</b>	<b>(104.9)</b>	<b>(48.0)</b>

**38 FINANCIAL COMMITMENTS****Capital expenditure**

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

	2023 £m	2022 £m
Property, plant and equipment	272	111

**39 EVENTS AFTER THE REPORTING PERIOD**

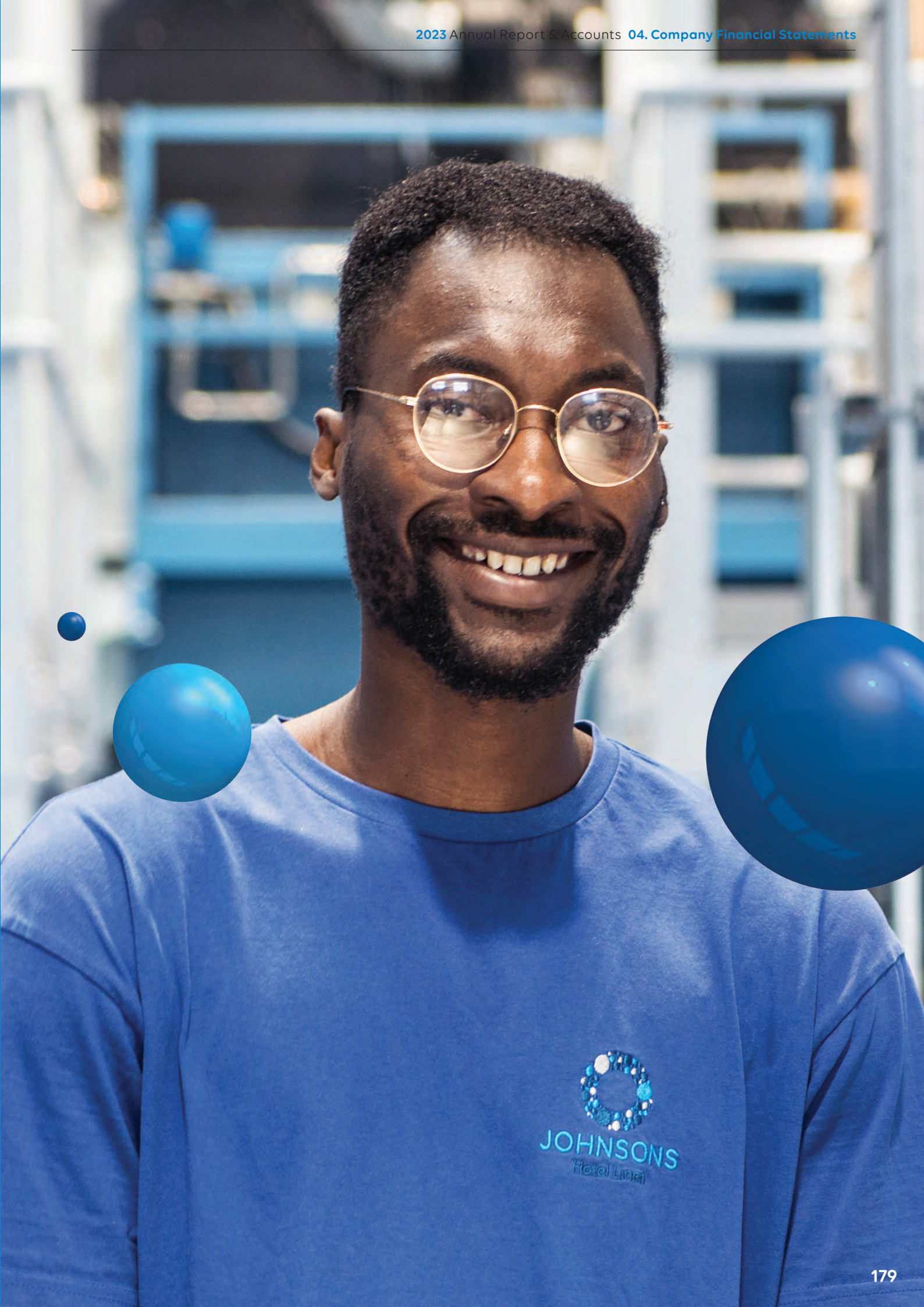
There were no events occurring after the balance sheet date which should be disclosed in accordance with IAS 10, 'Events after the reporting period'.



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# 04

# Company Financial Statements



# Company Statement of Changes in Shareholders' Equity

	Share Capital £m	Share Premium £m	Merger Reserve £m	Capital Redemption Reserve £m	Hedge Reserve £m	Retained Earnings £m	Total Equity £m
<b>Balance at 31 December 2021</b>	<b>44.5</b>	<b>16.8</b>	<b>3.5</b>	<b>0.6</b>	<b>0.3</b>	<b>161.3</b>	<b>227.0</b>
Loss for the year	-	-	-	-	-	(3.4)	(3.4)
Other comprehensive loss	-	-	-	-	(0.8)	(7.4)	(8.2)
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.8)</b>	<b>(10.8)</b>	<b>(11.6)</b>
Share options (value of employee services)	-	-	-	-	-	0.8	0.8
Deferred tax on share options	-	-	-	-	-	(0.1)	(0.1)
Share buybacks	(0.6)	-	-	0.6	-	(5.7)	(5.7)
Dividends paid	-	-	-	-	-	(3.5)	(3.5)
Transactions with Shareholders recognised directly in Shareholders' Equity	(0.6)	-	-	0.6	-	(8.5)	(8.5)
<b>Balance at 31 December 2022</b>	<b>43.9</b>	<b>16.8</b>	<b>3.5</b>	<b>1.2</b>	<b>(0.5)</b>	<b>142.0</b>	<b>206.9</b>
Loss for the year	-	-	-	-	-	(11.1)	(11.1)
Other comprehensive profit	-	-	-	-	(0.1)	6.6	6.5
<b>Total comprehensive loss for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(0.1)</b>	<b>(4.5)</b>	<b>(4.6)</b>
Share options (value of employee services)	-	-	-	-	-	1.0	1.0
Deferred tax on share options	-	-	-	-	-	0.1	0.1
Share buybacks	(2.5)	-	-	2.5	-	(29.8)	(29.8)
Dividends paid	-	-	-	-	-	(10.6)	(10.6)
Transactions with Shareholders recognised directly in Shareholders' Equity	(2.5)	-	-	2.5	-	(39.3)	(39.3)
<b>Balance at 31 December 2023</b>	<b>41.4</b>	<b>16.8</b>	<b>3.5</b>	<b>3.7</b>	<b>(0.6)</b>	<b>98.2</b>	<b>163.0</b>

At 31 December 2022, and pursuant to the then ongoing share buyback programme, the Group also held 116,934 treasury shares (2022: 116,934 treasury shares). These were subsequently cancelled on 3 January 2023. See note 29 of the Consolidated Financial Statements for further details.

# Company Balance Sheet

	Note	As at 31 December 2023 £m	As at 31 December 2022 £m
<b>Assets</b>			
<b>Non-current assets</b>			
Right of use assets	5	0.2	0.2
Trade and other receivables	8	7.6	5.3
Deferred income tax assets	6	2.1	4.4
Investments	7	600.0	569.3
		<b>609.9</b>	<b>579.2</b>
<b>Current assets</b>			
Trade and other receivables	8	0.6	0.1
Current income tax assets		1.6	–
		<b>2.2</b>	<b>0.1</b>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	9	376.9	341.4
Borrowings	10	7.9	5.1
Lease liabilities	11	0.1	0.1
Derivative financial liabilities	13	0.6	0.4
		<b>385.5</b>	<b>347.0</b>
<b>Non-current liabilities</b>			
Post-employment benefit obligations	12	0.3	10.2
Borrowings	10	63.0	14.7
Lease liabilities	11	0.1	0.2
Derivative financial liabilities	13	0.2	0.3
		<b>63.6</b>	<b>25.4</b>
		<b>163.0</b>	<b>206.9</b>
<b>Net assets</b>			
<b>Equity</b>			
<b>Capital and reserves attributable to the company's shareholders</b>			
Share capital	15	41.4	43.9
Share premium	16	16.8	16.8
Merger reserve		3.5	3.5
Capital redemption reserve		3.7	1.2
Hedge reserve		(0.6)	(0.5)
Retained earnings		98.2	142.0
		<b>163.0</b>	<b>206.9</b>

The Company recognised a loss during the year of £11.1 million (2022: £3.4 million loss).

The financial statements on pages 180 to 191 were approved by the Board of Directors on 4 March 2024 and signed on its behalf by:

**Yvonne Monaghan**

Chief Financial Officer

# Company Statement of Cash Flows

	Note	Year ended 31 December 2023 £m	Year ended 31 December 2022 £m
<b>Cash flows from operating activities</b>			
Loss for the year		(111)	(34)
Adjustments for:			
Income tax credit		(29)	(0.9)
Total finance charge/(income)		31	(1.3)
Depreciation	5	–	0.1
(Increase)/decrease in trade and other receivables		(0.7)	0.1
Increase/(decrease) in trade and other payables		1.0	(0.8)
Decrease in amounts due from subsidiary companies		2.6	1.8
Deficit recovery payments in respect of post-employment benefit obligations		(1.6)	(19)
Share-based payments		0.9	0.5
Commodity swaps not qualifying as hedges		–	(0.1)
Net exchange differences		0.4	–
Cash used in operations		(8.3)	(5.8)
Interest paid		(3.0)	(4.8)
Taxation (paid)/received		(1.6)	3.5
<b>Net cash used in operating activities</b>		<b>(12.9)</b>	<b>(7.1)</b>
<b>Cash flows from investing activities</b>			
Acquisition of investment in subsidiary		(30.5)	–
Interest received		0.4	5.1
Loans advanced to subsidiary companies		(5.4)	(30.1)
<b>Net cash used in investing activities</b>		<b>(35.5)</b>	<b>(25.0)</b>
<b>Cash flows from financing activities</b>			
Loans received from subsidiary companies		38.2	48.5
Proceeds from borrowings		100.6	48.0
Repayments of borrowings		(52.8)	(51.0)
Capital element of leases		(0.1)	–
Share buybacks		(29.9)	(5.6)
Dividends paid		(10.6)	(3.5)
<b>Net cash generated from financing activities</b>		<b>45.4</b>	<b>36.4</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(3.0)</b>	<b>4.3</b>
Cash and cash equivalents at beginning of year		(5.3)	(9.6)
<b>Cash and cash equivalents at end of year</b>	18	<b>(8.3)</b>	<b>(5.3)</b>
Sterling		(8.7)	(5.3)
Euro		0.4	–
<b>Cash and cash equivalents at end of year</b>	18	<b>(8.3)</b>	<b>(5.3)</b>

Cash and cash equivalents at the end of the year include cash of £0.4 million and an overdraft of £8.7 million (2022: £nil and £5.3 million respectively).

Included within the Company Statement of Cashflows above is £0.1 million of cash generated from investing activities relating to discontinued operations. Further details are provided in note 35 of the Consolidated Financial Statements.



# Statement of Significant Accounting Policies

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

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

The Company Financial Statements were authorised for issue by the Board on 4 March 2024.

## Basis of preparation

The principal accounting policies applied in the preparation of the Company Financial Statements are the same as those used in the Consolidated Financial Statements as set out on pages 130 to 142 with the addition of the policies set out below. These policies have been consistently applied to the information presented, unless otherwise stated.

## Investments

Investments in Group Undertakings are recorded at cost, which is the fair value of the consideration paid. Investments are tested for impairment and carried at cost less accumulated impairment losses. The Company considers impairment of its investment in subsidiaries by estimating the recoverable amounts of the investments, which are based on either the net assets of the subsidiary, or value-in-use calculations. For further details of value-in-use calculations, see note 12 of the Consolidated Financial Statements. Where an impairment is identified, it is charged to the Income Statement within intangibles amortisation and impairment (excluding software). Investments that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## Share based compensation

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

## Judgements made in applying accounting policies

In the course of preparing these financial statements, certain judgments are made by the Company in the process of applying the Company's accounting policies. Those that have the most significant effect on either the amounts recognised in the financial statements or the presentation thereof are discussed below.

## Going concern

After considering the monthly cash flow projections, the stress tests 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 period to 30 June 2025. Accordingly, 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. Additional information on the judgment management has applied in adopting the going concern assumption is included in the Directors' Report of these accounts on pages 59 to 60.

## Sources of estimation and uncertainty

The Company makes estimates and assumptions concerning the future. Whilst such estimates and assumptions are believed to be reasonable under the circumstances, the resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that are considered to 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) Post-employment benefit obligations

The Company operates a post retirement defined benefit arrangement (see note 26 of the Consolidated Financial Statements). Asset valuations are based on the fair value of scheme assets. The valuations of the liabilities of the schemes are based on statistical and actuarial calculations, using various assumptions including discount rates, future inflation rates and pension increases, life expectancy of scheme members, flexible retirement options 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. Any of these differences could impact the assets or liabilities recognised in the Balance Sheet in future periods. Sensitivities are shown in note 26 of the Consolidated Financial Statements.

# Notes to the Company Financial Statements

## 1 COMPANY INCOME STATEMENT AND COMPANY STATEMENT OF COMPREHENSIVE INCOME

As permitted by Section 408(3) of the Companies Act 2006, the Company Income Statement and Company Statement of Comprehensive Income are not presented with these financial statements. Details of Auditor's remuneration are shown in note 3 of the Consolidated Financial Statements.

## 2 DIRECTORS' EMOLUMENTS

Detailed disclosures that form part of these financial statements are given in note 4 of the Consolidated Financial Statements and the Directors' Remuneration Report on pages 89 to 113.

## 3 EMPLOYEE BENEFIT EXPENSE

	2023 £m	2022 £m
Wages and salaries	3.6	2.2
Social security costs	0.6	0.3
Pension costs - defined contribution plans	0.1	0.1
<b>Total</b>	<b>4.3</b>	<b>2.6</b>
Agency costs	0.1	-
Cost of employee share schemes	0.9	0.5
<b>Total employee benefit expense</b>	<b>5.3</b>	<b>3.1</b>

The monthly average number of persons employed for the Company during the year was 17 (2022: 14).

## 4 PROPERTY, PLANT AND EQUIPMENT

	Plant and Equipment £m
<b>Cost</b>	
At 31 December 2021, 2022 & 2023	0.3
<b>Accumulated depreciation and impairment</b>	
At 31 December 2021, 2022 & 2023	0.3
<b>Carrying Amount</b>	
At 31 December 2021, 2022 & 2023	-

There were £nil assets under construction at 31 December 2023 (2022: £nil).

## 5 RIGHT OF USE ASSETS

	Properties £m
<b>Cost</b>	
At 31 December 2021	0.6
Reassessment and modifications	-
At 31 December 2022	0.6
Reassessment and modifications	-
At 31 December 2023	0.6
<b>Accumulated depreciation and impairment</b>	
At 31 December 2021	0.3
Charged during the year	0.1
At 31 December 2022	0.4
Charged during the year	-
At 31 December 2023	0.4
<b>Carrying amount</b>	
At 31 December 2021	0.3
At 31 December 2022	0.2
At 31 December 2023	0.2

## 6 DEFERRED INCOME TAX ASSETS

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

	Deferred tax assets	
	2023	2022
	£m	£m
Deferred income tax balances in respect of:		
Depreciation in excess of capital allowances	0.1	0.1
Post-employment benefit obligations	0.1	2.6
Derivative financial instruments	0.2	0.2
Employee share schemes	0.3	0.2
Trading losses	1.4	1.3
	<b>2.1</b>	<b>4.4</b>

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

	Depreciation in Excess of Capital Allowances £m	Post- employment Benefit Obligations £m	Derivative Financial Instruments £m	Employee Share Schemes £m	Trading Losses £m	Total £m
<b>At 31 December 2021</b>	<b>0.1</b>	<b>0.4</b>	<b>(0.1)</b>	<b>0.3</b>	<b>0.6</b>	<b>1.3</b>
(Charge)/credit to income	-	(0.4)	-	-	0.7	0.3
Charge to shareholders equity	-	-	-	(0.1)	-	(0.1)
Credit to other comprehensive income	-	2.6	0.3	-	-	2.9
<b>At 31 December 2022</b>	<b>0.1</b>	<b>2.6</b>	<b>0.2</b>	<b>0.2</b>	<b>1.3</b>	<b>4.4</b>
(Charge)/credit to income	-	(0.3)	-	-	0.1	(0.2)
Credit to shareholders equity	-	-	-	0.1	-	0.1
Credit to other comprehensive income	-	(2.2)	-	-	-	(2.2)
<b>At 31 December 2023</b>	<b>0.1</b>	<b>0.1</b>	<b>0.2</b>	<b>0.3</b>	<b>1.4</b>	<b>2.1</b>

Deferred income taxes at the balance sheet date have been measured at an effective deferred tax rate of 25.0% as at 31 December 2023 (2022: 25.6%). The impact of the change in tax rates has been a £nil (2022: £0.1 million charge) to income.

The Company has estimated that £nil of the Company's deferred income tax asset will be realised in the next 12 months. This is management's current best estimate and may not reflect the actual outcome in the next 12 months.

## 7 INVESTMENTS

	2023 £m	2022 £m
<b>Investment in subsidiary undertakings</b>		
<b>Cost</b>		
Brought forward	579.9	579.5
Additions	30.5	-
Movement relating to share options	0.2	0.4
<b>Carried forward</b>	<b>610.6</b>	<b>579.9</b>
<b>Accumulated impairment</b>		
Brought forward	10.6	10.6
Impairment	-	-
<b>Carried forward</b>	<b>10.6</b>	<b>10.6</b>
<b>Carrying amount</b>		
Opening	569.3	569.3
<b>Closing</b>	<b>600.0</b>	<b>569.3</b>

Particulars of subsidiary undertakings are shown in note 22 of the Company Financial Statements.

During the year the Company acquired Regency Laundry Limited and Harkglade Limited along with its wholly owned trading subsidiaries Celtic Linen Limited and Millbrook Linen Limited. Details of these acquisitions are shown in note 34 of these Consolidated Financial Statements.

The Directors deem the investments to be recoverable due to the future forecasts of the Group.

# Notes to the Company Financial Statements Continued >

## 8 TRADE AND OTHER RECEIVABLES

	2023 £m	2022 £m
<b>Amounts falling due within one year:</b>		
Prepayments and other receivables	0.6	0.1
	<b>0.6</b>	<b>0.1</b>
<b>Amounts falling due after more than one year:</b>		
Receivables from subsidiaries	7.6	5.3
	<b>7.6</b>	<b>5.3</b>

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

Amounts owed by subsidiaries due after more than one year are unsecured and have no fixed date of repayment and the Company has no present intention of demanding repayment in less than 12 months and therefore the amounts have been presented as non-current assets. Balances are interest bearing with interest charged based on one month GBP SONIA plus 0.1193% Credit Adjustment Spread or EURIBOR plus a 1.45% margin. The fair value of these amounts is considered to be the same as their carrying value as they bear interest at a rate considered by Directors to be a market rate.

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

All receivable balances at the balance sheet date are denominated in Sterling (2022: Sterling) and are held at amortised cost.

## 9 TRADE AND OTHER PAYABLES (CURRENT)

	2023 £m	2022 £m
Trade payables	0.3	0.2
Other payables	0.3	0.1
Other taxation and social security liabilities	0.4	0.3
Accruals	21	14
Payables to subsidiaries	373.8	339.4
	<b>376.9</b>	<b>341.4</b>

All trade and other payable balances at the balance sheet date are denominated in Sterling (2022: Sterling) and are held at amortised cost. Given their short term nature there is to be no difference between this and their fair value.

## 10 BORROWINGS

	2023 £m	2022 £m
<b>Current</b>		
Overdraft	8.3	5.3
Bank loans	(0.4)	(0.2)
	<b>7.9</b>	<b>5.1</b>
<b>Non-current</b>		
Bank loans	63.0	14.7
<b>Total Borrowings</b>	<b>70.9</b>	<b>19.8</b>
The maturity of non-current bank loans is as follows:		
– Between one and two years	63.2	15.0
– Unamortised issue costs of bank loans	(0.2)	(0.3)
	<b>63.0</b>	<b>14.7</b>
The currency of the outstanding bank loans is as follows:		
– Sterling	32.0	15.0
– Euros	31.2	–
	<b>63.2</b>	<b>15.0</b>

All Group bank loans are held by the Company. Full details of Group facilities are provided in note 22 of the Consolidated Financial Statements.

**10 BORROWINGS** (Continued)

The overdraft and secured bank loans are stated net of unamortised issue costs of £0.6 million (2022: £0.5 million) of which £0.4 million is included within current borrowings (2022: £0.2 million) and £0.2 million is included within non-current borrowings (2022: £0.3 million within non-current borrowings).

The Group has two overdraft facilities for £5.0 million and £3.0 million with two of its principal bankers (2022: £5.0 million and £3.0 million). Certain cash balances in certain Group bank accounts can be offset with overdrawn balances in those bank accounts. The maximum amount any individual Company may be overdrawn, with each bank, is £10.0 million and £5.0 million respectively (2022: £10.0 million and £5.0 million).

**11 LEASE LIABILITIES**

	Properties £m
At 31 December 2021	0.3
At 31 December 2022	0.3
Reassessment and modifications	–
Lease liability payments (including finance costs)	(0.1)
At 31 December 2023	0.2

Lease liabilities are comprised of the following balance sheet amounts:

	2023 £m	2022 £m
Amounts due within one year (Lease liabilities, Current Liabilities)	0.1	0.1
Amounts due more than one year (Lease liabilities, Non-current Liabilities)	0.1	0.2
	<b>0.2</b>	<b>0.3</b>

Lease liabilities are as follows:

	2023 £m	2022 £m
Not more than one year		
Minimum lease payments	0.1	0.1
Interest element	–	–
Present value of minimum lease payments	<b>0.1</b>	<b>0.1</b>
More than one year		
Minimum lease payments	0.1	0.2
Interest element	–	–
Present value of minimum lease payments	<b>0.1</b>	<b>0.2</b>

**12 POST-EMPLOYMENT BENEFIT OBLIGATIONS**

Details of the Group's pension and healthcare schemes are provided in note 26 of the Consolidated Financial Statements.

As at the 31 December 2023 and 31 December 2022 the entire Group liabilities under defined benefit schemes are held on the Company Balance Sheet.

During the year the Company's cost of defined contribution pension schemes was £0.1 million (2022: £0.1 million).

**13 DERIVATIVE FINANCIAL ASSETS AND LIABILITIES**

Details of derivative financial liabilities are shown in note 27 of the Consolidated Financial Statements. All of the Group's derivative financial liabilities are held by the Company.

**14 CONTINGENT LIABILITIES**

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

# Notes to the Company Financial Statements Continued >

## 15 SHARE CAPITAL

Issued and Fully Paid	Shares	2023 £m	Shares	2022 £m
Ordinary shares of 10p each:				
At start of year	439,151,346	439	445,256,639	44.5
Share buyback	(24,736,223)	(2.5)	(6,105,293)	(0.6)
<b>At end of year</b>	<b>414,415,123</b>	<b>41.4</b>	<b>439,151,346</b>	<b>43.9</b>

Full details relating to the issue of Ordinary shares in the prior year are shown in note 29 of the Consolidated Financial Statements.

## 16 SHARE PREMIUM

	2023 £m	2022 £m
Balance brought forward	16.8	16.8
Received on allotment of shares	-	-
<b>Balance carried forward</b>	<b>16.8</b>	<b>16.8</b>

## 17 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' EQUITY

	2023 £m	2022 £m
Loss for the year	(11.1)	(3.4)
	<b>(11.1)</b>	<b>(3.4)</b>
Other recognised gains and losses relating to the year:		
Share option (value of employee services)	1.0	0.8
Deferred tax on share options	0.1	(0.1)
Share buybacks	(29.8)	(5.7)
Dividends paid	(10.6)	(3.5)
Re-measurement and experience gains/(losses) (net of taxation)	6.6	(7.4)
Cash flow hedges movement (net of taxation)	(0.1)	(0.8)
<b>Net reduction to Shareholders' equity</b>	<b>(43.9)</b>	<b>(20.1)</b>
<b>Opening Shareholders' equity</b>	<b>206.9</b>	<b>227.0</b>
<b>Closing Shareholders' equity</b>	<b>163.0</b>	<b>206.9</b>

## 18 ANALYSIS OF NET DEBT

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

	At 31 December 2022 £m	Cash Flow £m	Other Non-cash Changes £m	Foreign Exchange differences £m	At 31 December 2023 £m
Debt due within one year	0.2	0.2	-	-	0.4
Debt due after more than one year	(14.7)	(47.6)	(0.3)	(0.4)	(63.0)
Lease liabilities	(0.3)	0.1	-	-	(0.2)
<b>Total debt and lease liabilities</b>	<b>(14.8)</b>	<b>(47.3)</b>	<b>(0.3)</b>	<b>(0.4)</b>	<b>(62.8)</b>
Cash and cash equivalents	(5.3)	(3.0)	-	-	(8.3)
<b>Net debt</b>	<b>(20.1)</b>	<b>(50.3)</b>	<b>(0.3)</b>	<b>(0.4)</b>	<b>(71.1)</b>

**18 ANALYSIS OF NET DEBT** (Continued)

	At 31 December 2021 £m	Cash Flow £m	Other Non-cash Changes £m	Foreign Exchange differences £m	At 31 December 2022 £m
Debt due within one year	0.1	0.3	(0.2)	-	0.2
Debt due after more than one year	(18.0)	3.4	(0.1)	-	(14.7)
Lease liabilities	(0.3)	-	-	-	(0.3)
<b>Total debt and lease liabilities</b>	<b>(18.2)</b>	<b>3.7</b>	<b>(0.3)</b>	<b>-</b>	<b>(14.8)</b>
Cash and cash equivalents	(9.6)	4.3	-	-	(5.3)
<b>Net debt</b>	<b>(27.8)</b>	<b>8.0</b>	<b>(0.3)</b>	<b>-</b>	<b>(20.1)</b>

**19 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT**

	2023 £m	2022 £m
(Decrease)/Increase in cash in year	(3.0)	4.3
(Increase)/Decrease in debt financing	(47.3)	3.7
Change in net debt resulting from cash flows	(50.3)	8.0
Foreign Exchange differences	(0.4)	-
Non-cash movement in unamortised bank facility fees	(0.3)	(0.3)
Movement in net debt in year	(51.0)	7.7
Opening net debt	(20.1)	(27.8)
<b>Closing net debt</b>	<b>(71.1)</b>	<b>(20.1)</b>

**20 RELATED PARTY TRANSACTIONS**

Transactions during the year between the Company and its subsidiaries, which are related parties, are eliminated on consolidation. These transactions are carried out on an arms-length basis.

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

	2023 £m	2022 £m
Interest paid	(2.5)	(2.8)
Interest received	0.4	5.5
	<b>(2.1)</b>	<b>2.7</b>

Cash flows pertaining to advances made to subsidiaries and loans from subsidiaries are shown separately with the Company Cashflow Statement.

The key management of the Company are considered to be only the Directors of the Company. The Directors are related parties of the Company and further details of their compensation is provided in note 5 of the Consolidated Financial Statements and in the Directors' Remuneration Report. The Company did not enter into any form of loan arrangement with any Director during any of the years presented.

**21 EVENTS AFTER THE REPORTING PERIOD**

There were no events occurring after the balance sheet date which should be disclosed in accordance with IAS 10, 'Events after the reporting period'.

# Notes to the Company Financial Statements Continued >

## 22 SUBSIDIARIES

As at 31 December 2023 the company had a number of subsidiary companies, a list of which is shown below.

Subsidiary companies at the balance sheet date	Principal Activity
Johnsons Textile Services Limited*	Textile and linen rental
Regency Laundry Limited	Textile and linen rental
Celtic Linen Limited*	Textile and linen rental
Millbrook Linen Limited*	Textile and linen rental
Johnson Group Properties PLC	Property holding
Semara Estates Limited*	Property holding
Fresh Linen Holdings Limited	Holding company
Harkglade Limited	Holding company
Johnson Investment Limited	Holding company
Semara Group Limited*	Holding company
Semara Investments Limited*	Holding company
Semara Contract Services Limited*	Holding company
South West Laundry Holdings Limited	Holding company
Afonwen Laundry Limited*	Non-trading company
Ashbon Services Limited	Non-trading company
Bentley Textile Services Limited*	Non-trading company
Bourne Services Group Limited	Non-trading company
Bourne Textile Services Limited*	Non-trading company
Caterers Linen Supply Limited*	Non-trading company
Catering Linen Supply Limited*	Non-trading company
Chester Laundry Limited	Non-trading company
Clayfull Limited	Non-trading company
Clifton Cleaning Limited	Non-trading company
Fresh Linen Limited*	Non-trading company
Greenearth Cleaning Europe Limited	Non-trading company
Greenearth Cleaning Limited	Non-trading company
Johnson Group Cleaners Trustee Company (no 1) Limited	Non-trading company
Johnson Group Cleaners Trustee Company (no 2) Limited	Non-trading company
Johnson Group Inc (UK) Limited	Non-trading company
Johnson Group Management Services Limited	Non-trading company
Johnson Group Pension Nominees Limited	Non-trading company
Johnson Hospitality Services Limited	Non-trading company
Johnsons Hotel Linen Limited	Non-trading company
Johnsons Hotel, Restaurant and Catering Linen Limited	Non-trading company
Johnsons Restaurant and Catering Limited	Non-trading company
Johnsons Apparelmaster Limited	Non-trading company
Johnsons Workwear Limited	Non-trading company
JSG PLC*	Non-trading company
London Linen Management Limited*	Non-trading company
London Linen Supply Limited	Non-trading company
London Workwear Rental Limited*	Non-trading company
Lilliput (Dunmurry) Limited	Non-trading company
Pure Laundry Limited*	Non-trading company
Portgrade Limited	Non-trading company
Quality Textile Services Limited	Non-trading company
Roboserve Limited	Non-trading company
Semara Nominees Limited*	Non-trading company
Semara Trustees Limited*	Non-trading company
South West Laundry Limited*	Non-trading company
Stalbridge Linen Services Limited*	Non-trading company
StarCounty Textile Services Limited	Non-trading company
Whiteriver Laundry Limited*	Non-trading company
Wintex UK Limited	Non-trading company
Zip Textiles (Services) Limited	Non-trading company



**22 SUBSIDIARIES** (Continued)

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 and Wales, apart from Clayfull Limited which is registered in Scotland, Lilliput (Dunmurry) Limited which is registered in Northern Ireland and Harkglade Limited, Celtic Linen Limited and Millbrook Linen Limited which are registered in the Republic of Ireland. The registered office for all the companies listed above is Johnson House, Abbots Park, Monks Way Preston Brook, Runcorn, Cheshire, WA7 3GH apart from Clayfull Limited whose registered office is Unit 1, Sherwood Industrial Estate, Bonnyrigg, EH19 3LW, Lilliput (Dunmurry) Limited whose registered office is 9 City Business Park, Dunmurry, Belfast, BT17 9GX, Regency Laundry Limited whose registered office is Unit 10b, Leafield Industrial Estate, Leafield Way, Corsham, Wiltshire, SN13 9SW and Harkglade Limited, Celtic Linen Limited and Millbrook Linen Limited whose registered office is Rosslare Road Drinagh, Wexford, Republic of Ireland.

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# 05

## Shareholder Information



## FINANCIAL CALENDAR

Results announcement for the year to  
31 December 2023  
5 March 2024

Results announcement for the half year to  
30 June 2024  
September 2024

Annual General Meeting  
1 May 2024

# 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 immediately your stockbroker, solicitor, accountant or other independent adviser authorised under the Financial Services and Markets Act 2000 if you are resident in the United Kingdom or, if you reside elsewhere, another appropriately authorised financial adviser.

If you have sold or otherwise transferred all of your shares in Johnson Service Group PLC, please pass this document as soon as possible to the purchaser or transferee, or to the person who arranged the sale or transfer so they can pass these documents to the person who now holds the shares.

## **Dear Shareholder.**

I am pleased to be writing to you with details of the 2024 Annual General Meeting (the 'Meeting' or the 'AGM') of Johnson Service Group PLC (JSG' or the 'Company') which will be held at the DoubleTree by Hilton Hotel & Spa Chester, Warrington Road, Hoole, Chester, CH2 3PD on Wednesday 1 May 2024 at 11:00am.

## **BUSINESS OF THE MEETING**

The formal notice of the AGM is set out on pages 196 to 202 and full details of the Resolutions to be proposed at the AGM are contained in the Explanatory Notes on pages 200 to 202.

## **FORM OF PROXY**

As we did last year, and in order to reduce the Company's environmental impact, our intention is to once again remove paper from the voting process as far as possible. **As a result, you will not receive a hard copy Form of Proxy for the AGM but instead you will be able to register your vote electronically.**

You are, therefore, asked to vote in one of the following ways:

- Register your vote online through our Registrar's portal – [www.signalshares.com](http://www.signalshares.com). You will need to log into your Signal Shares account or register if you have not previously done so.
- CREST members may utilise the CREST electronic proxy appointment service in accordance with the instructions provided in Accompanying Note 5 below.
- If you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to [www.proxymity.io](http://www.proxymity.io) and refer to Note 6 below.

If you prefer, you may request a hard copy Form of Proxy from our Registrar, Link Group, using the contact details shown within Accompanying Note 2 below and return it to Link Group at the address shown on the Form of Proxy.

All Forms of Proxy, whether registered online, electronic or hard copy, must be received by the Company's Registrar no later than 11:00am on Monday 29 April 2024 or, if the Meeting is adjourned, by the time which is 48 hours before the start time of the adjourned Meeting.

Further details are provided in Accompanying Note 3 below. If you need help with completing the Form of Proxy online, please contact the Company's Registrar.

## **HOW TO VOTE**

Your vote is important to us. We strongly encourage you to vote in advance of the Meeting by appointing the Chair of the Meeting as your proxy. Our Registrar, Link Group, must receive your Form of Proxy containing your voting instructions by 11:00am on Monday 29 April 2024 at the latest to ensure that your vote is counted. Details of how to submit a Form of Proxy are set out in Accompanying Note 4 below.

## BOARD RECOMMENDATIONS

The Directors believe that each of the proposed Resolutions to be considered at the AGM is in the best interests of the Company and its Shareholders as a whole and recommend that all Shareholders vote in favour of all Resolutions, as the Directors intend to do in respect of their own shareholdings.

The results of the voting on all Resolutions will be announced via the Regulatory News Service and published on our website as soon as practicable following the conclusion of the AGM.

### **Jock Lennox**

Non-Executive Chair

4 March 2024

# Notice of Annual General Meeting

Continued >

**NOTICE is hereby given that the Annual General Meeting of Johnson Service Group PLC will be held at the DoubleTree by Hilton Hotel & Spa Chester, Warrington Road, Hoole, Chester, CH2 3PD on Wednesday 1 May 2024 at 11:00am to transact the business set out in the Resolutions below.**

Resolutions 1 to 13 (inclusive) will be proposed as Ordinary Resolutions and Resolutions 14 to 16 (inclusive) will be proposed as Special Resolutions.

The business of the Meeting will be to consider and, if thought fit, to pass the following Resolutions:

## ORDINARY RESOLUTIONS

### Annual Report and Accounts

1. To receive and adopt the financial statements for the year ended 31 December 2023 together with the reports of the Directors and the auditor on those financial statements.

### Directors' Remuneration Report

2. To approve the Directors' Remuneration Report as set out on pages 89 to 113 of the 2023 Annual Report.

### Final Dividend

3. To confirm the payment of the interim dividend of 0.9 pence per Ordinary Share and to declare a final dividend of 1.9 pence per Ordinary Share for the year ended 31 December 2023.

### Election and Re-election of Directors

4. To re-elect Jock Lennox as a Director.
5. To re-elect Peter Egan as a Director.
6. To re-elect Yvonne Monaghan as a Director.
7. To re-elect Chris Girling as a Director.
8. To re-elect Nick Gregg as a Director.
9. To re-elect Nicola Keach as a Director.
10. To elect Kirsty Homer as a Director, who was appointed as a Director by the Board subsequent to the previous Annual General Meeting of the Company.

### External Auditor's Appointment and Remuneration

11. To reappoint Grant Thornton UK LLP as auditor to the Company until the conclusion of the next general meeting at which accounts are laid before the Company.
12. To authorise the Audit Committee to determine the remuneration of the auditor.

### Directors' Authority to Allot Shares

13. 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 £13,813,837.

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 1 July 2025, 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).

## SPECIAL RESOLUTIONS

### Disapplication of Pre-emption Rights

14. Subject to and conditional upon the passing of the Ordinary Resolution numbered 13 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 for cash pursuant to the authority conferred upon them by the Ordinary Resolution numbered 13 in this notice of Annual General Meeting of the Company and / or sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment of Equity Securities or sale of ordinary shares held by the Company as treasury shares, 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;
  - (ii) the allotment (otherwise than pursuant to sub paragraph (i) above) of Equity Securities pursuant to the authority granted under the Ordinary Resolution numbered 13 in this notice of Annual General Meeting or sale of treasury shares up to an aggregate nominal amount of £4,144,151 (representing approximately 10% of the Company's issued share capital (excluding treasury shares) as at 4 March 2024); and
  - (iii) the allotment of Equity Securities or sale of treasury shares (otherwise than under sub-paragraphs (i) or (ii) above) up to an aggregate nominal amount equal to 20 per cent of any allotment of Equity Securities or sale of treasury shares from time to time under sub-paragraph (ii) above, such authority to be used only for the purposes of making a follow-on offer which the Directors of the Company determine to be of a kind contemplated by paragraph 3 of Section 2B of the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice.

This power 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 1 July 2025, 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 (and treasury shares to be sold) after such expiry and the Directors of the Company may allot Equity Securities (and sell treasury shares) 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.

15. Subject to and conditional upon the passing of the Ordinary Resolution numbered 13 in this notice of Annual General Meeting of the Company and in addition to any authority granted under the Special Resolution numbered 14 in this notice of Annual General Meeting of the Company, 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 for cash pursuant to the authority conferred upon them by the Ordinary Resolution numbered 13 in this notice of Annual General Meeting of the Company and / or sell ordinary shares held by the Company as treasury shares for cash as if section 561 of the Companies Act 2006 did not apply to any such allotment of Equity Securities or sale of treasury shares, provided that this power shall be limited to the allotment of Equity Securities pursuant to the authority granted under the Ordinary Resolution numbered 13 in this notice of Annual General Meeting of the Company or the sale of treasury shares:
- (i) up to an aggregate nominal amount of £4,144,151 (representing approximately 10% of the Company's issued share capital (excluding treasury shares) as at 4 March 2024) such authority to be used only for the purposes of financing (or refinancing, if the authority is to be used within twelve months after the original transaction) a transaction which the Directors of the Company determine to be an acquisition or other specified capital investment of a kind contemplated by the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice of Annual General Meeting of the Company; and
  - (ii) (otherwise than under sub-paragraph (i) above) up to an aggregate nominal amount equal to 20 per cent of any allotment of Equity Securities or sale of treasury shares from time to time under sub-paragraph (i) above, such authority to be used for the purposes of making a follow-on offer which the Directors of the Company determine to be of a kind contemplated by sub-paragraph 3 of Section 2B of the Statement of Principles on Disapplying Pre-Emption Rights most recently published by the Pre-Emption Group prior to the date of this notice of Annual General Meeting of the Company.

This power 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 1 July 2025, 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 (and treasury shares to be sold) after such expiry and the Directors of the Company may allot Equity Securities (and sell treasury shares) 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.

### Purchase of Own Shares

16. In accordance with article 11 of the Articles of Association, the Directors of the Company be and are hereby generally and unconditionally authorised for the purposes of section 701 of the Companies Act 2006 to make market purchases (within the meaning of section 693(4) of the Companies Act 2006) of ordinary shares of 10 pence each in the capital of the Company ("Ordinary Shares") on such terms and in such manner as the Directors of the Company may from time to time determine, provided that:
- (i) the maximum aggregate number of Ordinary Shares that may be purchased under this authority is 41,441,512 (representing approximately 10% of the Company's issued share capital (excluding treasury shares) as at 4 March 2024);

# Notice of Annual General Meeting

## Continued >

- (ii) the minimum price which may be paid for each Ordinary Share is 10 pence, exclusive of attributable expenses payable by the Company (if any); and
- (iii) the maximum price which may be paid for each Ordinary Share is the higher of:
  - a) 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; and
  - b) the higher of the price of the last independent trade of Ordinary Shares and the highest current independent bid for Ordinary Shares on the trading venue where the purchase is carried out,

in each case, exclusive of attributable expenses payable by the Company (if any).

The authority hereby conferred 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 held after the passing of this Resolution or, if earlier, on 1 July 2025 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 are strongly encouraged to vote by appointing the Chair of the Meeting as their proxy in advance of the AGM.

By Order of the Board.

**Christopher Clarkson**

Company Secretary

4 March 2024

Johnson Service Group PLC

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



## Accompanying Notes

### 1. Entitlement to Attend or Vote at the AGM

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 at close of business on 29 April 2024 or, in the event that the Meeting is adjourned, in the Register of Members at close of business on the date which is two days prior to the date fixed for holding 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 that time shall be disregarded in determining the rights of any person to attend or vote at the Meeting.

### 2. Contacting the Company's Registrar

You can write to the Company's Registrar at the address below:

Link Group  
10th Floor  
Central Square  
29 Wellington Street  
Leeds  
LS1 4DL

Alternatively, you can email at [shareholderenquiries@linkgroup.co.uk](mailto:shareholderenquiries@linkgroup.co.uk) or call Link Group on 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 - 17:30 (GMT), Monday to Friday excluding public holidays in England and Wales.

When contacting the Registrar please ensure you provide your unique Investor Code (IVC), which can be found on a share certificate or dividend confirmation. Alternatively, you can contact the Company's Registrar to obtain your IVC.

### 3. Voting

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, you will not receive a Form of Proxy for the AGM in the post.

You are, therefore, asked to register your vote online through our Registrar's portal – [www.signalshares.com](http://www.signalshares.com). You will need to log into your Signal Shares account or register if you have not previously done so. To log in or register, you will need your Investor Code (IVC), which is printed on your share certificate or may be obtained by contacting the Company's Registrar, Link Group, whose contact details are set out in Accompanying Note 2 above.

CREST members may utilise the CREST electronic proxy appointment service in accordance with the instructions provided in Accompanying Note 5 below.

If you are an institutional investor you may also be able to appoint a proxy electronically via the Proximity platform in accordance with Note 6 below.

If you prefer, you may request a hard copy Form of Proxy from Link Group, using the contact details set out in Accompanying Note 2 above, and return it to Link Group at the address shown on the form.

All Forms of Proxy, whether online, electronic or hard copy, must be received by the Company's Registrar no later than 11:00am on 29 April 2024 or, if the Meeting is adjourned, by the time which is 48 hours before the start time of the adjourned Meeting.

If you need help with completing the Form of Proxy online, please contact the Company's Registrar.

### 4. Proxies

Shareholders are entitled to appoint a proxy to exercise all or any of their rights to attend, speak and vote on their behalf at the Meeting. A Shareholder may appoint more than one proxy in relation to the AGM provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that Shareholder. A proxy need not be a Shareholder of the Company. You can only appoint a proxy by using the procedures set out in these notes.

Shareholders can complete the Form of Proxy online as further detailed in Accompanying Note 3 above. As an alternative, you may request a hard copy Form of Proxy by emailing, calling, or writing to, Link Group using the contact details provided in Accompanying Note 2 above. To appoint more than one proxy you may photocopy the Form of Proxy. Please indicate the proxy holder's and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All Forms of Proxy must be signed and returned to Link Group at the above address together in the same envelope.

Shareholders who are CREST members may use the electronic proxy voting service as described below.

If you are an institutional investor you may also be able to appoint a proxy electronically via the Proximity platform as described below.

To be valid, any Form of Proxy or other instrument appointing a proxy, together with any power of attorney or other authority under which it is signed (or a duly certified copy), must be received by post or (during normal business hours only) by hand at the Company's Registrar no later than 11:00am on Monday 29 April 2024.

Shareholders are encouraged to ensure that they contact Link Group in sufficient time ahead of the AGM to allow any request for a paper Form of Proxy to be processed, dispatched and (following completion) subsequently returned to the Registrar.

The return of a completed Form of Proxy or other such instrument or any CREST Proxy Instruction or appointing a proxy via Proximity (as described below) will not prevent a Shareholder attending the AGM and voting in person. Unless otherwise indicated on the Form of Proxy, CREST, Proximity or any other electronic voting instruction, the proxy will vote as they think fit or, at their discretion, withhold from voting.

### 5. CREST

CREST members who wish to appoint a proxy or proxies by utilising the proxy voting service may do so for the Meeting (and any adjournment thereof) by following the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members (and those CREST members who have appointed a voting service provider) should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CREST'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.

# Notice of Annual General Meeting

Continued >

## 6. Proximity Voting

If you are an institutional investor you may also be able to appoint a proxy electronically via the Proximity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proximity, please go to [www.proximity.io](http://www.proximity.io). Your proxy must be lodged by 11:00am on Monday 29 April 2024 in order to be considered valid or, if the Meeting is adjourned, by the time which is 48 hours before the time of the adjourned Meeting. Before you can appoint a proxy via this process you will need to have agreed to Proximity's associated terms and conditions. It is important that you read these carefully as you will be bound by them and they will govern the electronic appointment of your proxy. An electronic proxy appointment via the Proximity platform may be revoked completely by sending an authenticated message via the platform instructing the removal of your proxy vote.

## 7. Documents Available for Inspection

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

- (i) the Register of Directors' interests kept by the Company under Section 809 of the Companies Act 2006;
- (ii) copies of all service agreements between the Executive Directors and the Company together with other appropriate documentation; and
- (iii) copies of the terms and conditions of appointment of the Non-Executive Directors.

So that appropriate arrangements can be made for Shareholders wishing to inspect documents, we request that Shareholders contact the Company Secretary by email at [enquiries@jsg.com](mailto:enquiries@jsg.com) in advance of any visit to ensure that access can be arranged.

## 8. Corporate Representatives

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.

## 9. Shareholder Rights and AGM Business

Subject to the provisions of section 338 of the Companies Act 2006, members representing at least 5% of the total voting rights of all members (or at least 100 members who would have the right to vote at the Meeting and who hold shares on which there has been paid an average sum per member of at least £100) may have the right to require the Company:

- (i) to give, to members of the Company entitled to receive notice of the Meeting, notice of a Resolution which may properly be moved and is intended to be moved at the Meeting; and/or
- (ii) to include in the business to be dealt with at the Meeting any matter (other than a proposed Resolution) which may be properly included in the business.

A Resolution may properly be moved or a matter may properly be included in the business unless:

- (i) (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);
- (ii) it is defamatory of any person; or
- (iii) it is frivolous or vexatious.

Such a request may be in hard copy form or in electronic form, must identify the Resolution of which notice is to be given or the matter to be included in the business, must be authenticated by the person or persons making it, must be received by the Company not later than six 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.

## 10. Shareholders' Right to Ask Questions at the AGM

Any member attending the Meeting would have the right to ask questions relating to the business of the AGM in accordance with section 319A of the Companies Act 2006. 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:

- (i) to do so would interfere unduly with the business of the Meeting or involve the disclosure of confidential information;
- (ii) the answer has already been given on a website in the form of an answer to a question; or
- (iii) it is undesirable in the interests of the Company or the good order of the Meeting that the question be answered.

## 11. Total Voting Rights

As at 4 March 2024 (being the last business day prior to publication of this notice) the Company's issued share capital consists of 414,415,123 Ordinary Shares carrying one vote each. The total voting rights in the Company as at 4 March 2024 are, therefore, 414,415,123 (excluding treasury shares).

### Explanatory Notes

The following notes give an explanation of the proposed Resolutions.

Resolutions 1 to 13 (inclusive) are proposed as Ordinary Resolutions. This means that for each of those Resolutions to be passed, more than half of the votes cast must be in favour of the Resolution. Resolutions 14 to 16 (inclusive) are proposed as Special Resolutions. This means that for each of those Resolutions to be passed, at least three-quarters of the votes cast must be in favour of the Resolution.

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

### Annual Report and Accounts (Resolution 1)

The Directors of the Company must present the audited accounts for the year ended 31 December 2023 to the AGM.

### Directors' Remuneration Report (Resolution 2)

It is proposed that the Directors' Remuneration Report for the financial year ended 31 December 2023, as set out on pages 89 to 113 of the Annual Report, be approved. The Directors' Remuneration Report 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 Industrial Goods and Services Index, details of the Directors' service agreements, the 'Single Total Figure of Remuneration' table 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 1.9 pence per Ordinary Share is recommended by the Directors for payment to Shareholders who are on the Register at the close of business on 12 April 2024. If approved, the date of payment of the final dividend will be 10 May 2024. The ex-dividend date is 11 April 2024. An interim dividend of 0.9 pence per Ordinary Share was paid on 3 November 2023.

**Election and Re-election of Directors (Resolutions 4 to 10 inclusive)**

Provision 18 of the Financial Reporting Council's 2018 UK Corporate Governance Code (the 'Code') requires all Directors to be subject to annual re-election. Biographical details of all the Directors offering themselves for re-election or election, as applicable, are set out on pages 54 to 55 of the 2023 Annual Report and are also available for viewing on the Company's website ([www.jsq.com](http://www.jsq.com)).

For 2023, an evaluation of the Board was conducted within the Company by way of questionnaire for completion by each Board member. The questionnaire was designed to encourage thought provoking and candid responses in relation to several aspects of Board performance during the year and views on future focus topics for the Board. The Chair then arranged individual, one-to-one, meetings with each Board member to discuss the aggregated and anonymised questionnaire responses. Overall conclusions were then presented and discussed at the meeting of the Board in January 2024. Further details are provided on page 74 of the 2023 Annual Report. Additionally, the Independent Non-Executive Directors conducted a performance evaluation of the Chair, after taking into account the views of the Executive Directors. Furthermore, the Remuneration Committee regularly reviewed the performance of each Executive Director.

As a result of these reviews and evaluations, it is considered that the performance of each Director continues to be effective, that each Director demonstrates sufficient commitment to their role and that the contribution of each Director continues to be important to the Company's long-term sustainable success.

**Appointment of the Auditor (Resolution 11)**

The Company is required to appoint the auditor at each general meeting at which accounts are presented, to hold office until the end of the next such meeting. Resolution 11, which is recommended by the Audit Committee, proposes the reappointment of the Company's existing auditor, Grant Thornton UK LLP.

**Remuneration of the Auditor (Resolution 12)**

This Resolution follows best practice in corporate governance by separately seeking authority for the Audit Committee to determine the auditor's remuneration.

**Renewal of Directors' Authority to Allot Securities (Resolution 13)**

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 2023 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 2025 or, if earlier, the close of business on 1 July 2025.

If passed, the authority granted by the passing of this Resolution will be limited to an aggregate nominal value of £13,813,837 of Ordinary Shares which represents approximately one third of the Ordinary share capital in issue (excluding treasury shares) as at 4 March 2024 (being the latest practicable date prior to publication of this Notice). If renewed, the authority will, 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 1 July 2025.

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

**Renewal of General Disapplication of Pre-emption Rights (Resolution 14)**

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.

In 2022, the Pre-Emption Group (which represents the Investment Association and the Pension and Lifetime Savings Association) published a revised statement of principles for the disapplication of pre-emption rights (the "Principles"). The Principles relate to issues of equity securities for cash other than on a pre-emptive basis (i.e. other than pro rata to existing Shareholders) by all companies (wherever incorporated) with shares admitted to the Premium Listing segment of the Official List of the UK Listing Authority and to trading on the Main Market for listed securities of the London Stock Exchange. Certain other companies, including those with shares admitted to trading on AIM, are encouraged to adopt the Principles. At the Company's AGM in 2023, the Company sought and obtained Shareholder approval for a general authority for the disapplication of pre-emption rights in accordance with the applicable authority limits set out in the Principles.

The Principles provide that a general authority for the disapplication of pre-emption rights over approximately 10 per cent of the Company's issued ordinary share capital, together with a further disapplication for up to 2 per cent to be used only for the purposes of a follow-on offer which the Directors of the Company determine to be of a kind contemplated by paragraph 3 of Section 2B of the Principles, should be treated as routine.

Whilst the Directors do not have any present intention to exercise the disapplication authority sought in Resolution 14, the Directors consider that it is appropriate for them to seek the flexibility that this authority provides, and that the authority sought in Resolution 14 is in the best interests of the Company.

Accordingly, other than in connection with a rights issue or any other pre-emptive offer concerning Equity Securities, and subject to the passing of Resolution 13, this Resolution seeks to replace the authority conferred on the Directors at the 2023 AGM to allot ordinary shares, or grant rights to subscribe for, or convert securities into, ordinary shares or sell treasury shares for cash (other than pursuant to an employee equity incentive share scheme) without application of pre-emption rights. The authority will be limited to the issue of shares for cash up to a maximum aggregate nominal value of (i) £4,144,151, which is equivalent to approximately 10 per cent of the Company's issued ordinary share capital (excluding treasury shares) as at 4 March 2024 (being the latest practicable date prior to publication of this Notice); and (ii) up to an additional £828,830, which is equivalent to approximately 2 per cent of the Company's issued ordinary share capital (excluding treasury shares) as at 4 March 2024 (being the latest practicable date prior to publication of this Notice), solely for the purposes of making a follow-on offer which the Directors of the Company determine to be of a kind contemplated by paragraph 3 of Section 2B of the Principles.

This Resolution also 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.

Shareholders will note that this Resolution also relates to treasury shares and will be proposed as a Special Resolution. If renewed, the authority will, unless previously renewed, varied or revoked by the Company in general meeting, expire at the conclusion of the next AGM of the Company in 2025 or, if earlier, the close of business on 1 July 2025. The Directors intend to renew this authority annually and confirm their intention to follow best practice, as set out in the Principles.

**General Disapplication of Pre-emption Rights in Connection with an Acquisition or Specified Capital Investment (Resolution 15)**

The Principles further provide that the Company may, as a routine, seek to disapply pre-emption rights over the equivalent of approximately an additional 10 per cent of the issued ordinary share capital of the Company, so long as certain criteria are met. Subject to the passing of Resolution 13, Resolution 15 seeks to replace the authority conferred on the Directors at the 2023 AGM (in addition to the authority referred to above in relation to Resolution 14) to allot ordinary shares, or grant rights to subscribe for, or convert securities into, ordinary shares or sell treasury shares for cash (other than pursuant to an employee equity incentive share scheme) up to an aggregate nominal value of approximately:

# Notice of Annual General Meeting

## Continued >

- (i) 10 per cent of the Company's issued ordinary share capital (excluding treasury shares) without application of pre-emption rights pursuant to section 561 of the Companies Act 2006, provided that this authority will only be used for the purpose of:
  - a. an acquisition; or
  - b. a specified capital investment in respect of which sufficient information regarding the effect of the investment on the Company, the assets that are the subject of the investment and (where appropriate) the profits attributable to those assets is made available to Shareholders to enable them to reach an assessment of the potential return on the investment which is announced contemporaneously with the issue or which has taken place in the preceding twelve month period and is disclosed in the announcement of the issue; and up to an additional
- (ii) 2 per cent of the Company's issued ordinary share capital (excluding treasury shares) without application of pre-emption rights pursuant to section 561 of the Companies Act 2006, provided that this authority will only be used for the purpose of making a follow-on offer which the Directors of the Company determine to be of a kind contemplated by paragraph 3 of Section 2B of the Principles.

At the Company's 2023 AGM, in addition to a general authority for the disapplication of pre-emption rights in accordance with the authority limits set out in the Principles, the Company sought and obtained Shareholder approval for an additional general authority for the disapplication of pre-emption rights in connection with an acquisition or specified capital investment, in accordance with the applicable authority limits set out in the Principles.

Whilst the Directors do not have any present intention to exercise the disapplication authority sought in Resolution 15, the Directors consider that it is appropriate for them to seek the additional flexibility that this authority provides, and that the authority sought in Resolution 15 is in the best interests of the Company.

Accordingly, other than in connection with a rights, scrip dividend, or other similar issue, the authority contained in Resolution 15 would be limited to (i) the issue of shares for cash up to a maximum aggregate nominal value of £4,144,151 (which includes the sale on a non-pre-emptive basis of any shares held in treasury), which is equivalent to approximately 10 per cent of the Company's issued ordinary share capital (excluding treasury shares) as at 4 March 2024 (being the latest practicable date prior to the publication of this Notice); and (ii) up to an additional £828,830, which is equivalent to approximately 2 per cent of the Company's issued ordinary share capital (excluding treasury shares) as at 4 March 2024 (being the latest practicable date prior to publication of this Notice), solely for the purposes of making a follow-on offer which the Directors of the Company determine to be of a kind contemplated by paragraph 3 of Section 2B of the Principles.

If approved, the authority will, unless previously renewed, varied or revoked by the Company in general meeting, expire at the conclusion of the next AGM of the Company in 2025 or, if earlier, the close of business on 1 July 2025. The Directors intend to renew this authority annually.

### **Renewal of Company's authority to purchase Ordinary Shares (Resolution 16)**

In certain circumstances it may be advantageous for the Company to purchase its own shares and this Resolution 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 43,286,254 of its Ordinary Shares at the 2023 AGM (being equal to approximately 10 per cent of the Company's issued ordinary share capital as at 6 March 2023, the latest practicable date prior to the publication of the notice for the 2023 AGM). This authority is due to expire at the end of the AGM and it is proposed that the Company be authorised to make market purchases up to an aggregate of 41,441,512 Ordinary Shares, representing approximately 10 per cent of the Company's issued ordinary share capital (excluding treasury shares) as at 4 March 2024, being the latest practicable date prior to the publication of this Notice. The authority specifies the minimum and maximum prices that may be paid for any Ordinary Shares.

Details of share buyback programmes undertaken by the Company during the financial year ended 31 December 2023 are set out on page 56 of the 2023 Annual Report.

Renewing the authority for the Company to purchase Ordinary Shares in the market, pursuant to Resolution 16, is intended to allow your Board the flexibility to take advantage of opportunities that may arise to increase Shareholder value. The Directors intend that this authority will only be exercised when, in the light of market conditions prevailing at the time and having carefully considered any priority capital allocation activities, financial gearing levels and the overall position of the Company, 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. The purchase price would be paid out of distributable profits.

Whilst it is the Directors' present intention to cancel any shares purchased pursuant to this authority, any shares purchased in the market under this authority may be either cancelled or, pursuant to the Companies Act 2006 and the authority conferred by this Resolution, held as treasury shares. 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.

Shares held in treasury allow the Company to quickly and cost-effectively reissue shares and also gives the Company the opportunity to satisfy employee share scheme awards. The total number of options to subscribe for Ordinary Shares that were outstanding at 4 March 2024 (being the latest practicable date prior to publication of this Notice) was 5,413,858. The proportion of issued share capital (excluding treasury shares) that they represented at that time was 1.31 per cent and the proportion of issued share capital (excluding treasury shares) that they will represent if the full authority to purchase shares (existing and being sought) is used is 1.45 per cent.

The authority given under this Resolution will, unless previously renewed, varied or revoked by the Company in general meeting, expire at the conclusion of the next AGM of the Company in 2025, or, if earlier, the close of business on 1 July 2025. It is the present intention of the Directors to seek renewal of this authority annually.



# Directors and Advisors

## Directors and Officers

### **John (Jock) Fyfe Lennox, LLB, CA**

Non-Executive Chair  
Chair of Nomination Committee  
Member of Remuneration Committee

### **Peter Egan, MBA**

Chief Executive Officer  
Director responsible for Health, Safety and the Environment  
Chair of Sustainability Committee

### **Yvonne May Monaghan, BSc (Hons), FCA**

Chief Financial Officer  
Member of Sustainability Committee

### **Christopher (Chris) Francis Girling, MBA, FCA**

Senior Independent Non-Executive Director  
Chair of Audit Committee  
Member of Nomination Committee  
Member of Remuneration Committee

### **Nicholas (Nick) Mark Gregg**

Independent Non-Executive Director  
Member of Audit Committee  
Member of Nomination Committee  
Chair of Remuneration Committee  
Non-Executive Director responsible for Workforce Engagement

### **Nicola Elizabeth Anne Keach, MA**

Independent Non-Executive Director  
Member of Audit Committee  
Member of Nomination Committee  
Member of Remuneration Committee

### **Kirsty Rowena Homer, MA**

Independent Non-Executive Director  
Member of Audit Committee  
Member of Nomination Committee  
Member of Remuneration Committee

### **Christopher (Chris) John Clarkson, LLB (Hons)**

Company Secretary

## Registered Office

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

## Advisors

### **Nominated Advisor, Financial Advisor and Stockbrokers**

Investec Investment Banking  
30 Gresham Street  
London  
EC2V 7QP

### **Principal Bankers**

Lloyds Bank plc  
40 Spring Gardens  
Manchester  
M2 1EN

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

Bank of Ireland  
26 Cross Street  
Manchester  
M2 7AF

### **Lawyers**

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

### **Registrar and Transfer Office**

Link Group  
10th Floor, Central Square  
29 Wellington Street  
Leeds  
LS1 4DL

### **Independent Auditor**

Grant Thornton UK LLP  
Chartered Accountants and Statutory Auditors  
Landmark  
St Peter's Square  
1 Oxford Street  
Manchester  
M1 4PB

# 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 help to reduce the Company's environmental impact and save on 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.jsjg.com](http://www.jsjg.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 notification in the post each time a new Shareholder report or notice of meeting is published, unless you have requested to receive these documents 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 Accompanying Note 5 of the Notice of Annual General Meeting. If you are an institutional investor you may also be able to appoint a proxy electronically via the Proxymity platform, a process which has been agreed by the Company and approved by the Registrar. For further information regarding Proxymity, please go to [www.proxymity.io](http://www.proxymity.io) and refer to Accompanying Note 6 of the Notice of Annual General Meeting.

If you have any queries regarding electronic communications, please contact the Company's Registrar, Link Group, via email at [shareholderenquiries@linkgroup.co.uk](mailto:shareholderenquiries@linkgroup.co.uk) or on 0371 664 0300. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. Lines are open between 09:00 – 17:30 (GMT), Monday to Friday excluding public holidays in England and Wales.



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