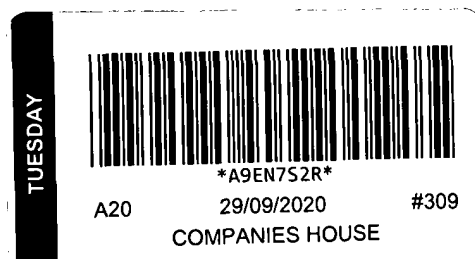


Johnsons Textile Services Limited (formerly Johnsons
Apparelmaster Limited)
Registered No: 464645

Directors' Report and Financial Statements
For the year ended 31 December 2019



Johnsons Textile Services Limited (formerly Johnsons
Apparelmaster Limited)
Directors' Report and Financial Statements
For the year ended 31 December 2019

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**Johnsons Textile Services Limited (formerly Johnsons
Apparelmaster Limited)
Directors and Professional Advisors**

DIRECTORS

Mrs Y M Monaghan
Mr P Egan
Mrs H Wood
Mr T Morris (appointed 16 June 2020)
Mr D Smith (appointed 16 June 2020)
Mr M Woolfenden (appointed 16 June 2020)
Mr S McKeever (appointed 16 June 2020)
Mr A Kar (resigned 16 June 2020)
Mr G Collis (resigned 31 March 2020)
Mr M Rue (resigned 16 June 2020)

REGISTERED OFFICE

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

BANKERS

Lloyds Bank plc
40 Spring Gardens
Manchester M2 1EN

The Royal Bank of Scotland plc
2 – 8 Church Street
Liverpool
L1 3BG

Bank of Ireland
26 Cross Street
Manchester M2 7AF

LAWYERS

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

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
No. 1 Spinningfields
Hardman Square
Manchester M3 3EB

Johnsons Textile Services Limited (formerly Johnsons Apparelmaster Limited)

Strategic Report

For the year ended 31 December 2019

The Directors present their Strategic Report on the affairs of the Company, together with the audited financial statements for the year ended 31 December 2019.

These financial statements have been prepared using the Financial Reporting Standard 101 Reduced Disclosure Framework (FRS 101).

Activities and business review

The Company provides textile rental and related services across the UK. The business trades through a number of brands in the UK. Johnsons Workwear ('Workwear') is the leading brand in the UK Workwear Rental and Industrial Services sector while Johnsons Hotel Linen (which incorporates 'Afonwen', 'Bourne' and 'PLS'), Johnsons Hotel, Restaurant and Catering Linen (which incorporates 'Stalbridge' and 'South West Laundry') and Johnsons Restaurant and Catering Linen (which incorporates 'London Linen') are amongst the leading brands in the larger and more diverse, Hotel, Restaurant and Catering market.

Revenue increased by 9.2% to £347,858,000 in the year (2018: £318,619,000) whilst adjusted operating profit (operating profit before amortisation of intangible assets (excluding software) and exceptional items) increased by 16.3% to £57,321,000 (2018: £49,291,000), both helped by the additional months of trading from the acquisition of South West Laundry in August 2018. The associated margin increased from 15.5% to 16.5%.

Johnsons Workwear

The Workwear business performed very strongly in a competitive market environment with revenue increasing 5% year on year and volumes exceeding 1.7 million items per week. Revenue was supported by strong new sales, with particular focus on 'new to rental' customers which accounted for 17.6% of new business won. Retention levels remained high at 95% as did the sale of additional products to existing customers. Sales and retention success have been complemented by excellent customer service provided at a local plant level, where the annual customer satisfaction survey results gave a high score of 86% satisfaction, in line with last year.

Our Workwear business continues to focus on efficiency, achieving this by continuous improvement of our processes and investment. Birmingham benefited from the installation of new folding equipment and conveyor systems for its high care area, improving its folding capacity by 20.0%. Perth, Bristol and Manchester also all received new folding equipment to increase capacity. The Aberdeen depot was relocated to a new, significantly larger, location towards the end of the year, underpinning the opportunity for volume growth in the North of Scotland. Our Basingstoke site has been expanded with the addition of an 11,000 square foot unit adjacent to the current building which will provide increased office space and significant additional processing capacity of 40.0%. This unit will be fitted with the latest automated sortation system in order to maximise processing efficiencies and is expected to be operational during the second quarter of 2020.

On 25 January 2020 a fire occurred at our site in Exeter resulting in significant damage and preventing its use for processing. Our Operational team immediately mobilised our business continuity plans and has worked to ensure that the service to our customers has been maintained. The processing of garments for our Exeter customers is currently being undertaken by nearby workwear sites and a temporary depot established in Exeter. We are working closely with our insurers in relation to the insurance claim and to agree plans for the future of our Exeter site. The incident is not expected to have a significant impact on the trading performance of the business.

Our Academy continues to provide development opportunities for our employees. Our Learning Development Department is providing a wide range of blended training opportunities for employees at all levels throughout our business, including apprenticeship schemes. The training and development of our employees was recognised by the Princess Royal Training Award, presented by Her Royal Highness Princess Anne at St. James's Palace in October. The expertise within our business has been strengthened with the internal promotion and appointment of subject matter experts who have built strong relationships throughout the business. In September an Employee Engagement Survey was undertaken, achieving an excellent response rate and an 82% result for employee engagement. Results have provided five key areas for focus and various initiatives have been agreed for roll out during 2020.

The business has been nominated for two awards of the Institute of Customer Service – "Best Use of Customer Insight" and "Quality Service Provider".

Johnsons Textile Services Limited (formerly Johnsons Apparelmaster Limited)

Strategic Report (continued)

Our Product Development Team successfully and proactively continues to manage our product range through our on-line dynamic catalogue, ensuring that our sales and service teams are aligned with our customers' requirements and are keeping pace with fabric and garment innovation. The business continues to focus on expanding the range of stocked garments for all customer sectors.

Johnsons Hotel, Restaurant and Catering

Our Hotel, Restaurant and Catering brands, 'Stalbridge', 'South West Laundry' and 'London Linen' delivered strong organic growth during 2019. The expanded sales and marketing function, which is now in place across the three brands, is bringing benefits of additional sales lead generation, better database use and increased brand awareness. Websites have been upgraded and refreshed and we continue with search engine optimisation (SEO) activity, web chat and social media as means to support the more traditional methods of sales generation, such as the launch of the new London Linen sales brochure. Service levels have remained high and our customer survey results improved encouragingly during the year, especially the scores in relation to service response and actions.

We now have ten processing sites across the three brands and have continued to move customers between sites to deliver more locally where possible. We have further consolidated our customer distribution in the West Country through South West Laundry and have moved work from plants where capacity is at a premium into Wrexham and Southall as we are realising the benefits of previous investment, improvement and expansion of those sites.

Further investments have been made in replacement ironing equipment across the estate to increase efficiency, maintain or improve quality and reduce energy use. A water recycling plant, able to return a significant percentage of our used water, is about to go on trial in our Shaftesbury location and we have reduced the weight of the clear wrap (which is recyclable) used to protect our finished linen and work wear. We are presently trialling an electric vehicle, for London deliveries, out of our Southall location.

Our operation in Grantham was expanded by installing a soiled bag system and increasing the size of the despatch and packing areas to accommodate sales growth and a significant amount of business acquired in the first quarter of 2019, which has been integrated successfully. The main Southall factory has added a new despatch area to accommodate extra capacity and better deal with the weekly work fluctuations caused by the London restaurant market, especially during peak season. A number of restaurant contracts were acquired in July and the work was integrated smoothly and successfully during the second half of 2019.

On 28 February 2020 we completed the purchase of a number of contracts which will be transferred into our Shaftesbury site, adding annualised revenue of £1.6 million. We expect that some 25 employees of the vendor will join us in Shaftesbury.

Johnsons Hotel Linen

2019 marked another successful year in the ongoing development of our high volume linen business, 'Johnsons Hotel Linen', which has been created from the amalgamation of several leading family businesses across the UK including the 'Afonwen', 'Bourne' and 'PLS' brands.

Despite ever increasing record volumes across the business, service levels have continued to increase with outstanding levels of customer satisfaction and very high retention rates throughout the year. We have continued to work hard to ensure a real focus on delivering accurately the right quantity of linen, with the right quality, in full, on time and with no surprises for our customers. In any high volume linen service the accuracy of deliveries is key and we have achieved real progress in significantly reducing any missed or short deliveries. This has been achieved through strong operational focus on purchasing the right linen to meet customer demand whilst carefully managing linen investment to those areas most needed as well as improved purchasing processes throughout the business.

The construction of the building for our £10.0 million new operational facility in Leeds was completed on time and to budget with the construction developer. We were very pleased by the quality of the final build on handover. The tender of equipment and fit out progressed well and resulted in the award of a multi-million pound laundry equipment and fit out contract to three contractors all of whom have worked on similar projects on other Hotel Linen sites in the past and therefore have proven track records in successfully delivering projects of this size and scale.

Johnsons Textile Services Limited (formerly Johnsons Apparelmaster Limited)

Strategic Report (continued)

Volumes during the year broadly held up and were maintained despite some periods of softness around points of Brexit uncertainty but these were more than offset by additional new business and improved efficiencies delivered across the business. Our national accounts and sales teams continued to perform well and ensure high retention rates.

We continue to win a significant amount of organic growth sales from both current and new customers. We were particularly delighted to win a major prestigious new customer account, in conjunction with Johnsons Stalbridge, The Gleneagles Hotel, an iconic country estate and resort hotel in Scotland for our Edinburgh site towards the end of the year. We also continued to gain from a series of new build and bolt-on acquisitions within our customer base as the hotel market continues to consolidate and add new rooms.

Rebranding has gathered pace towards the end of the year with the formal launch of our new brand, including rolling out our highly visible washing line livery across our commercial fleet on all sites which will become increasingly prevalent across the business in 2020.

We were also delighted when we received confirmation at the end of the year of our highest ever customer satisfaction scores, benchmarked externally, in recognition of the strong focus on service delivery and customer satisfaction during the year. We have also continued to invest in people and processes with employees from several sites undertaking customer service NVQ qualifications. Work has commenced on developing our new IT solution which will be rolled out during 2020 to provide a unified IT platform enabling further enhancements to our customer experience.

We also successfully tendered for and retained our largest customer, Premier Inn, in recognition of our strong ongoing relationship, strength of geographic coverage and understanding of their needs.

Overall, 2019 has proved to be a significant year in the ongoing development of Johnsons Hotel Linen, despite some capacity constraints which are being addressed through the opening in 2020 of our new Leeds production facility. We continue to be pleased by the overall strong operational and financial performance of the business. It is a testament to the quality of the businesses that we have acquired over the last six years that we are increasingly seen as the market leader in our core markets.

System Development

During the year we completed the installation of the new finance system in our Workwear, Stalbridge and Hotel Linen businesses. Work has started on the installation of a new laundry management system with the first of our Hotel Linen plants expected to be live in the second quarter of 2020. Subsequent Hotel Linen plants will be rolled out over the next twelve months. Work is also underway on a new laundry management system for Workwear, which is expected to be rolled out in 2021.

Results and key performance indicators

The Board monitors the performance and results of the company against its strategy using the KPIs set out below. These KPIs have been selected as they are considered appropriate to measure the progress of the business towards achieving its strategy and objectives.

	2019 £000	2018 £000
Revenue (net of VAT)	347,858	318,619
Adjusted operating profit	57,321	49,291

In addition to the financial KPIs set out above the company monitors non-financial KPIs which include employee and customer survey results and customer retention statistics.

Johnsons Textile Services Limited (formerly Johnsons Apparelmaster Limited)

Strategic Report (continued)

Principal risks and uncertainties

The principal risks and uncertainties which the Company faces are consistent with those reported by the parent company, Johnson Service Group PLC. The principal risks and uncertainties, along with mitigating actions taken by the company are set out on pages 30 to 33 of the Johnson Service Group PLC Annual Report and Accounts for the year ended 31 December 2019 which can be obtained from www.jsg.com.

Duty to promote the success of the Company

Section 172 of the Companies Act 2006 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 as 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.

The Board confirms that, during the year, it has had regard to the matters set out above. Further details as to how the Directors have fulfilled their duties, together with references to relevant areas within this Directors' Report and Financial Statements, are set out below.

Risk Management

As we continue to grow, it is vital that we effectively identify, evaluate, manage and mitigate the risks we face. The principal risks and uncertainties which the Company faces are consistent with those reported by the parent company, Johnson Service Group PLC. The principal risks and uncertainties, along with mitigating actions taken by the company are set out on pages 30 to 33 of the Johnson Service Group PLC Annual Report and Accounts for the year ended 31 December 2019 which can be obtained from www.jsg.com. The Board is also aware that an understanding of the future prospects of the Company is of vital importance to all stakeholders – a statement as such, together with further explanatory information, is within the Viability Statement on pages 10 to 11 of the Johnson Service Group PLC Annual Report and Accounts for the year ended 31 December 2019.

Our Employees

The Company 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 Company 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. For further details on our employees, please see pages 24 to 26 of the Johnson Service Group PLC Annual Report and Accounts for the year ended 31 December 2019 which can be obtained from www.jsg.com.

Business Relationships

Our strategy prioritises growth, both organically and through acquisition. Organic growth is driven through cross-selling and 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 27 of the Johnson Service Group PLC Annual Report and Accounts for the year ended 31 December 2019 which can be obtained from www.jsg.com.

Johnsons Textile Services Limited (formerly Johnsons Apparelmaster Limited) Strategic Report (continued)

Community and Environment

The Company'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 27 to 28 of the Johnson Service Group PLC Annual Report and Accounts for the year ended 31 December 2019 which can be obtained from www.jsq.com.

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 mission, vision and values, as well as details of our corporate culture are set out on pages 8 and 24 to 25 respectively of the Johnson Service Group PLC Annual Report and Accounts for the year ended 31 December 2019 which can be obtained from www.jsq.com.

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, please see pages 28 to 29 of the Johnson Service Group PLC Annual Report and Accounts for the year ended 31 December 2019 which can be obtained from www.jsq.com.

The Strategic Report has been approved and is signed on behalf of the Board by:



Y M Monaghan
Director
4 August 2020

Johnsons Textile Services Limited (formerly Johnsons Apparelmaster Limited)

Directors' Report

For the year ended 31 December 2019

The Directors present their report for the year ended 31 December 2019.

RESULTS AND DIVIDENDS

The profit for the financial year after taxation was £31,887,000 (2018: £28,330,000).

During the year, the application of IFRS 16 resulted in an increase in operating profit in the Income Statement of £2,209,000 in comparison to treatment under IAS 17, as operating lease payments under IAS 17 were replaced by a depreciation charge on right of use assets and operating lease payments in relation to short term and low value leases. Profit before taxation reduced by £922,000 with the inclusion of £3,131,000 of finance costs under the new standard.

The Directors do not recommend the payment of a final dividend (2018: £nil). During the year an interim dividend of £13,156,000 has been paid (2018: £13,156,000).

The Directors consider the financial position of the Company at 31 December 2019 to be satisfactory.

EVENTS AFTER THE REPORTING PERIOD

On 6 January 2020, Johnsons Textile Services Limited (formerly Johnsons Apparelmaster Limited) swapped names with Johnsons Textile Services Limited (Registered number 11687539).

On 25 January 2020 a fire occurred at our site in Exeter resulting in significant damage and preventing its use for processing. Our Operational team immediately mobilised our business continuity plans and has worked to ensure that the service to our customers has been maintained. The processing of garments for our Exeter customers is currently being undertaken by nearby workwear sites and a temporary depot established in Exeter. We are working closely with our insurers in relation to the insurance claim and to agree plans for the future of our Exeter site. The incident is not expected to have a significant impact on the trading performance of the business.

On 30 June 2020, the Company acquired the trade and assets of Fresh Linen Limited, a subsidiary of Johnson Service Group PLC.

IMPLICATIONS OF COVID-19 AND GOING CONCERN

Following the declaration of Covid-19 as a global pandemic by the World Health Organisation in March 2020 and the subsequent measures implemented by the government to contain the virus, the Company has seen significant disruption across each of its businesses.

Our Workwear business, which provides garment rental, protective wear and laundry services is continuing to supply key industries and all our processing sites have remained open. Whilst trading for the first two months of the year was in line with our expectations, we subsequently saw a reduction in requirements from certain, mainly blue collar, industries although we are seeing some increased demand from our food customers which partly offsets this.

Within our Hotel, Restaurant and Catering business, the vast majority of our 18 sites were closed for April to June as the demand for linen has significantly reduced from most sections of the hospitality market due to government enforced closures.

The Company has taken a number of precautionary measures to monitor and mitigate the effects of Covid-19, primarily the health and safety of our employees through the implementation of social distancing measures at our production facilities and working from home where possible.

Depending on the duration of the Covid-19 pandemic, further government measures and the virus' continued negative impact on the UK economic activity, the Company may experience further disruption for a number of months, the quantum and duration of which is unknown. From 4 July, the government announced that the majority of the hospitality market could begin to reopen, including hotels and restaurants. It is currently too early to assess the pace at which the market will recover in terms of numbers of customers reopening and volumes.

Johnsons Textile Services Limited (formerly Johnsons Apparelmaster Limited) Directors' Report (continued) For the year ended 31 December 2019

As a result of these matters, the Company has taken the following actions in the period to June 2020:

- Due to the reduction in demand we have furloughed a significant proportion of our employees, most notably in the Hotel, Restaurant and Catering businesses and have accessed the Coronavirus Job Retention Scheme.
- Deferred VAT payments due in March to June until Q1 2021.
- Agreed payment holidays and discounts for cars and commercial vehicles leased for the period April to June.
- Suspended capital investment where possible and cancelled all non-essential revenue expenditure.

The above measures are aimed at conserving cash within the business.

Group treasury is responsible for maintaining the availability of funding for the Company through an adequate amount of committed credit facilities. The Group has always adopted a prudent approach to its cost base and capital allocation and, with the benefit of its ordinarily cash generative business model, has maintained a strong financial position. The Group has agreed with its banks that, whilst the June 2020 covenants would have been achieved, the test will be waived. In addition, the Group has secured access to an additional £40 million Accordion Facility, secured access to funding from the Bank of England Covid Corporate Financing Facility, withdrawn the proposed final dividend payment relating to 2019 and raised gross proceeds of approximately £85 million as a result of a share placing.

The Directors have taken into account the cash requirements of the Company and the availability of Group funding, taking into account the impact of Covid-19. Management has prepared cash flow forecasts for a period to December 2022 with the base case scenario including the benefits of actions already taken by management to mitigate the trading downsides brought by Covid-19 noted above. Assumptions include a phased return of revenue from July 2020 for our Hotel, Restaurant and Catering businesses with revenue forecast to be back to 75% of pre-Covid-19 levels by December 2020. Downside scenarios forecast include a two-month delay in economic recovery so that the phased revenue return begins instead from September 2020. Given that the UK hospitality sector was able to reopen from 4 July, the Directors consider that such downside scenarios are also reflective of a possible second lockdown period in the UK, should that occur. In each downside scenario, the Group would have sufficient facility to support the Company.

The Directors therefore have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Group company to continue with the current banking arrangements.

On the basis of the above measures, the Directors have determined that the actions it has taken are sufficient to mitigate the material uncertainty from Covid-19 and has therefore prepared the financial reporting on a going concern basis.

DIRECTORS

The Directors of the Company, who are listed on page 1, all held office throughout the year with the changes noted occurring prior to the date of approving these financial statements. A further Director, Mr G Moore, resigned on 11 April 2019.

DIRECTORS' INDEMNITY

In accordance with the Articles of Association and to the extent permitted by the laws of England and Wales, the Directors are granted an indemnity from the Company in respect of liabilities incurred as a result of their office. In respect of those matters for which the Directors may not be indemnified, the Company maintained a qualifying 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.

**Johnsons Textile Services Limited (formerly Johnsons
Apparelmaster Limited)**
Directors' Report (continued)
For the year ended 31 December 2019

EMPLOYMENT POLICIES

The employment policies of the Company embody the principles of equal opportunity and are tailored to meet the needs of its business and the local area in which it operates. All senior managers undergo diversity training. The involvement of employees in the performance of the business is encouraged and efforts are made to give all employees an understanding of the financial position through periodic company newsletters. The Parent Company, Johnson Service Group PLC, operates an approved Sharesave Scheme for eligible employees.

The Company is committed to providing adequate training for employees at all levels and is constantly reviewing and improving its procedures.

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

The Company takes responsibility for fostering employee engagement through appropriately structured communications, training and incentive arrangements. Employee views are sought by management and taken into consideration when making decisions that may affect the employees' interests. A broader understanding of the Company and opportunities within it are made available to employees through a Company magazine.

MATTERS DISCLOSED ELSEWHERE WITHIN THE FINANCIAL STATEMENTS

Required disclosures in relation to the Company's key performance indicators, business review (including future developments) and principal risks and uncertainties have been included within the Company's Strategic Report on pages 2 to 5 of these financial statements. The Company's approach to financial risk management is included within the Statement of Significant Accounting Policies.

INDEPENDENT AUDITORS

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. The Board are satisfied with the independence, objectivity and effectiveness of the auditors, and accordingly, confirm their reappointment.

DIRECTORS' RESPONSIBILITIES STATEMENT

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.


The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**Johnsons Textile Services Limited (formerly Johnsons
Apparelmaster Limited)**
Directors' Report (continued)
For the year ended 31 December 2019

In the case of each Director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they 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 Company's auditors are aware of that information.

On behalf of the Board



Y M Monaghan

Director

4 August 2020

Johnsons Textile Services Limited (formerly Johnsons Textile Services Limited)
Registered in England and Wales Number 464645

Johnsons Textile Services Limited (formerly Johnsons
Apparelmaster Limited)
Independent Auditors' Report to the Members of Johnsons Textile
Services Limited (formerly Johnsons Apparelmaster Limited)
For the year ended 31 December 2019

Report on the audit of the financial statements

Opinion

In our opinion, Johnsons Textile Services Limited's (formerly Johnsons Apparelmaster Limited) financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2019; the Income Statement and the Statement of Changes in Equity for the year then ended; the Statement of Significant Accounting Policies; and the Notes to the Financial Statements.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

Johnsons Textile Services Limited (formerly Johnsons
Apparelmaster Limited)
Independent Auditors' Report to the Members of Johnsons Textile
Services Limited (formerly Johnsons Apparelmaster Limited)
(continued)

For the year ended 31 December 2019

Reporting on other information (continued)

In connection with our audit of the financial statements, 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 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 company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

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

Johnsons Textile Services Limited (formerly Johnsons
Apparelmaster Limited)
Independent Auditors' Report to the Members of Johnsons Textile
Services Limited (formerly Johnsons Apparelmaster Limited)
(continued)

For the year ended 31 December 2019

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Jonathan Studholme

Jonathan Studholme (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
4 August 2020

Johnsons Textile Services Limited (formerly Johnsons
Apparelmaster Limited)
Income Statement
For the year ended 31 December 2019

Note	Year ended 31 December 2019 £000	Year ended 31 December 2018 £000
	Continuing Operations	
	Revenue	318,619
	347,858	
	Cost of sales	(179,979)
	(194,445)	
	GROSS PROFIT	138,640
	Operating expenses	
	- Distribution costs	(51,841)
	(57,421)	
	- Administrative expenses	(46,216)
	(48,425)	
1	OPERATING PROFIT	40,583
	47,567	
	Operating profit before amortisation of customer contracts and exceptional items	49,291
	57,321	
	Amortisation of customer contracts	(8,480)
	(9,754)	
4	Exceptional items	(228)
	-	
	47,567	40,583
5	Finance costs	(4,686)
	(7,237)	
	PROFIT BEFORE TAXATION	35,897
	40,330	
6	Tax on profit	(6,891)
	(7,721)	
	PROFIT FOR THE FINANCIAL YEAR FROM CONTINUING OPERATIONS	29,006
	32,609	
	DISCONTINUED OPERATIONS	
26	LOSS FOR THE FINANCIAL YEAR FROM DISCONTINUED OPERATIONS	(676)
	(722)	
	PROFIT FOR THE FINANCIAL YEAR	28,330
	31,887	

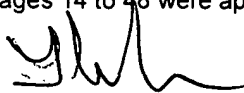
The notes on pages 29 to 48 are an integral part of these financial statements.

The Company has no other recognised income or expense for the current or prior year except as reported in the above Income Statement. As such, no separate statement of other comprehensive income has been prepared.

Johnsons Textile Services Limited (formerly Johnsons
Apparelmaster Limited)
Balance Sheet
As at 31 December 2019

Note		As at 31 December 2019 £000	As at 31 December 2018 £000
NON-CURRENT ASSETS			
8	Goodwill	106,790	99,149
9	Intangible assets	32,810	35,598
10	Property, plant and equipment	80,934	72,862
11	Right of use assets	66,616	-
12	Textile rental items	54,919	55,102
21	Deferred income tax assets	782	745
13	Investments	-	-
15	Trade and other receivables	29,615	30,055
		372,466	293,511
CURRENT ASSETS			
14	Inventories	2,242	2,790
15	Trade and other receivables	52,160	51,433
	Cash and cash equivalents	6,466	5,541
		60,868	59,764
CURRENT LIABILITIES			
16	Trade and other payables	(59,460)	(58,363)
	Current income tax liabilities	(8,929)	(9,147)
17	Borrowings	-	(2,555)
18	Lease liabilities	(5,455)	-
19	Provisions for liabilities	(812)	(915)
		(74,656)	(70,980)
	NET CURRENT LIABILITIES	(13,788)	(11,216)
NON-CURRENT LIABILITIES			
16	Trade and other payables	(24)	(35)
17	Borrowings	-	(3,702)
18	Lease liabilities	(63,124)	-
21	Deferred income tax liabilities	(3,404)	(4,525)
19	Provisions for liabilities	(934)	(970)
20	Other non-current trade and other payables	(1,000)	(1,981)
		(68,486)	(11,213)
	NET ASSETS	290,192	271,082
CAPITAL AND RESERVES			
25	Share capital	131,563	131,563
	Share premium	15,308	15,308
	Other reserves	13,795	13,795
	Retained earnings	129,526	110,416
	TOTAL SHAREHOLDERS' FUNDS	290,192	271,082

The notes on pages 29 to 48 are an integral part of these financial statements. The financial statements on pages 14 to 48 were approved by the Board of Directors on 4 August 2020 and signed on its behalf by:


Y M Monaghan
Director

Johnsons Textile Services Limited (formerly Johnsons
Apparelmaster Limited)
Statement of Changes in Equity
For the year ended 31 December 2019

	Share Capital £000	Share Premium £000	Other Reserves £000	Retained Earnings £000	Total Shareholders' Funds £000
Balance at 1 January 2018	131,563	15,308	13,795	94,126	254,792
Change in accounting standard – IFRS 15	-	-	-	966	966
Adjusted balance at 1 January 2018	131,563	15,308	13,795	95,092	255,758
Profit for the financial year	-	-	-	28,330	28,330
Dividend paid (note 7)	-	-	-	(13,156)	(13,156)
Current tax on share options	-	-	-	48	48
Deferred tax on share options	-	-	-	(48)	(48)
Share options (value of employee services)	-	-	-	150	150
Balance at 31 December 2018	131,563	15,308	13,795	110,416	271,082
Balance at 1 January 2019	131,563	15,308	13,795	110,416	271,082
Change in accounting standard – IFRS 16 (note 28)	-	-	-	149	149
Adjusted balance at 1 January 2019	131,563	15,308	13,795	110,565	271,231
Profit for the financial year	-	-	-	31,887	31,887
Dividend paid (note 7)	-	-	-	(13,156)	(13,156)
Current tax on share options	-	-	-	47	47
Deferred tax on share options	-	-	-	36	36
Share options (value of employee services)	-	-	-	147	147
Balance at 31 December 2019	131,563	15,308	13,795	129,526	290,192

Other reserves reflect the value of a capital contribution made to the Company from the Parent Company.

Johnsons Textile Services Limited (formerly Johnsons Apparelmaster Limited)

Statement of Significant Accounting Policies

For the year ended 31 December 2019

The Company is a company limited by shares, incorporated and domiciled in the UK. The Company is a wholly owned subsidiary of Johnson Service Group PLC ('the Group') which has its primary listing on the AIM division of the London Stock Exchange.

The financial statements of the Company were authorised for issue by the Board on 4 August 2020.

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 have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101') and the Companies Act 2006 (the 'Act'). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of EU-adopted IFRS. The company has taken the exemption as set out in section 400 of the Act from preparing consolidated financial statements.

The financial statements have been prepared under the historical cost convention. The financial statements have been prepared on a going concern basis, as the Directors confirm that they have reasonable expectation that the Company has adequate resources to continue in operational existence for the next 12 months.

The Company is a qualifying entity for the purposes of FRS 101. Note 30 gives details of the Company's parent and from where its consolidated financial statements prepared in accordance with IFRS may be obtained.

FRS 101 sets out amendments to EU-adopted IFRS that are necessary to achieve compliance with the Act and related Regulations.

The following exemptions from the requirements of IFRS have been applied in the preparation of these financial statements, in accordance with FRS 101:

- The following paragraphs of IAS 1, 'Presentation of financial statements':
 - 10(d) (Statement of cash flows)
 - 16 (statement of compliance with all IFRS), and
 - 111 (cash flow information)
- IAS 7, 'Statement of cash flows'
- Paragraph 91 to 99 of IFRS 13, 'Fair value measurement' (disclosure of valuation techniques and inputs used for fair value measurement of assets and liabilities)
- Paragraph 17 of IAS 24, 'Related party disclosures' (key management compensation)
- Paragraph 30 and 31 of IAS 8 'Accounting policies, changes in accounting estimates and errors'
- IFRS 7, 'Financial Instruments, Disclosures'
- The requirements of IAS 24 'Related Party Disclosures' to disclose related party transactions entered into between two or more members of a group
- The requirements of paragraphs 130(f)(ii), 130(f)(iii), 134(d) to 134(f) and 135(c) to 135(e) of IAS 36 'Impairment of Assets'
- The requirements of paragraph 33(c) of IFRS 5 'Non-current assets held for sale and discontinued operations'.

Changes in Accounting Policy and Disclosures

The following new standards, and amendments to standards, have been adopted by the Company for the first time for the financial year beginning on 1 January 2019:

- IFRS 16, Leases;

Note 28 details further the impact of the adoption of IFRS 16, Leases.

Johnsons Textile Services Limited (formerly Johnsons
Apparelmaster Limited)
Statement of Significant Accounting Policies (continued)
For the year ended 31 December 2019

Judgments Made in Applying Accounting Policies

In the course of preparing these financial statements, no material judgments have been made by the Company in the process of applying the Company's accounting policies.

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) Carrying value of goodwill and intangible assets

The Company tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated on pages 21 to 22. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates. See note 12 of the Johnson Service Group PLC annual report for further information.

(b) Intangible assets

Intangible assets comprise brands and customer contracts and relationships. The cost of the intangible asset is based upon management's assessments of projected cash flows. These calculations require the use of estimates. Further details are shown in note 9 of these Financial Statements.

(c) Income taxes

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

(d) Complex customer arrangements

The Company offers rebates to certain customers based on agreed fixed rates relating to the volume of services provided and goods purchased. Whilst FRC guidance has highlighted complex customer arrangements as an area of focus, the Company's rebates are not considered 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.

(e) Environmental costs

The Company makes provision for the anticipated net costs of dilapidations and environmental clean-up costs. The timing of these provisions coincides with the commitment to a formal plan of action or, if earlier, on divestment or on closure of inactive sites.

Forward Looking Statements

The terms 'expect', 'should be', 'will be', 'is likely to' and similar expressions identify forward looking statements. Although the Board believes that the expectations reflected in these forward looking statements are reasonable, such statements are subject to a number of risks and uncertainties and actual results and events could differ materially from those currently expressed or implied in such forward looking statements.

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

Consolidation

The Company is a wholly owned subsidiary of Johnson Service Group PLC, incorporated in the UK and is included in the consolidated financial statements of Johnson Service Group PLC which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of the Companies Act 2006.

**Johnsons Textile Services Limited (formerly Johnsons
Apparelmaster Limited)**
Statement of Significant Accounting Policies (continued)
For the year ended 31 December 2019

Revenue Recognition

IFRS 15 'Revenue from Contracts with Customers' establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 Revenue and related interpretations with effect from 1 January 2019.

Under IFRS 15, revenue recognition is based on the principle that revenue is recognised when control of a good or service transfers to a customer. Revenue is measured based on the consideration specified in a contract with a customer and is recognised when a customer obtains control of the services. The Company's service contracts are defined as having a single performance obligation whereby the Company has an obligation to provide the customer with clean garments or linen. The point of the customer obtaining control is therefore defined as occurring at various points in time across the life of a contract as deliveries of clean garments or linen are made.

Where sale of goods occur, revenue is recognised at a point in time when goods are delivered to customers.

For the Company, the transfer of control under IFRS 15 and satisfaction of performance obligations therefore remains consistent with the transfer of risks and rewards to the customer under IAS18. Consequently, there was no significant impact on the amount and timing of revenue recognition in the Company on application of IFRS 15.

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

Revenue from goods and services provided to customers not invoiced as at the balance sheet date is recognised as accrued income within trade and other receivables. Interest receivable on bank deposits and other items is not classed as revenue but included within finance income.

Contract modifications occur on a regular basis to record price changes or a change in stock requirements for customers. The Company 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. A modification is accounted for as an adjustment to the original contract, either prospectively or through a cumulative catch-up adjustment depending on whether the remaining goods or services in the contract are distinct. The Company accounts for a modification prospectively if the goods or services in the modification are distinct from those transferred before the modification. 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 (that is, both those not yet completed in the original contract and those added through the modification). 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 would be the case for a price change or change of stock requirements mid-contract.

The Company applies the practical expedient included in paragraph 121 of IFRS 15 and does not disclose information about its remaining performance obligations for contracts as the Group recognises revenue in line with the value of the goods and services received by the customer to date.

Rebates

Rebates payable to customers, and receivable from suppliers, are recognised in line with relevant contractual terms. Rebates payable to customers are calculated using the expected value method (the sum of probability-weighted amounts for various possible outcomes). The Company relies on the analysis of historical data and its accumulated experience to estimate the probable amount of rebates and discounts to be given to customers. Rebates are charged directly to the Income Statement over the period to which they relate and are recognised as a deduction from revenue. Rebates receivable from suppliers are either recognised directly in the Income Statement, or as a reduction in the value of acquired textile rental items, dependent on the nature of goods acquired from suppliers. Supplier rebates recognised in the Income Statement are recognised within cost of sales.

Johnsons Textile Services Limited (formerly Johnsons
Apparelmaster Limited)
Statement of Significant Accounting Policies (continued)
For the year ended 31 December 2019

Contract Assets

The incremental costs to directly obtain a contract with a customer are capitalised and recognised within contract assets where management expects to recover those costs. 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. Contract assets are subsequently amortised over the period consistent with the Company's transfer of the related goods or services to the customer.

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 Company also capitalises these costs. The costs are amortised over the average contract life.

In adopting IFRS 15 on 1 January 2019, the Company recognised an asset in relation to sales commissions costs and consideration paid to customers. These costs had been expensed as incurred under previous accounting policies.

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 Company 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 contract asset balance in the period therefore represents additional payments made, subsequent amortisation and any required impairment.

Contract assets are included in the Balance Sheet at 31 December 2019 within trade and other receivables, as shown in note 15, in line with the disclosure requirements of IFRS 15.

Exceptional Items

Items that are material in size or non-operating or non-recurring in nature are presented as exceptional items in the Income Statement, within the relevant account heading. The Directors are of the opinion that the separate recording of exceptional items provides helpful information about the Company's underlying business performance. Events which may give rise to the classification of items as exceptional include, but are not restricted to, restructuring of businesses, gains or losses on the disposal of textile rental or industrial properties and where material, expenses incurred in relation to business acquisitions.

Employee Benefits

Post-employment benefits

The Company is a wholly owned subsidiary of Johnson Service Group PLC which operate various pension schemes. The schemes are funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Group has both defined benefit and defined contribution plans.

A defined contribution plan is a pension plan under which the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company 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 years. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

As it is not possible to assess the Company's share of the assets and liabilities of the Group's pension schemes on a consistent and reasonable basis the Company accounts for the Group's pension schemes as defined contribution pension arrangements.

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.

Johnsons Textile Services Limited (formerly Johnsons
Apparelmaster Limited)
Statement of Significant Accounting Policies (continued)
For the year ended 31 December 2019

Share-based compensation

The Parent Company, Johnson Service Group PLC operates a number of equity-settled, share-based compensation plans in which the Company's employees participate. The economic cost of awarding shares and share options to employees is recognised as an expense in the Income Statement equivalent to the fair value of the benefit awarded. The fair value is determined by reference to option pricing models, principally Binomial and Monte Carlo models.

The fair value of the award is recognised in the Income Statement over the vesting period of the award. At each balance sheet date, the Company revises its estimate of the number of options that are expected to become exercisable. Any revision to the original estimate is reflected in the Income Statement with a corresponding adjustment to equity immediately to the extent it relates to past service and the remainder over the rest of the vesting period.

Bonus plans

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

Termination benefits

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

Impairment of Non-financial Assets

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

Investments

Investments in Subsidiary Undertakings are recorded at cost, which is the fair value of the consideration paid. Investments are tested annually for impairment and are carried at cost less accumulated impairment losses. Where an impairment is identified, it is charged to the Income Statement within amortisation of customer contracts. Investments that suffer an impairment are reviewed for possible reversal of the impairment at each reporting date.

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 Company's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. For acquisitions prior to this date, goodwill is included at the amount recorded previously under UK GAAP.

Goodwill on acquisitions of subsidiaries is included in non-current assets. Negative goodwill arising on acquisition is recognised directly in the 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.

Johnsons Textile Services Limited (formerly Johnsons
Apparelmaster Limited)
Statement of Significant Accounting Policies (continued)
For the year ended 31 December 2019

Intangible Assets (continued)

Goodwill (continued)

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

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

Capitalised software

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

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

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding 10 years). Amortisation of computer software is charged to operating profit.

Other intangible assets

Other intangible assets comprise brands and customer contracts and relationships, recognised at cost or fair value. They have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of the intangible assets over their estimated useful lives (4 - 10 years).

Tangible Fixed Assets

Property, Plant and Equipment

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

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

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

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

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

Johnsons Textile Services Limited (formerly Johnsons
Apparelmaster Limited)
Statement of Significant Accounting Policies (continued)
For the year ended 31 December 2019

Tangible Fixed Assets (continued)

Property, Plant and Equipment (continued)

The fair value of assets acquired through business acquisitions is deemed to be the cost of these assets.

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

Textile Rental Items

Textile rental items which principally comprise workwear garments, cabinet towels, linen and dust mats, are initially treated as stock. On issue to customers or into pool stock, rental items are transferred to non-current assets and are stated at invoiced cost less accumulated depreciation. Depreciation is calculated on a straight line basis over the estimated lives of the items in circulation, which range from two to five years.

The fair value of issued textile rental items acquired through business acquisitions is deemed to be the cost of these items.

Special charges are levied in respect of lost or damaged items or where a customer terminates the service before the end of the contracted period. Where proceeds are received in respect of these special charges, the amount received is deducted from the carrying value of these items.

Right of use assets and Lease liabilities

The Company has adopted IFRS 16 'Leases' from 1 January 2019, which results in almost all leases being recognised on the Balance Sheet as, from a lessee perspective, the distinction between operating and finance leases is removed. Under the new standard, 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 continue to be charged to the Income Statement on a straight line basis over the lease term, as under IAS 17. The accounting for lessors has not significantly changed.

At the date of lease inception, the Company 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 Company 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 are discounted using the incremental borrowing rate of the lessee, since the interest rate implicit in the Company's leases is not readily determinable.

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.

Each subsequent lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss 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 Company, 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.

Johnsons Textile Services Limited (formerly Johnsons
Apparelmaster Limited)
Statement of Significant Accounting Policies (continued)
For the year ended 31 December 2019

Right of use assets and Lease liabilities (continued)

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 Company 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 Company 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 Company accounts for the modification as a separate lease.

In all other cases, on the initial date of the lease modification, the Company 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 Company agrees property lease term extensions that were not contractual as part of the original lease.

The Company adopted the modified retrospective approach and therefore the comparative information for 2018 has not been restated and is presented, as previously reported, under IAS 17.

Under IAS 17, leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Rentals payable in respect of operating leases (net of any incentives received from the lessor) are charged to the Income Statement on a straight line basis over the lease term.

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

Obligations under finance lease agreements have been transferred from Borrowings to be disclosed within Lease liabilities following the adoption of IFRS 16.

Assets financed by leasing or hire purchase arrangements and which have an outstanding liability have been transferred from Property, plant and equipment to be disclosed within Right of use assets following the adoption of IFRS 16.

Note 28 details the impact of the new standard on the Balance Sheet at 1 January 2019.

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.

**Johnsons Textile Services Limited (formerly Johnsons
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Statement of Significant Accounting Policies (continued)
For the year ended 31 December 2019

Trade and Other Receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. The carrying amounts of the Company's trade and other receivables on the Balance Sheet are denominated in Sterling (2018: Sterling).

Under IFRS 9 the Company elects to use the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables.

Under IFRS 9 the Company continues to establish a provision for impairment of trade receivables when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. In addition, IFRS 9 requires the Company 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. The Company considers reasonable and supportable customer-specific and market information about past events, current conditions and forecasts of future economic conditions when measuring expected credit losses.

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

Cash and Cash Equivalents

Cash and cash equivalents in the Balance Sheet comprise cash at bank and in hand.

In accordance with IAS 32: 'Financial instruments: Presentation', where banking arrangements have a right of set off, bank overdrafts are netted against cash and cash equivalents, with the resulting net position shown as either a bank overdraft or a cash balance as appropriate.

Trade and Other Payables

Trade and other 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.

Provisions

Provisions are recognised when the Company 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.

Johnsons Textile Services Limited (formerly Johnsons
Apparelmaster Limited)
Statement of Significant Accounting Policies (continued)
For the year ended 31 December 2019

Provisions (continued)

Property

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

Current income 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. Where tax losses are utilised from other Group companies these are paid for at the tax value of the losses received, with the corresponding liability being recognised as part of Payables to the Parent Company and Group companies.

Deferred income tax

Deferred income 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 income 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 income tax asset is realised or the deferred income tax liability is settled.

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

Foreign Currency Translation

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

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

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 Company's financial statements in the period in which the dividends are approved by the Company's Shareholders. Interim dividends are recognised when paid.

Share Capital

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

Johnsons Textile Services Limited (formerly Johnsons
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Statement of Significant Accounting Policies (continued)
For the year ended 31 December 2019

Financial Risk Management

1 Financial risk factors

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

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

(a) Market risk

(i) Currency risk

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

(ii) Cash flow and fair value interest rate risk

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

The Company's interest rate risk arises from long-term borrowings and lease liabilities. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company 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 Company, thus exposing the Company to fair value interest rate risk.

(iii) Price risk – Utilities and fuel

Key costs incurred by the Company in its operations include utility costs for gas, electricity, water and effluent. The Company also incurs significant costs in respect of diesel given the fleet of vehicles. Changes in utilities or fuel costs could have a material impact on the Company's financial performance.

The Company takes steps to mitigate the risk of price changes across both utilities and fuel as appropriate. In respect of gas and electricity, the Company enters contracts with suppliers to fix prices for determined periods, normally up to one year, ensuring the Company has appropriate visibility of future costs and to protect the Company, in the short term, over price volatility.

To try and mitigate the price risk associated with diesel costs the Company has entered into certain forward contracts with financial institutions to fix an element of the diesel cost being incurred by the Company. Contracts are in place to cover a portion of the Company's forecast diesel usage and allow for actual costs to be swapped for a fixed rate on a monthly basis.

(b) Credit risk

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

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

Johnsons Textile Services Limited (formerly Johnsons
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Statement of Significant Accounting Policies (continued)
For the year ended 31 December 2019

Financial Risk Management (continued)

(c) Liquidity risk

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

See pages 7 to 8 for further details of the impact of Covid-19 on the liquidity of the Company and going concern.

2 Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for Shareholders and benefits for other stakeholders.

Johnsons Textile Services Limited (formerly Johnsons Apparelmaster Limited)

Notes to the Financial Statements

For the year ended 31 December 2019

1 OPERATING PROFIT

The items below have been charged / (credited) to the Income Statement in deriving operating profit:

	2019 £000	2018 £000
Employee benefit expense	144,414	133,677
Auditors' remuneration	225	202
Auditors' non-audit services	68	62
Amortisation of intangible assets:		
- Software	99	86
- Customer contracts	9,753	8,480
Depreciation and impairment of tangible assets:		
- Property, plant and equipment held under finance agreements	-	2,640
- Owned property, plant and equipment	13,356	10,270
- Right of use assets (note 11)	7,752	-
- Textile rental items	44,691	41,303
Profit on sale of property, plant and equipment	(55)	(9)

Non-audit services provided by the auditors relates to tax compliance and advisory.

Operating leases:

- Land and buildings		
- Gross rents paid	158	4,910
- Sublet income	(332)	(332)
- Plant and machinery	1,205	4,058

Following the adoption of IFRS 16 at 1 January 2019, operating lease costs are no longer recognised within the Income Statement but have been replaced with right of use asset depreciation costs. The remaining costs within the Income Statement relate to low-value and short term leases which are excluded from IFRS 16.

2 EMPLOYEE COSTS

	2019 £000	2018 £000	201 £00
Staff costs during the year were as follows:			63,51
Wages and salaries	130,379	121,224	
Social security costs	10,230	9,421	4,88
Redundancy costs	119	45	15
Cost of employee share schemes	147	150	5
Pension costs - defined contribution plans	3,202	2,485	1,47
Cost of private medical scheme	155	153	17
Cost of life assurance	182	199	18
	144,414	133,677	

The average monthly number of persons (including directors) employed by the Company during the year was:

	2019 No.	2018 No.
Full time	5,145	4,870
Part time	614	586
	5,759	5,456

Johnsons Textile Services Limited (formerly Johnsons Apparelmaster Limited)

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

3 DIRECTORS' EMOLUMENTS AND KEY MANAGEMENT

Key management personnel is represented by the Board of Directors. Three of the Directors received their emoluments from the ultimate Parent Company for the whole year. Of these Directors, one is not a Director of the ultimate Parent Company and therefore their remuneration is not disclosed in the Parent Company financial statements. It is concluded that substantially all of their services relate to the management of the affairs of Johnsons Textile Services Limited (formerly Johnsons Apparelmaster Limited) and as such, it is deemed appropriate to include 100% of their remuneration in the following disclosure. The two other Directors have not been included below and details of their remuneration are given in the ultimate Parent Company financial statements.

	2019 £000	2018 £000
Aggregate emoluments (excluding employer's pension contributions but including bonuses earned and benefits in kind)	1,220	1,053
Pension costs - defined contribution plans	85	82
	1,305	1,135

The number of Directors, other than Directors of the Parent Company, who exercised share options during the year was 1 (2018: 2).

The number of Directors, other than Directors of the Parent Company, who were granted shares under the share option schemes was 2 (2018: 1).

At 31 December 2019, excluding directors of the Parent Company, retirement benefits are accruing to no Directors (2018: none) under a defined benefit scheme and 4 Directors (2018: 5) are members of a defined contribution money purchase scheme.

Highest paid director

	2019 £000	2018 £000
Aggregate emoluments (including employer's pension contributions, bonuses earned and benefits in kind)	383	339

The number of share options exercised by the highest paid Director during the year was 110,000 (2018: 108,587).

At 31 December 2019, the highest paid director accrued pension entitlement was £20,000 (2018: £20,000) under the Johnson Group Defined Benefit Scheme (the 'JGDBS').

4 EXCEPTIONAL ITEMS

	2019 £000	2018 £000
Integration and dual running costs	-	228

Exceptional costs were incurred as part of the ongoing integration of recent acquisitions.

Johnsons Textile Services Limited (formerly Johnsons Apparelmaster Limited)

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

5 FINANCE COSTS

	2019 £000	2018 £000
Interest payable on lease liabilities relating to IAS 17	-	278
Interest payable on lease liabilities relating to IFRS 16	3,420	-
Interest payable on loan from Parent Company	3,817	4,407
Other interest payable	-	1
Finance costs	7,237	4,686

6 TAX ON PROFIT

	2019 £000	2018 £000
Current income tax		
UK Corporation Tax charge for the year at 19% (2018: 19%)	10,140	10,151
Adjustments in relation to previous years	(519)	(468)
Current income tax charge for the year	9,621	9,683
Deferred income tax		
Origination and reversal of temporary differences	(1,979)	(2,771)
Change in deferred tax following change in tax rate	(109)	(175)
Adjustments in relation to previous years	188	154
Deferred income tax credit for the year	(1,900)	(2,792)
Total charge for taxation	7,721	6,891

The tax charge above is in respect of continuing operations.

The tax for the year is higher (2018: higher) than the standard rate of UK Corporation Tax. The differences are explained below:

	2019 £000	2018 £000
Profit before taxation per the Income Statement	40,330	35,897
Profit before taxation multiplied by standard rate of UK Corporation Tax of 19% (2018: 19%)	7,663	6,820
Factors affecting charge for the year:		
Share options	(15)	17
Tax effect of expenses not deductible for tax purposes	292	303
Changes in statutory tax rate	112	65
Adjustments in relation to previous years	(331)	(314)
Total tax charge for the year	7,721	6,891

The income tax expense for the year is based on the effective rate of UK Corporation Tax for the year of 19% (2018: 19%).

Changes to the UK corporation tax rates were announced on 16 March 2016. These changes were substantively enacted as part of the Finance Bill 2016 on 6 September 2016 and include reductions to the main rate to 17% from 1 April 2020. These changes have been reflected in these financial statements which has resulted in an average deferred income tax rate of 17% being used to measure all deferred income tax balances as at 31 December 2019 (2018: 17.5%). On 11 March 2020, it was announced that the reduction in the main rate to 17% would no longer proceed with the UK rate remaining at 19%. This change has yet to be substantively enacted and is therefore not reflected in these financial statements.

Johnsons Textile Services Limited (formerly Johnsons Apparelmaster Limited)

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

6 TAX ON PROFIT (continued)

The impact of the change in tax rates in 2019 to 17% (2018: 17.5%) has been a £109,000 credit in the Income Statement (2018: £175,000).

During the year, a £47,000 credit relating to current taxation (2018: £48,000) and a £36,000 credit relating to deferred taxation (2018: £48,000 charge) have been recognised directly in Shareholders' equity.

7 DIVIDENDS PAID

	2019 £000	2018 £000
Dividend paid in year (10 pence per share) (2018: 10 pence per share)	13,156	13,156

8 GOODWILL

	2019 £000	2018 £000
Cost		
Cost brought forward	102,421	101,039
Recognised on acquisition of the trade and assets of businesses (note 26)	7,641	1,382
Cost carried forward	110,062	102,421
Accumulated impairment losses		
Brought forward and carried forward	3,272	3,272
Carrying amount		
Opening carrying amount	99,149	97,767
Closing carrying amount	106,790	99,149

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

9 INTANGIBLE ASSETS

	Capitalised Software £000	Customer Contracts £000	Total £000
Cost			
At 1 January 2018	568	67,601	68,169
Additions	612	-	612
Recognised on acquisition of the trade and assets of businesses	-	1,104	1,104
At 31 December 2018	1,180	68,705	69,885
Additions	1,234	2,271	3,505
Recognised on acquisition of the trade and assets of businesses (note 26)	-	3,559	3,559
At 31 December 2019	2,414	74,535	76,949
Accumulated amortisation			
At 1 January 2018	450	25,271	25,721
Charged during the year	86	8,480	8,566
At 31 December 2018	536	33,751	34,287
Charged during the year	99	9,753	9,852
At 31 December 2019	635	43,504	44,139
Carrying amount			
At 31 December 2018	644	34,954	35,598
At 31 December 2019	1,779	31,031	32,810

Johnsons Textile Services Limited (formerly Johnsons Apparelmaster Limited)

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

9 INTANGIBLE ASSETS (continued)

Amortisation of capitalised software is charged as part of the administrative expenses within the Income Statement.

Customer contracts and relationships are recognised at fair value and arise from business combinations. Fair value is calculated based upon historical and prospective information and financial data specific to each business combination, with an appropriate discount factor applied based upon the weighted average cost of capital for the Company. Customer contracts have a finite useful life and are carried at cost less accumulated amortisation. Amortisation of customer contracts is calculated using the straight-line method to allocate the cost of the assets over their estimated useful lives (4 - 10 years). The longest estimated useful life remaining at 31 December 2019 is 5 years. Amortisation of customer contracts is shown separately on the face of the Income Statement.

10 PROPERTY, PLANT AND EQUIPMENT

	Properties			Plant And Equipment £000	Total £000
	Freehold £000	Long Leasehold £000	Short Leasehold £000		
Cost					
At 1 January 2018	1,743	1,137	7,631	116,685	127,196
Additions	701	-	186	15,330	16,217
Recognised on acquisition of the trade and assets of businesses	896	-	-	1,122	2,018
Disposals	(896)	-	-	(2,598)	(3,494)
Re-categorisation of assets	-	-	-	-	-
At 31 December 2018	2,444	1,137	7,817	130,539	141,937
Transfer to right of use assets	-	-	-	(14,503)	(14,503)
At 1 January 2019	2,444	1,137	7,817	116,036	127,434
Additions	292	6	375	18,650	19,323
Recognised on acquisition of the trade and assets of businesses (note 26)	-	-	205	1,766	1,971
Disposals	(26)	-	(51)	(2,635)	(2,712)
Re-categorisation of assets	-	-	504	(504)	-
Transfers from right of use assets	-	-	-	16,356	16,356
At 31 December 2019	2,710	1,143	8,850	149,669	162,372
Accumulated depreciation and impairment					
At 1 January 2018	638	179	2,488	55,293	58,598
Charged during the year	55	119	508	12,228	12,910
Disposals	(1)	-	-	(2,432)	(2,433)
At 31 December 2018	692	298	2,996	65,089	69,075
Transfer to right of use assets	-	-	-	(4,556)	(4,556)
At 1 January 2019	692	298	2,996	60,533	64,519
Charged during the year	103	121	575	12,557	13,356
Disposals	(26)	-	-	(2,405)	(2,431)
Transfers from right of use assets	-	-	-	5,994	5,994
At 31 December 2019	769	419	3,571	76,679	81,438
Carrying amount					
At 31 December 2017	1,105	958	5,143	61,392	68,598
At 31 December 2018	1,752	839	4,821	65,450	72,862
At 31 December 2019	1,941	724	5,279	72,990	80,934

Johnsons Textile Services Limited (formerly Johnsons Apparelmaster Limited)

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

10 PROPERTY, PLANT AND EQUIPMENT (continued)

In the prior year, the addition to Freehold property was recognised on acquisition of the trade and assets of StarCounty Textile Services Limited before the property was transferred to a fellow subsidiary of Johnson Service Group PLC.

Depreciation charges are recognised in cost of sales and administrative expenses depending on the assets to which the depreciation relates.

Following the adoption of IFRS 16, the transfer of assets in to right of use assets represents the reclassification of the cost and associated depreciation of finance lease assets at 1 January 2019. The transfer of assets from right of use assets represents the reclassification of the cost and associated depreciation of finance lease assets back to property, plant and equipment where the lease expired in the year to 31 December 2019 and the asset is now owned.

11 RIGHT OF USE ASSETS

	Properties £000	Plant and Equipment £000	Total £000
Cost			
At 31 December 2018	-	-	-
Recognition of right of use assets	58,822	5,208	64,030
Transfers in from property, plant and equipment	-	14,503	14,503
Right of use assets recognised at 1 January 2019	58,822	19,711	78,533
Recognised on acquisition of the trade and assets of businesses (note 26)	1,211	1,938	3,149
Additions	4,053	2,342	6,395
Reassessment/modification of assets previously recognised	1,355	(137)	1,218
Disposals	-	(25)	(25)
Transfers to property, plant and equipment	-	(16,356)	(16,356)
At 31 December 2019	65,441	7,473	72,914
Accumulated depreciation and impairment			
At 31 December 2018	-	-	-
Transfers in from property, plant and equipment	-	4,556	4,556
At 1 January 2019	-	4,556	4,556
Charged during the year	3,963	3,764	7,727
Impairment	25	-	25
Disposals	-	(16)	(16)
Transfers to property, plant and equipment	-	(5,994)	(5,994)
At 31 December 2019	3,988	2,310	6,298
Carrying amount			
At 31 December 2018	-	-	-
At 1 January 2019	58,822	15,155	73,977
At 31 December 2019	61,453	5,163	66,616

Depreciation charges are recognised in distribution expenses and administrative expenses depending on the assets to which the depreciation relates.

Johnsons Textile Services Limited (formerly Johnsons Apparelmaster Limited)

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

11 RIGHT OF USE ASSETS (continued)

The reassessment/modification of leases relates to lease consideration and lease term changes that have been agreed during the year to 31 December 2019 for leases which were in place on 1 January 2019 following the adoption of IFRS 16.

Following the adoption of IFRS 16, the transfer of assets in from property, plant and equipment represents the reclassification of the cost and associated depreciation of finance lease assets at 1 January 2019 to the right of use assets. The transfer of assets back to property, plant and equipment represents the reclassification of the cost and associated depreciation of finance lease assets back to property, plant and equipment where the lease expired in the year to 31 December 2019 and the asset is now owned.

12 TEXTILE RENTAL ITEMS

	2019 £000	2018 £000
Cost		
Brought forward	112,723	96,808
Additions	45,673	48,521
Recognised on acquisition of the trade and assets of businesses	1,138	350
Disposals	(38,490)	(28,550)
Special charges	(4,598)	(4,406)
Carried forward	116,446	112,723
Accumulated depreciation		
Brought forward	57,621	47,050
Charged during the year	44,691	41,303
Disposals	(38,486)	(28,529)
Special charges	(2,299)	(2,203)
Carried forward	61,527	57,621
Carrying amount		
Opening	55,102	49,758
Closing	54,919	55,102

Depreciation is charged as part of the cost of sales within the Income Statement.

13 INVESTMENTS

The Company has the following investments:

	2019 £000	2018 £000
Cost		
Brought forward	-	100,012
Disposal	-	(100,012)
Carried forward	-	-
Accumulated impairment		
Brought forward	-	(100,012)
Impairment	-	-
Disposal	-	100,012
Carried forward	-	-
Carrying amount		
Brought forward	-	-
Carried forward	-	-

During the prior year, the Company's previous subsidiary company Cleanology Limited was struck off.

Johnsons Textile Services Limited (formerly Johnsons Apparelmaster Limited)

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

14 INVENTORIES

	2019 £000	2018 £000
New rental items	1,195	1,576
Raw materials and stores	1,047	1,214
	2,242	2,790

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

	2019 £000	2018 £000
Opening inventories	2,790	2,876
Purchases	56,405	61,500
Recognised on acquisition of the trade and assets of a businesses (note 26)	13	20
Amounts transferred to textile rental items	(45,673)	(48,521)
Disposals	-	(290)
Amounts transferred to cost of sales	(11,230)	(12,715)
Amounts written off	(216)	(76)
Provision utilised during the year	289	76
Provision charged during the year	(136)	(80)
	2,242	2,790

The amounts above are net of an inventory provision of £474,000 (2018: £627,000).

15 TRADE AND OTHER RECEIVABLES

	2019 £000	2018 £000
Amounts falling due within one year:		
Trade receivables	46,651	44,939
Less: provision for impairment of receivables	(2,269)	(2,067)
Net trade receivables	44,382	42,872
Other receivables	2,442	2,009
Prepayments	1,400	3,012
Contract assets	707	682
Accrued income	3,229	2,858
	52,160	51,433
Amounts falling due after more than one year:		
Receivables from the Parent Company and other Group undertakings	29,185	29,681
Contract assets	430	374
	29,615	30,055
	81,775	81,488

Costs capitalised as contract assets during the year include sales commissions that relate directly to a contract and total £982,000 (2018: £771,000). Amortisation recognised during the year relating to contract assets is £900,000 (2018: £894,000).

Costs capitalised in relation to contract assets are expected to be recoverable.

The carrying amounts of the Company's trade and other receivables on the Balance Sheet are denominated in Sterling (2018: Sterling) and are held at amortised cost. Given the short term nature there is deemed to be no difference between this and fair value.

Johnsons Textile Services Limited (formerly Johnsons Apparelmaster Limited)

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

15. TRADE AND OTHER RECEIVABLES (continued)

Amounts receivable from the Parent Company and other Group undertakings due in more than one year are unsecured and have no fixed date for repayment. At the balance sheet date the balance was interest bearing at rates linked to LIBOR and it is not the Company's present intention to request payment of these amounts within the next 12 months and as such they have been presented as non-current assets. The Directors have considered the difference between the book value and fair value of amounts receivable from the Parent Company and other Group undertakings. Taking into account the one year risk free rate of return of 0.57% (2018: 0.74%), as at the balance sheet date, the fair value of amounts receivable from the Parent Company and other Group undertakings would be circa £29,019,000 (2018: £29,461,000).

16. TRADE AND OTHER PAYABLES

	2019 £000	2018 £000
Amounts payable within one year:		
Trade payables	22,133	22,634
Payables to the Parent Company and Group undertakings	421	384
Other payables	8,939	8,755
Accruals	25,191	24,139
Other taxation and social security benefits	2,776	2,451
	59,460	58,363
Amounts payable after one year:		
Trade payables	24	35
	59,484	58,398

Amounts payable to the Parent Company and other Group undertakings are unsecured, interest free and are repayable on demand and are held at amortised cost. Given the short term nature there is deemed to be no difference between the book value and fair value.

17. BORROWINGS

	2019 £000	2018 £000
CURRENT		
Obligations under finance lease agreements	-	2,555
	-	2,555
NON-CURRENT		
Obligations under finance lease agreements	-	3,702
	-	3,702

Finance leases

Obligations under finance lease agreements are as follows:

	2019 £000	2018 £000
Not more than one year		
Minimum lease payments	-	2,721
Interest element	-	(166)
Present value of minimum lease payments	-	2,555
Between one and five years		
Minimum lease payments	-	3,821
Interest element	-	(119)
Present value of minimum lease payments	-	3,702

Johnsons Textile Services Limited (formerly Johnsons Apparelmaster Limited)

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

17 BORROWINGS (continued)

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

Following the adoption of IFRS 16 at 1 January 2019, obligations under finance lease agreements are recognised within lease liabilities (note 18) and are no longer included within borrowings.

18 LEASE LIABILITIES

	Properties £000	Plant and Equipment £000	Total £000
At 31 December 2018	-	-	-
Recognition of lease liability under IFRS 16	60,049	5,135	65,184
Previously recognised as finance lease obligations in borrowings	-	6,257	6,257
Opening lease liabilities recognised at 1 January 2019	60,049	11,392	71,441
Recognised on acquisition of the trade and assets of businesses (note 26)	1,169	1,056	2,225
Additions	3,971	2,342	6,313
Reassessment/modification of liabilities previously recognised	1,230	(108)	1,122
Disposals	-	(9)	(9)
Lease liability payments (including finance costs)	(5,988)	(9,945)	(15,933)
Finance costs	3,002	418	3,420
At 31 December 2019	63,433	5,146	68,579

The reassessment/modification of leases relates to lease consideration and lease term changes that have been agreed during the year to 31 December 2019 for leases which were in place on 1 January 2019 following the adoption of IFRS 16.

Lease liabilities are comprised of the following balance sheet amounts:

	2019 £000	2018 £000
Amounts due within one year (Lease liabilities, Current Liabilities)	5,455	-
Amounts due after more than one year (Lease liabilities, Non-Current Liabilities)	63,124	-
	68,579	-

Johnsons Textile Services Limited (formerly Johnsons Apparelmaster Limited)

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

19 PROVISIONS FOR LIABILITIES

	Property £000	Self Insurance £000	Total £000
At 1 January 2018	1,596	669	2,265
Additional provision in year	-	5	5
Utilised during the year	(323)	(62)	(385)
At 31 December 2018	1,273	612	1,885
Utilised during the year	(83)	(56)	(139)
At 31 December 2019	1,190	556	1,746
Analysis of total provisions		2019	2018
		£000	£000
Current		812	915
Non-current		934	970
		1,746	1,885

Property

The property provision includes 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 judgements used in determining the value of provisioning are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The majority of the property provision is expected to be utilised over a period of up to five years.

Self insurance

The self insurance provision includes a provision for payments due to existing claimants under the self-funded incapacity scheme over an estimated period of 14 years. This scheme is now closed but not discontinued.

20 OTHER NON-CURRENT TRADE AND OTHER PAYABLES

	2019 £000	2018 £000
Frozen holiday pay	522	521
Deferred Income	478	1,460
	1,000	1,981

Johnsons Textile Services Limited (formerly Johnsons Apparelmaster Limited)

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

21 DEFERRED TAXATION

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets 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	
	2019 £000	2018 £000	2019 £000	2018 £000
<i>Recognised deferred income tax balances in respect of:</i>				
Depreciation in excess of capital allowances	254	349	-	-
Separately identifiable intangible assets	-	-	(3,404)	(4,525)
Employee share schemes	121	44	-	-
Other short term timing differences	407	352	-	-
	782	745	(3,404)	(4,525)

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

	Depreciation in excess of capital allowances £000	Employee share schemes £000	Other short term timing differences £000	Separately identifiable intangible assets £000	Total £000
At 1 January 2018	(447)	119	248	(5,931)	(6,011)
Adjustment on adoption of IFRS 15	-	-	(212)	-	(212)
Deferred tax liability acquired	(106)	-	11	(206)	(301)
Credit / (charge) to income	902	(27)	305	1,612	2,792
Charge to Shareholders' equity	-	(48)	-	-	(48)
At 31 December 2018	349	44	352	(4,525)	(3,780)
Adjustment on adoption of IFRS 16 (note 28)	-	-	(32)	-	(32)
Deferred tax liability acquired (note 26)	(92)	-	(49)	(605)	(746)
Credit / (charge) to income	(3)	41	136	1,726	1,900
Charge to Shareholders' equity	-	36	-	-	36
At 31 December 2019	254	121	407	(3,404)	(2,622)

None of the deferred tax charge in 2019 related to discontinued operations (2018: £nil).

Changes to the UK corporation tax rates were announced on 16 March 2016. These changes were substantively enacted as part of the Finance Bill 2016 on 6 September 2016 and include reductions to the main rate to 17% from 1 April 2020. These changes have been reflected in these financial statements which has resulted in an average deferred income tax rate of 17% being used to measure all deferred income tax balances as at 31 December 2019 (2018:17.5%). On 11 March 2020, it was announced that the reduction in the main rate to 17% would no longer proceed with the UK rate remaining at 19%. This change has yet to be substantively enacted and is therefore not reflected in these financial statements.

The impact of the change in tax rates to 17% (2018: 17.5%) has been a £109,000 credit in the Income Statement (2018: £175,000).

The Company has estimated that £1,700,000 of the Company's net deferred income tax liability will be realised within the next 12 months. This is management's current best estimate and may not reflect the actual outcome in the next 12 months.

Johnsons Textile Services Limited (formerly Johnsons Apparelmaster Limited)

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

22 POST-EMPLOYMENT BENEFIT OBLIGATIONS

The company is a wholly owned subsidiary of Johnson Service Group PLC which operates pension schemes for eligible employees, in which the Company participates. In addition Johnson Service Group PLC also operates an unfunded private healthcare scheme for eligible retirees.

The following pension schemes, in which the Company participates, are operated by the Johnson Service Group PLC:

PENSIONS - DEFINED CONTRIBUTION

The cost to the Company of contributions to this scheme during the year was £3,202,000 (2018: £2,485,000).

Johnson Group Defined Benefit Scheme ("JGDBS")

The JGDBS is a defined benefit pension scheme which is now closed to new entrants and future accrual. Certain of the Company's current and former employees are members of this scheme.

The JGDBS is operated across all Johnson Service Group PLC companies. It has been concluded by the Directors that, due to nature, size and complexity of the scheme, sufficient information is not available to enable the Company to reliably estimate its share of the assets and liabilities of the scheme and as therefore the scheme is accounted for as a defined contribution scheme in these financial statements.

Contributions made into the scheme, which have been recognised as an expense in the Income Statement, for the year totalled £nil (2018: £nil). As the scheme was closed to future accrual as at 31 December 2014 there will be no further contributions made to the scheme. The rate of contributions required to be made by the Company reflects its participation in the scheme, compared with that of other Johnson Service Group PLC companies. Annual contributions, for the scheme as a whole, are agreed with the trustees and are determined based on the deficit of the scheme as determined as part of the triennial valuation process and updated accordingly for any changes in the scheme.

The table below sets the total position of JGDBS as at 31 December 2019 and 31 December 2018:

	2019 £m	2018 £m
Present value of funded obligations	(227.6)	(212.3)
Fair value of scheme assets	221.3	208.7
Net defined benefit pension obligations	(6.3)	(3.6)
Post-retirement healthcare obligations	(1.0)	(1.0)
Net post-employment benefit obligations	(7.3)	(4.6)

Further disclosure in relation to the JGDBS can be found in the Johnson Service Group PLC annual report, which is publicly available, on pages 121 to 125.

23 CONTINGENT LIABILITIES

The Company operates from a number of sites across the UK. Some of the sites have operated as laundry sites for many years and historic environmental liabilities may exist, although the Company has indemnities from third parties in respect of a number of sites. Such liabilities are not expected to give rise to any significant loss.

The Company has guaranteed the banking facilities of Johnson Service Group PLC and certain of its subsidiary undertakings under a cross guarantee arrangement. No losses are expected to result from this arrangement.

Johnsons Textile Services Limited (formerly Johnsons Apparelmaster Limited)

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

24 SHARE-BASED PAYMENTS

Certain senior executives of the Company hold options in respect of potential issues of Ordinary Shares of 10p each in Johnson Service Group PLC, the Parent Company, granted pursuant to either the 2009 Long-Term Incentive Plan or the 2018 Long-Term Incentive Plan (together referred to as 'Executive' schemes) at a price of nil.

Certain employees of the Company hold options in respect of potential issues of Ordinary Shares of 10p each in Johnson Service Group PLC, the Parent Company, granted pursuant to the Johnson Service Group Sharesave Plan or the Johnson Service Group 2018 Save As You Earn Plan (together referred to as 'SAYE' scheme) at prices ranging from 82.75 pence to 155.75 pence.

Executive Schemes

The exercise price is determined by the Remuneration Committee of Johnson Service Group PLC. The vesting period is generally three years. Both market based and non-market based performance conditions are generally attached to the options, for which an appropriate adjustment is made when calculating the fair value of an option. If the options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options are forfeited if the employee leaves the Company before the options vest, unless under exceptional circumstances.

SAYE Schemes

The Johnson Service Group Sharesave Plan provides for an exercise price equal to the quoted closing mid-market price of the Company shares on the business day immediately preceding the date of grant, less a discount of up to ten percent. The vesting period under the scheme is either three or five years with no performance conditions attached to the options.

Cost of schemes

The fair value is measured at the date of grant and spread over the vesting period of the options. The fair value of options awarded to employees is determined by reference to option pricing models, principally Binomial for SAYE schemes and Monte Carlo models for all other schemes. Details of the assumptions used in the calculation of the fair values of the awards, together with details of the inputs into the Binomial and Monte Carlo models are set out in note 29 to the Annual Report of Johnson Service Group PLC.

Details of the number of shares subject to options under each scheme which were outstanding at 31 December 2019, the periods in which they were granted and the periods in which they may be exercised are set out in note 28 and note 29 to the Annual Report of Johnson Service Group PLC.

During the year the Company recognised total expenses of £147,000 (2018: £150,000) in relation to equity-settled share based payment transactions.

25 SHARE CAPITAL

	Number of shares	2019 £000	Number of shares	2018 £000
Issued and fully paid Ordinary shares of 100p each	131,563,000	131,563	131,563,000	131,563

Johnsons Textile Services Limited (formerly Johnsons Apparelmaster Limited)

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

26 BUSINESS COMBINATIONS AND DISCONTINUED OPERATIONS ACQUISITIONS

On 31 March 2019, the Company acquired the trade and assets of a subsidiary of Johnson Service Group PLC. The business assets and liabilities of South West Laundry Ltd (SWL) were acquired for £12.6 million.

A right of use asset and lease liability were also recognised on hive up in line with IFRS 16 'Leases', bringing the recognition of the business assets and liabilities in line with the accounting standards used to prepare the Johnsons Textile Services Limited (formerly Johnsons Apparelmaster Limited) financial statements.

Since acquisition to 31 December 2019, SWL has generated a profit of £344,000 on revenue of £6,357,000. Had the business been acquired at the start of the year, it is estimated that a loss of £117,000 would have been generated on revenue of £7,504,000.

The fair value of assets and liabilities acquired are as follows:

	SWL	IFRS 16 adjustments	SWL
	£000	£000	£000
Intangible Assets – Goodwill	7,641	-	7,641
Intangible Assets – Customer contracts	3,559	-	3,559
Property, Plant and Equipment	3,909	(1,938)	1,971
Right of use assets	-	3,149	3,149
Textile Rental Items	1,138	-	1,138
Stock	13	-	13
Trade and other receivables	673	-	673
Cash	218	-	218
Amounts owed to Parent company	(1,869)	-	(1,869)
Trade and other payables	(953)	-	(953)
Borrowings	(1,056)	-	(1,056)
Lease liabilities	-	(2,225)	(2,225)
Current income tax asset	63	-	63
Deferred income tax liability	(746)	-	(746)
	12,590	(1,014)	11,576

Goodwill represents the deferred income tax arising on the recognition of the customer contracts plus the expected benefits to the wider Company arising from the Acquisitions. None of the acquired goodwill is expected to be deductible for tax purposes.

DISCONTINUED OPERATIONS

Discontinued operations relate to Johnson Hospitality Services which ceased trading in 2006. Transactions in 2019 and 2018 consist of Group loan interest payable.

	2019	2018
	£000	£000
Interest	(891)	(834)
Loss before taxation	(891)	(834)
Taxation credit	169	158
Loss for the year	(722)	(676)

Johnsons Textile Services Limited (formerly Johnsons Apparelmaster Limited)

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

27 FINANCIAL COMMITMENTS

Capital expenditure

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

	2019 £000	2018 £000
Capitalised software	820	-
Property, plant and equipment	10,312	5,187

28 CHANGES IN ACCOUNTING STANDARDS

IFRS 16, 'Leases'

The Company has adopted this new standard from 1 January 2019, applying the modified retrospective approach, which results in the cumulative effect of initially applying this standard being an adjustment to the opening balance of retained earnings as at 1 January 2019. The comparative information for 2018 has not been restated and is presented, as previously reported, under IAS 17.

The new standard results in almost all leases being recognised on the Balance Sheet as, from a lessee perspective, the distinction between operating and finance leases is removed. Under the new standard, 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. The accounting for lessors has not significantly changed.

The Company currently leases both properties and vehicles, comprising cars and commercial vehicles, which under IAS 17, were classified as a series of operating lease contracts with payments made (net of any incentives received from the lessor) charged to profit or loss on a straight-line basis over the period of the lease. From 1 January 2019, under IFRS 16, these leases are recognised as a right-of-use asset and a corresponding lease liability at the date at which the leased asset is available for use by the Company. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period using the effective interest method.

The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- in determining whether existing contracts meet the definition of a lease, the Group has not reassessed those contracts previously identified as leases and has not applied the standard to those contracts not previously identified as leases;
- short-term leases (leases of less than 12 months and leases with less than 12 months remaining) as at the date of adoption of the new standard are not within the scope of IFRS 16;
- leases for which the asset is of low value (IT equipment and small items of office equipment), are not within the scope of IFRS 16; and
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics.

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17, 'Leases'. For vehicles, these liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate on the current facility as of 1 January 2019, which was 2.48%. The Company also leases various offices and plants, which can differ significantly in terms of property value, location and with leases negotiated on an individual basis, they can contain a wide range of different terms and conditions. The discount rate applied therefore differs by property and ranges from 2.85% – 7.15%. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.91%.

Johnsons Textile Services Limited (formerly Johnsons Apparelmaster Limited)

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

28 CHANGES IN ACCOUNTING STANDARDS (continued)

Under the modified retrospective approach, the associated right of use assets were measured using the approach set out in IFRS 16.C8(b)(ii), whereby right of use assets are equal to the lease liability, adjusted by the amount of any prepaid (£932,000) or accrued lease payments (£2,267,000) (including unamortised lease incentives such as rent free periods). There were no onerous lease contracts that would have required an adjustment to the right of use assets at the date of initial application.

For leases previously classified as finance leases, which relate to equipment and vehicles, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability at the date of initial application.

The overall impact of the adoption of IFRS 16 on the Group's opening Consolidated Balance Sheet is as follows:

	As at 31 December 2018 £000	IFRS 16 adjustment £000	Adjusted as at 1 January 2019 £000
Non-current assets			
Plant, property and equipment	72,862	(9,947)	62,915
Right of use assets (note 11)	-	73,977	73,977
Current assets			
Trade and other receivables	51,433	(932)	50,501
Current liabilities			
Trade and other payables	58,363	(1,717)	56,646
Borrowings	2,555	(2,555)	-
Lease liabilities (note 18)	-	7,487	7,487
Non-current liabilities			
Other non-current trade and other payables	1,981	(550)	1,431
Borrowings	3,702	(3,702)	-
Lease liabilities (note 18)	-	63,954	63,954
Deferred income tax liabilities (note 21)	4,525	32	4,557
Net assets	271,082	149	271,231
Capital and reserves attributable to the Company's Shareholders			
Retained earnings	110,416	149	110,565
Total equity	271,082	149	271,231

The adoption of IFRS 16 increased retained earnings as at 1 January 2019 by £149,000. This represents the reversal of previously recognised property cost accruals which are no longer required under the new standard.

Johnsons Textile Services Limited (formerly Johnsons Apparelmaster Limited)

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

28 CHANGES IN ACCOUNTING STANDARDS (continued)

The table below presents a reconciliation from operating lease commitments disclosed at 31 December 2018 to lease liabilities recognised at 1 January 2019.

	£000
Operating lease commitments disclosed as at 31 December 2018	46,253
(Less): short-term and low value leases recognised on a straight-line basis as an expense	(909)
Property leases previously not included under IAS 17	76,631
	121,975
Discounted using the lessee's incremental borrowing rate at the date of initial application	65,184
Add: finance lease liabilities recognised as at 31 December 2018	6,257
Lease liability recognised as at 1 January 2019	71,441

Of which are:	£000
Current lease liabilities	7,487
Non-current lease liabilities	63,954
Lease liability recognised as at 1 January 2019	71,441

Property leases previously not included under IAS 17 relate to arrangements between the Company and another Group undertaking, Johnson Group Properties PLC, where Johnson Group Properties lease the use of the property to the Company in exchange for consideration. There is no formal contract in place and therefore no commitment to future rental payments. However, under IFRS 16, past practice and economic reasons have been considered to assess the period for which the arrangement is likely to be in place, which has subsequently been used as the lease term, ranging from 30 to 49 years, in order to measure the initial lease liability.

The tables below shows the split of the total right of use asset and lease liability following the adoption of IFRS 16:

	Adjusted as at 1 January 2019 £000
Properties	58,822
Plant and equipment	5,208
Leases previously held under finance leases	9,947
Total right of use assets	73,977
Properties	60,049
Plant and equipment	5,135
Leases previously held under finance leases	6,257
Total lease liabilities	71,441

During the year, the application of IFRS 16 resulted in an increase in operating profit in the Income Statement of £2,209,000 in comparison to treatment under IAS 17, as operating lease payments under IAS 17 were replaced by a depreciation charge on right of use assets and operating lease payments in relation to short term and low value leases. Profit before taxation reduced by £922,000 with the inclusion of £3,131,000 of finance costs under the new standard.

Johnsons Textile Services Limited (formerly Johnsons Apparelmaster Limited)

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

28 CHANGES IN ACCOUNTING STANDARDS (continued)

The table below shows a reconciliation between profit under IAS 17 and the new standard, IFRS 16.

	Year ended 31 December 2019 £000
Operating lease costs under IAS 17	9,864
(Less): Depreciation of right of use assets for leases previously recognised as operating leases under IAS 17	(6,292)
(Less): Short term and low value lease expense under IFRS 16	(1,363)
Impact on operating profit for the year	2,209
(Less): Finance costs associated with lease liabilities for leases previously recognised as operating leases under IAS 17	(3,131)
Impact on profit before taxation for the year	(922)

29 EVENTS AFTER THE REPORTING PERIOD

On 6 January 2020, Johnsons Textile Services Limited (formerly Johnsons Apparelmaster Limited) swapped names with Johnsons Textile Services Limited (Registered number 11687539).

On 25 January 2020 a fire occurred at our site in Exeter resulting in significant damage and preventing its use for processing. Our Operational team immediately mobilised our business continuity plans and has worked to ensure that the service to our customers has been maintained. The processing of garments for our Exeter customers is currently being undertaken by nearby workwear sites and a temporary depot established in Exeter. We are working closely with our insurers in relation to the insurance claim and to agree plans for the future of our Exeter site. The incident is not expected to have an impact on the trading performance of the business.

Following the declaration of Covid-19 as a global pandemic by the World Health Organisation in March 2020 and the subsequent measures implemented by the government to contain the virus, the Company has seen significant disruption across each of its businesses. The Directors view the Covid-19 pandemic as a non-adjusting post-balance sheet event as there was no impact on trading as at the balance sheet date.

Our Workwear business, which provides garment rental, protective wear and laundry services is continuing to supply key industries and all our processing sites have remained open. Whilst trading for the first two months of the year was in line with our expectations, we subsequently saw a reduction in requirements from certain, mainly blue collar, industries although we are seeing some increased demand from our food customers which partly offsets this.

Within our Hotel, Restaurant and Catering business, the vast majority of our 18 sites were closed for April to June as the demand for linen has significantly reduced from most sections of the hospitality market due to government enforced closures.

The Company has taken a number of precautionary measures to monitor and mitigate the effects of Covid-19, primarily the health and safety of our employees through the implementation of social distancing measures at our production facilities and working from home where possible.

Depending on the duration of the Covid-19 pandemic, further government measures and the virus' continued negative impact on UK economic activity, the Company may experience further disruption for a number of months, the quantum and duration of which is unknown. The UK hospitality sector was able to reopen from 4 July. It is currently too early to assess the pace at which the market will recover in terms of numbers of customers reopening and volumes.

Furthermore, on 30 June 2020, the Company acquired the trade and assets of Fresh Linen Limited, a subsidiary of Johnson Service Group PLC.

Johnsons Textile Services Limited (formerly Johnsons Apparelmaster Limited)

Notes to the Financial Statements (continued)

For the year ended 31 December 2019

30 ULTIMATE PARENT COMPANY

The Company's ultimate parent undertaking, which is the parent undertaking of the smallest and largest Group to consolidate these financial statements and ultimate controlling party is Johnson Service Group PLC. Copies of the Parent's Consolidated Financial Statements may be obtained from The Company Secretary, Johnson Service Group PLC, Johnson House, Abbots Park, Monks Way, Preston Brook, Cheshire WA7 3GH.