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Johnsons Textile Services Limited
Registered No: 464645

Directors' Report and Financial Statements
For the year ended 31 December 2021

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Johnsons Textile Services Limited
Directors' Report and Financial Statements
For the year ended 31 December 2021

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Johnsons Textile Services Limited
Directors and Professional Advisors

DIRECTORS	Mrs Y M Monaghan Mr P Egan Mrs H Wood Mr T Morris Mr D Smith Mr S McKeever Mr P Carr (appointed 1 October 2021)
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 10th Floor, The Plaza 100 Old Hall Street Liverpool L3 9QJ Bank of Ireland 26 Cross Street Manchester M2 7AF
LAWYERS	Hill Dickinson LLP No1 St Paul's Square Liverpool L3 9SJ
INDEPENDENT AUDITORS	Grant Thornton UK LLP Chartered Accountants and Statutory Auditors Landmark St Peter's Square 1 Oxford Street Manchester M1 4PB

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Johnsons Textile Services Limited
Strategic Report
For the year ended 31 December 2021

The Directors present their Strategic Report, together with the audited financial statements for the year ended 31 December 2021.

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. The 'Johnsons Workwear' brand predominantly provides workwear rental and laundry services to corporates across all industry sectors. Within 'HORECA', 'Stalbridge' and 'London Linen' provide premium linen services to the restaurant, hospitality and corporate events market and Johnsons Hotel Linen, our high volume linen business, primarily serves the corporate four-star and budget hotel market.

The total revenue for the year was £269,871,000 (2020: £225,948,000), the increase reflecting the shorter period of enforced business closedowns due to the impact of the Covid-19 pandemic and the strong recovery of HORECA volumes through the second half of 2021 up until the last 2 weeks of December. Operating profit before amortisation of intangible assets (excluding software amortisation) and exceptional items was £16,826,000 (2020: £7,187,000 loss (restated)). Results for 2020 have been restated following a change in accounting policy for costs associated with cloud-based computing which has been applied as a prior year adjustment (see Note 27). The associated margin increased from (3.2)% (restated) to 6.2%. At the year end, the Company had net assets of £266,927,000 (2020: £264,070,000 (restated)).

Workwear Division
For our Workwear business, despite the disruption of further lockdowns and restrictions, our diverse customer base helped to bring stability within the division. With a significant percentage of our customers remaining open, our garment processing volumes remained relatively consistent throughout the year and ended the year in line with pre-COVID normalised levels.

We continued to react to the ever-changing market conditions, which culminated in an improvement in our customer focused key performance indicators. Our independent annual customer satisfaction survey resulted in us achieving 86.4%, our highest result ever, and placing us in the upper quartile of company satisfaction ratings. Our customers were very complimentary about the consistency and quality of service we provided, allowing them to focus on their core business. This also resulted in us achieving our highest net promoter results. The customer service teams remained focused and actively engaged with our customers, with service sales continuing to remain buoyant. The return of the sales team in May 2021 resulted in an increase in activity, as they continued to develop their pipelines and identified new opportunities within the various market sectors. Customer retention remained high at 95%.

To complement our current accreditations, we have successfully implemented EN 14065 into our operating plants and procedures. This will enable us to proactively focus on new emerging sectors within the workwear market. To support the sales and service teams, new product ranges were introduced to enhance our existing garment offering. Our dynamic garment catalogue was refreshed with a more modern feel and look, and converted into an electronic version, giving the service and sales teams a more interactive platform to present our product range to the customer. The new product development team, in conjunction with key suppliers, proactively introduced several new key product ranges suitable for the healthcare and pharmaceutical market sectors. The development of a more sustainable and recyclable garment was presented to the business and will be introduced into our garment portfolio shortly. We remain focused on the drive to supply more stock-supported garments, which will significantly improve the garment lead time to our customers.

Following our Employee Engagement survey in 2019, we commissioned a further survey in September 2021 resulting in an improved engagement score of 83%. We received positive feedback on diversity and inclusion and identified both good relationships within the teams and an excellent understanding of the impact of our employees on our quality of service to our customers. Continued development is planned that will enhance the employee engagement experience even further. The Johnsons Academy will continue to provide a development and progression strategy for our employees.

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Our new plant in Exeter was successfully commissioned in September 2021. The automated operating systems provide market leading technology and improved efficiencies, and will increase our capacity in the South West by 20%. A significant capital investment programme, focusing on automated upgrades in Perth and Hinckley was undertaken and similar upgrades are being commissioned at other sites. Automation and best in class equipment will continue to form the foundation of our investment strategy.

HORECA (Hotel, Restaurant & Catering) Division
The division was impacted significantly by business closedowns early in 2021. However, there was a strong recovery in the second half of 2021, in line with the hospitality market across the country. Volumes increased during the summer, peaking at 87% of normal in September 2021, before falling in the final two weeks of the year to 60% of normal.

As hospitality businesses re-opened, initial shortages in resources within Stalbridge and London Linen caused supply issues in some of our factory locations. Our operational and service teams responded magnificently under great pressure to ensure service levels returned to our normal high standards as quickly as possible, and our resultant customer survey scores remained high at 84.4%, despite some of the challenges experienced in the height of the summer.

In response to the volatile employment market, we adopted multiple recruitment strategies to attract new employees and introduced new incentives to retain our existing well trained and loyal workforce. In response to the national driver shortage, we started recruiting both internal and external candidates for HGV training with some success. The Employee Engagement score was 79%, with a high score for employee diversity and customer focus. The survey has also identified areas for us to improve in 2022.

We mobilised strategic marketing campaigns, to coincide with hospitality reopening, focusing on areas where the opportunity for additional volume was greatest. This has resulted in a significant number of new sales wins in the second half of 2021, boosting laundry revenue where capacity was available. The outlook continues to be positive as the sales pipeline remains strong.

New boiler installations during 2021 in Glasgow and Milborne Port will deliver more efficient steam generation, whilst a complete re-wire of our Grantham factory will also reduce utility consumption. New ironing lines installed in Sturminster Newton and London Linen will maintain and improve quality, replacing obsolete and high maintenance machinery. Investment in an improved sortation system, unloading areas and additional yard space at Redruth will improve workflow and reduce manual handling.

Our Carbon Trust backed water recycling plant, installed in our Shaftesbury factory, is now fully commissioned, and is returning a significant amount of reclaimed water. We have also completed a successful trial of paper band wrapping on selected linen products, reducing our reliance on plastic wrap, and we will continue to roll this out across the hotel, restaurant and catering estate.

Our Hotel Linen business, which primarily serves the corporate four-star and budget hotel marketplace, experienced significant incremental demand when hospitality opened in May 2021 and initially caused some service challenges. Our service levels were quickly returned to normal levels as demand peaked over the summer. The impact of the Government's introduction of 'Plan B' in December significantly reduced volumes for the last two weeks of the year.

Competition for new employees strengthened during our peak summer period, resulting in increased costs of production. Operating procedures were revisited aligning with Government guidelines to ensure the health, safety and welfare of everyone in our division. The first independent Employee Engagement Survey for the Hotel Linen business was completed in November measuring engagement, enablement and empowerment. A strong response from the workforce resulted in an encouraging engagement score of 83%.

The senior management team has been strengthened with the appointment of a Project Manager, National Transport Manager and Learning and Development Manager. All three appointments were current employees who were able to develop their careers within our business and all three will play pivotal roles in the further development of our people, service and operations.

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Our service teams are now back to pre-pandemic staffing levels, providing field and office support to all our customers. The new web-based customer portal is currently undergoing user testing with a view to rolling it out in the second quarter of 2022. This will automate our linen management process, providing customers with online linen ordering, training videos, useful service information and business intelligence reporting. The portal will be complemented with an app-based customer feedback tool later in the year.

Despite the volatility in the hospitality market created by the pandemic, a Customer Satisfaction Survey was undertaken with a score of 84.2%. This survey provides useful customer feedback which will be incorporated into future planned enhancements to our products and services.

Our new £10.0 million production facility in Leeds is fully operational, increasing processing capacity across the Yorkshire and North East markets. Whilst employees transferred from our existing depot in Leeds, we also welcomed a large number of new employees to the business. We continue to invest in new equipment with a £4.1 million upgrade of our largest facility in Bourne, Lincolnshire which will improve working processes and underpin capacity. The project will be delivered in time for the busier spring and summer volume.

Ongoing Impact of COVID-19
During the first quarter of 2022 we have continued to see the impact of the various restrictions on our business, particularly in HORECA. Volumes during January in HORECA were some 70% of normal with an improvement to 89% by March as further restrictions have been lifted. In the absence of further restrictions, or any impact arising from the conflict in Ukraine, we expect this improvement to continue in the coming months.

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

A Group Head of Sustainability was appointed in April 2021 with the initial remit of reviewing current practices and helping to develop our sustainability strategy.

We have recently published the Company's targets for 2030 together with our objectives and plans for 2022 in 'The Johnsons Way' booklet, which can be found at www.jsg.com.

We are committed to reducing our impact on the environment by becoming a positive force for environmental stewardship and incorporating environmental considerations in all our decision-making processes. Working in conjunction with our customers and suppliers, we intend to reduce our carbon footprint by reducing our natural resource consumption and eliminating waste from our process streams. Our behavioral changes will be the key to our success. By accepting the need for change we have embarked upon a collective approach to eliminate single use plastics, reduce emissions and responsible procurement.

Further details of our ongoing initiatives, together with actions for the future, are set out within the Sustainability Report, on pages 39 to 42 of the Johnson Service Group PLC Annual Report and Accounts for the year ended 31 December 2021 which can be obtained from www.jsg.com. Johnson Service Group PLC is the ultimate parent undertaking.

System Development
The installation of the new laundry management system within our Hotel Linen plants is almost complete and the installation into Workwear plants is ongoing. The new system in Workwear will allow us to improve the customer experience and further develop our operational functionality to maintain our place as the number one Workwear provider in the UK.

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Results and Key Performance Indicators (KPIs)
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. 'Adjusted operating profit / (loss) refers to continuing operating profit / (loss) before amortisation of intangible assets (excluding software amortisation) and exceptional items. The Directors consider that 'adjusted operating profit / (loss)', which excludes the effects of non-recurring items or non-operating events, provides useful information on the underlying trends of the performance of the Company.

	2021 £000	2020 £000 Restated
Revenue (net of VAT)	**269,871**	225,948
Adjusted operating profit / (loss)	**16,826**	(7,187)

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.

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 46 to 52 of the Johnson Service Group PLC Annual Report and Accounts for the year ended 31 December 2021 which can be obtained from www.jsg.com.

Duty to promote the success of the Company
Section 172(1) 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
It is vital that we effectively identify, evaluate, manage and mitigate the risks we face as a business. For details of our principal risks and uncertainties, and how we manage our risk environment, please see pages 46 to 52 of the Johnson Service Group PLC Annual Report and Accounts for the year ended 31 December 2021 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 14 to 15 of the Johnson Service Group PLC Annual Report and Accounts for the year ended 31 December 2021.

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Johnsons Textile Services Limited
Strategic Report (continued)

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 33 to 36 of the Johnson Service Group PLC Annual Report and Accounts for the year ended 31 December 2021 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 Company. 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 44 of the Johnson Service Group PLC Annual Report and Accounts for the year ended 31 December 2021 which can be obtained from www.jsg.com.

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 with interact with communities and the environment, please see pages 37 to 42 and page 45 of the Johnson Service Group PLC Annual Report and Accounts for the year ended 31 December 2021 which can be obtained from www.jsg.com.

Whilst the Company meets the criteria to report under the Streamlined Energy and Carbon Reporting (SECR) regulations, its obligation to disclose its energy and carbon information has already been met through its parent's group level report and therefore no separate disclosure is required in these accounts. See pages 37 to 39 of the Johnson Service Group PLC Annual Report for the year ended 31 December 2021 for further details.

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 12 and 35 respectively of the Johnson Service Group PLC Annual Report and Accounts for the year ended 31 December 2021 which can be obtained from www.jsg.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 67 to 68 of the Johnson Service Group PLC Annual Report and Accounts for the year ended 31 December 2021 which can be obtained from www.jsg.com.

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

Yvonne Monaghan

Y M Monaghan
Director
29 April 2022

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Johnsons Textile Services Limited
Directors' Report
For the year ended 31 December 2021

The Directors present their report and audited financial statements for the year ended 31 December 2021.

RESULTS AND DIVIDENDS
The profit for the financial year after taxation was £2,686,000 (2020: £25,126,000 loss (restated)).

The Directors do not recommend the payment of a final dividend (2020: £nil). During the year no interim dividend has been paid (2020: £nil).

The Directors consider the financial position of the Company at 31 December 2021 to be satisfactory.

GOING CONCERN
The Directors have adopted the going concern basis in preparing these financial statements after careful assessment of identified principal risks and, in particular, the possible adverse impact on financial performance, specifically on revenue and cash flows within the HORECA division, of a protracted delay in returning to pre-pandemic trading levels. The process and key judgments in coming to this conclusion are set out below. The going concern status of the Company is intrinsically linked to that of the Group, as Johnson Textile Services Limited is the main trading company of the Group.

Going Concern Assessment
The current and plausible future impact of COVID-19 and the related macroeconomic environment on the Group's activities and performance has been considered by the Board in preparing its going concern assessment. The Group has prepared a Base Case scenario, reflecting an initial set of assumptions around financial projections and trading performance, together with various, more pessimistic, expectations for market developments over 2022 and into 2023 to reflect subdued trading conditions.

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

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

Base Case Scenario
This scenario assumes that the HORECA market continues to improve, with no further social distancing restrictions being imposed. The impact of the slow-down in HORECA revenue recovery experienced at the end of 2021 and in Q1 2022 is reflected, however, an immediate rebound in volumes, and hence revenue, is assumed thereafter. The scenario also includes an estimate of the current and future impact of cost pressures which the Group, in line with all UK businesses, is experiencing, particularly in relation to energy and labour.

Severe but Plausible Scenario
Building upon the above, this scenario assumes a more protracted recovery in that it will take until September 2022 for HORECA revenue to return to the level assumed within the Base Case. Accordingly, HORECA revenue within this scenario has been reduced to some 90% of Base Case levels in April 2022, gradually improving thereafter month on month and returning to that set out in the Base Case by September 2022.

2) Covenants
As previously disclosed in the 2020 Financial Statements, from March 2022, bank covenants will revert to a leverage and interest covenant test. In all three scenarios above, the financial projections indicate that the Group would remain in compliance with the financial covenants in its bank facilities. A decline in underlying EBIT / EBITDA well in excess of that contemplated in the scenarios would need to persist throughout the period for a covenant breach to occur. The Directors do not consider such a scenario plausible.

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

3) Liquidity
The Group remains well funded with access to a committed Revolving Credit Facility of £135 million (the 'Facility), which matures in August 2023. The Facility is considerably in excess of our anticipated borrowings and provides ample liquidity in all scenarios modelled. We anticipate that the facility will be renewed in the coming months and have commenced discussions with our banks to this effect.

In addition, the Company has received a letter of support from Johnson Service Group PLC, the ultimate parent company, that it will continue to provide financial support to enable the Company to meet its financial obligations and that it does not seek repayment of any amounts due at the balance sheet date within the next 12 months from 29 April 2022.

Going Concern Statement
After considering the current financial scenarios, the severe but plausible sensitivities and the facilities available to the Group and Company, the Directors have a reasonable expectation that the Group and Company have adequate resources for their operational needs, will remain in compliance with the financial covenants set out in the bank facility agreement and will continue in operation for at least the period to 30 June 2023. As a consequence, and having reassessed the principal risks and uncertainties, the Directors considered it appropriate to adopt the going concern basis in preparing the Group and Company financial statements.

DIRECTORS
The Directors of the Company, who are listed on page 1, all held office up to the date of approving these financial statements. A further Director, Mr M Woolfenden, resigned on 30 September 2021.

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.

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.

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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 6 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, Grant Thornton, 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 Strategic Report and Directors' Report, and the financial statements in accordance with applicable law and regulations.

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

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the 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. They 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.

The Directors confirm that:

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

On behalf of the Board

Yvonne Monaghan

Y M Monaghan
Director
29 April 2022
Johnsons Textile Services Limited
Registered in England and Wales Number 464645

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Johnsons Textile Services Limited
Independent Auditors' Report to the Members of Johnsons Textile Services Limited
For the year ended 31 December 2021

Opinion
We have audited the financial statements of Johnsons Textile Services Limited (the 'company') for the year ended 31 December 2021, which comprise Income Statement, Balance Sheet, Statement of Changes in Equity, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 'Reduced Disclosure Framework' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2021 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern
We are responsible for concluding on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the company to cease to continue as a going concern.

In our evaluation of the directors' conclusions, we considered the inherent risks associated with the company's business model including effects arising from macro-economic uncertainties such as Brexit and Covid-19, we assessed and challenged the reasonableness of estimates made by the directors and the related disclosures and analysed how those risks might affect the company's financial resources or ability to continue operations over the going concern period.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the directors with respect to going concern are described in the 'Responsibilities of directors for the financial statements' section of this report.

Other information
The directors are responsible for the other information. The other information comprises the information included in the Directors' report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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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 such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in 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 in this regard.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matter on which we are required to report under the Companies Act 2006
In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

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

Responsibilities of 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 and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the 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.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks applicable to company and the industry in which it operates. We determined that the most significant are those which relate to the reporting frameworks (FRS 101 and the Companies Act 2006);
- We obtained an understanding of how the company is complying with those legal and regulatory frameworks by making inquiries of management, those responsible for legal and compliance procedures and the company secretary. We corroborated our inquiries through our review of board minutes;
- We assessed the susceptibility of the financial statements to material misstatement, including how fraud might occur. Audit procedures performed by the engagement team included:
  - Assessing the design and implementation of controls management has in place to prevent and detect fraud;
  - Challenging assumptions and judgments made by management in significant accounting estimates;
  - Identifying and testing journal entries, in particular any journal with unusual characteristics;
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it;
- The assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's knowledge of the industry in which the company operates, and the understanding of, and practical experience with, audit engagements of a similar nature and complexity through appropriate training and participation.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Grant Thornton UK LLP

Michael Frankish
Senior Statutory Auditor
for and on behalf of Grant Thornton UK LLP
Statutory Auditor, Chartered Accountants
Manchester
29 April 2022

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Johnsons Textile Services Limited
Income Statement
For the year ended 31 December 2021

Note		Year ended 31 December 2021 £000	Year ended 31 December 2020 £000 Restated
	Continuing Operations		
	Revenue	**269,871**	225,948
	Cost of sales	**(171,860)**	(154,834)
	GROSS PROFIT	**98,011**	71,114
	Operating expenses		
	- Distribution costs	**(45,676)**	(44,115)
	- Impairment loss on trade receivables*	**(406)**	(3,618)
	- Other administrative expenses	**(43,059)**	(45,365)
1	**OPERATING PROFIT / (LOSS)**	**8,870**	(21,984)
	Operating profit / (loss) before amortisation of intangible assets (excluding software amortisation) and exceptional items	**16,826**	(7,187)
	Amortisation of intangible assets (excluding software amortisation)	**(10,933)**	(10,613)
4	Exceptional items	**2,977**	(4,184)
		8,870	(21,984)
5	Finance costs	**(8,951)**	(7,538)
	LOSS BEFORE TAXATION	**(81)**	(29,522)
6	Tax on loss	**3,019**	5,066
	PROFIT / (LOSS) FOR THE FINANCIAL YEAR FROM CONTINUING OPERATIONS	**2,938**	(24,456)
25	**DISCONTINUED OPERATIONS**		
	LOSS FOR THE FINANCIAL YEAR FROM DISCONTINUED OPERATIONS	**(252)**	(670)
	PROFIT / (LOSS) FOR THE FINANCIAL YEAR	**2,686**	(25,126)

* Prior year presentation has been changed to be compliant with IAS 1.

See note 27 for details of the prior year restatement.

The notes on pages 31 to 47 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 comprehensive income has been prepared.

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Johnsons Textile Services Limited
Balance Sheet
As at 31 December 2021

Note		As at 31 December 2021 £000	As at 31 December 2020 £000 Restated
	NON-CURRENT ASSETS		
7	Goodwill	**109,254**	109,276
8	Intangible assets	**15,584**	26,473
9	Property, plant and equipment	**92,857**	86,984
10	Right of use assets	**64,075**	69,085
11	Textile rental items	**47,695**	35,578
18	Deferred income tax assets	**306**	-
13	Trade and other receivables	**10,586**	35,445
		340,357	362,841
	CURRENT ASSETS		
12	Inventories	**2,201**	1,369
13	Trade and other receivables	**47,103**	31,158
	Cash and cash equivalents	**3,570**	2,708
	Current income tax assets	**3,740**	4,176
		56,614	39,411
	CURRENT LIABILITIES		
14	Trade and other payables	**(60,105)**	(60,364)
15	Borrowings	**-**	(826)
16	Lease liabilities	**(5,356)**	(5,833)
17	Provisions for liabilities	**(230)**	(1,175)
		(65,691)	(68,198)
	NET CURRENT LIABILITIES	**(9,077)**	(28,787)
	NON-CURRENT LIABILITIES		
14	Trade and other payables	**(803)**	(902)
16	Lease liabilities	**(62,707)**	(66,430)
18	Deferred income tax liabilities	**-**	(1,842)
17	Provisions for liabilities	**(843)**	(810)
		(64,353)	(69,984)
	NET ASSETS	**266,927**	264,070
	CAPITAL AND RESERVES		
23	Share capital	**131,563**	131,563
	Share premium	**15,308**	15,308
	Other reserves	**13,795**	13,795
	Retained earnings	**106,261**	103,404
	TOTAL SHAREHOLDERS' FUNDS	**266,927**	264,070

The notes on pages 31 to 47 are an integral part of these financial statements. The financial statements on pages 13 to 47 were approved by the Board of Directors on 29 April 2022 and signed on its behalf by:

Yvonne Monaghan

Y M Monaghan
Director

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Johnsons Textile Services Limited
Statement of Changes in Equity
For the year ended 31 December 2021

	Share Capital £000	Share Premium £000	Other Reserves £000	Retained Earnings £000 Restated	Total Shareholders' Funds £000
Balance at 31 December 2019	131,563	15,308	13,795	129,526	290,192
Prior year adjustment (note 27)	-	-	-	(1,144)	(1,144)
Restated balance at 1 January 2020	131,563	15,308	13,795	128,382	289,048
Loss for the financial year (as previously reported)	-	-	-	(25,340)	(25,340)
Prior year adjustment (note 27)	-	-	-	214	214
Current tax on share options	-	-	-	4	4
Deferred tax on share options	-	-	-	(45)	(45)
Share options (value of employee services)	-	-	-	189	189
Balance at 31 December 2020 (Restated)	131,563	15,308	13,795	103,404	264,070
Balance at 31 December 2020 (as previously reported)	131,563	15,308	13,795	104,334	265,000
Prior year adjustment (note 27)	-	-	-	(930)	(930)
Balance at 31 December 2020 (Restated)	131,563	15,308	13,795	103,404	264,070
Profit for the financial year	-	-	-	**2,686**	**2,686**
Deferred tax on share options	-	-	-	**7**	**7**
Share options (value of employee services)	-	-	-	**164**	**164**
Balance at 31 December 2021	**131,563**	**15,308**	**13,795**	**106,261**	**266,927**

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

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Johnsons Textile Services Limited
Statement of Significant Accounting Policies
For the year ended 31 December 2021

The Company is a private 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 29 April 2022.

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 with the exception of the change in accounting policy, following the IFRIC agenda decision published in 2021, for costs incurred in relation to the configuration and customisation of the Company's cloud-based software applications. Further details of the IFRIC agenda decision and the prior year restatement can be found in note 27.

These financial statements have been prepared in accordance with Financial Reporting Standard 101, 'Reduced Disclosure Framework' (FRS 101). In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the UK (UK-adopted international accounting standards) but makes amendments where necessary in order to comply with the Companies Act 2006 and to take advantage of FRS 101 disclosure exemptions. On 31 December 2020, EU-adopted IFRS was brought into UK law and became UK-adopted international accounting standards, with future changes to IFRS being subject to endorsement by the UK Endorsement Board. In preparing these financial statements in accordance with FRS 101, the Company Financial Statements transitioned to UK-adopted international accounting standards (as described above) on 1 January 2021. There is no impact on recognition, measurement or disclosure in the period reported as a result of this change.

The financial statements have been prepared under the historical cost convention, in accordance with the Companies Act 2006. 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 29 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 IFRS that are necessary to achieve compliance with the Act and related Regulations. The preparation of financial statements in conformity with FRS 101 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed on page 19.

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'.

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Going Concern
The Directors have adopted the going concern basis in preparing these financial statements after careful assessment of identified principal risks and, in particular, the possible adverse impact on financial performance, specifically on revenue and cash flows within the HORECA division, of a protracted delay in returning to pre-pandemic trading levels. The process and key judgments in coming to this conclusion are set out below. The going concern status of the Company is intrinsically linked to that of the Group, as Johnson Textile Services Limited is the main trading company of the Group.

Going Concern Assessment
The current and plausible future impact of COVID-19 and the related macroeconomic environment on the Group's activities and performance has been considered by the Board in preparing its going concern assessment. The Group has prepared a Base Case scenario, reflecting an initial set of assumptions around financial projections and trading performance, together with various, more pessimistic, expectations for market developments over 2022 and into 2023 to reflect subdued trading conditions.

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

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

Base Case Scenario
This scenario assumes that the HORECA market continues to improve, with no further social distancing restrictions being imposed. The impact of the slow-down in HORECA revenue recovery experienced at the end of 2021 and in Q1 2022 is reflected, however, an immediate rebound in volumes, and hence revenue, is assumed thereafter. The scenario also includes an estimate of the current and future impact of cost pressures which the Group, in line with all UK businesses, is experiencing, particularly in relation to energy and labour.

Severe but Plausible Scenario
Building upon the above, this scenario assumes a more protracted recovery in that it will take until September 2022 for HORECA revenue to return to the level assumed within the Base Case. Accordingly, HORECA revenue within this scenario has been reduced to some 90% of Base Case levels in April 2022, gradually improving thereafter month on month and returning to that set out in the Base Case by September 2022.

2) Covenants
As previously disclosed in the 2020 Financial Statements, from March 2022, bank covenants will revert to a leverage and interest covenant test. In all three scenarios above, the financial projections indicate that the Group would remain in compliance with the financial covenants in its bank facilities. A decline in underlying EBIT / EBITDA well in excess of that contemplated in the scenarios would need to persist throughout the period for a covenant breach to occur. The Directors do not consider such a scenario plausible.

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

3) Liquidity
The Group remains well funded with access to a committed Revolving Credit Facility of £135 million (the 'Facility), which matures in August 2023. The Facility is considerably in excess of our anticipated borrowings and provides ample liquidity in all scenarios modelled. We anticipate that the facility will be renewed in the coming months and have commenced discussions with our banks to this effect.

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Going Concern (continued)
In addition, the Company has received a letter of support from Johnson Service Group PLC, the ultimate parent company, that it will continue to provide financial support to enable the Company to meet its financial obligations and that it does not seek repayment of any amounts due at the balance sheet date within the next 12 months from 29 April 2022.

Going Concern Statement
After considering the current financial scenarios, the severe but plausible sensitivities and the facilities available to the Group and Company, the Directors have a reasonable expectation that the Group and Company have adequate resources for their operational needs, will remain in compliance with the financial covenants set out in the bank facility agreement and will continue in operation for at least the period to 30 June 2023. As a consequence, and having reassessed the principal risks and uncertainties, the Directors considered it appropriate to adopt the going concern basis in preparing the Group and Company financial statements.

Changes in Accounting Policy and Disclosures
(a) New and amended standards adopted by the Company
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 2021:

- Amendments to IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 amendments

The adoption of these standards did not have a material impact on the Company Financial Statements.

(b) Standards, amendments and interpretations to existing standards that are not yet effective (have not been endorsed by the UKEB) and have not been early adopted by the Company
- Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities
- Amendments to IAS 12, 'Deferred tax' on deferred tax related to assets and liabilities arising from a single transaction
- Amendments to IFRS 3 'Business combination', reference to the Conceptual Framework and IAS 36, 'Provisions', on onerous contracts
- A number of narrow-scope amendments to IFRS 1, IAS 8, IAS 16 and IAS 17
- A number of annual improvements on IFRS 1,IFRS 9, IAS 41 and IFRS 16

COVID-19 accounting policies
The Company's trading has been impacted by the various UK government restrictions throughout the year ended 31 December 2021 and 2020. During the year, the Company has experienced reduced customer demand across its business and in particular in the HORECA division from its end customers. Recognising this the UK government has made available certain reliefs and support schemes from which the Company has been able to benefit.

Given the temporary nature of these reliefs and their material impact on the reported performance of the Company, relevant accounting policies are set out below.

The Directors have considered whether the benefit of government support to counter the financial impact of 'COVID-19' should be reported as an Exceptional credit but given the severe impact of the pandemic on the underlying trading numbers and that the reliefs were introduced by government to mitigate the trading impact, the Directors do not believe that to do so would be meaningful. Given that the support is inextricably linked to the prevailing imposed lockdown and operating restrictions the Directors are of the opinion that to separately identify all forms of support is impractical and not meaningful. However, where notes to the financial statements lend themselves to cross-referencing and quantifying external support such as the disclosures of payroll, additional information has been given.

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COVID-19 accounting policies (continued)

Furlough and the Coronavirus Job Retention Scheme (CJRS)

The Company has utilised the CJRS extensively throughout the various national restrictions imposed during 2020 and the first half of 2021. The scheme has allowed up to 80% of the normal earnings of individuals who have been furloughed, up to a cap of £2,500 per month per employee to be claimed under the scheme. The Company pays the furlough wages and then lodges a claim to the government for reimbursement. Typically, the claims have been made on a monthly basis in arrears. The government claim is accounted for on an accruals basis and therefore in the Income Statement matches the payroll cost of furloughed employees in line with IAS 20 (see Government grants accounting policy on page 28). Unpaid claims to government are included in Trade and other receivables in the Balance Sheet. In the year to 31 December 2021, £9,894,000 (2020: £28,196,000) has been included with Income Statement.

VAT and PAYE deferrals

In the prior year, VAT liabilities that fell due between 20 March 2020 and the end of June 2020 were deferred with the approval of HMRC. All VAT liabilities have been repaid in instalments during the year to 31 December 2021. Amounts deferred were shown in current Trade and other payables in the Balance Sheet.

Judgments Made in Applying Accounting Policies

In the course of preparing these financial statements, certain judgments are made by the Company in the process of applying the Company's accounting policies. Those that have the most significant effect on either the amounts recognised in the Financial Statements or the presentation thereof are discussed below.

Going Concern

The Board have considered the uncertainty that the COVID-19 pandemic has caused on the future financial performance of the Company as part of the Company's adoption of the going concern basis in the preparation of the Financial Statements. The Financial Statements are prepared on a going concern basis. The Board have made judgments about the impact and timing of easing restrictions which are currently in place. Additional information on the judgement management has applied in adopting the going concern assumption is included in the basis of preparation of these accounts on pages 16 to 18.

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 on the following page:

(a) Impairment of trade receivables

Provisions for impairment of trade receivables are measured at an amount equal to lifetime expected credit losses in accordance with the accounting policy set out on page 26. The Company considers that, given the widespread impact that the COVID-19 pandemic is having globally with the resulting economic downturn, there is additional uncertainty when determining the assumptions used in calculating expected future credit losses. Further details are included in note 13.

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.

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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.

Revenue Recognition
Rendering of services
Revenue recognition is based on the principle that revenue is recognised when the performance obligation is satisfied i.e. control of a service transfers to a customer and is measured based on the consideration specified in a contract with a customer. The Company's contracts are repeat service-based contracts where value is transferred to the customer over time as the services are delivered. The provision of clean items of workwear/linen is a repetitive service of the same nature even though the number of items delivered may vary based on customer needs. As such, the Company's contracts have a single performance obligation as this is a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer. The Company applies the practical expedient under IFRS 15 B16 and recognises the revenue in the amount to which the Company has a right to invoice.

Revenue recognised is the amount of consideration to which the Company expects to be entitled to, in accordance with the existing contract, in exchange for transferring promised services to a customer, excluding amounts collected on behalf of third parties, such as VAT.

Customers are generally invoiced weekly or monthly in arrears for service contracts with 30 day credit terms.

Revenue from services provided to customers not invoiced as at the balance sheet date is recognised as unbilled receivables as where the service has already been performed, the Company has an unconditional right to consideration before it invoices where only the passage of time is required before payment of that consideration is due. This typically arises where the timing of the related billing cycle occurs in a period after the performance obligation is satisfied.

Contract modifications occur on a regular basis to record change in stock requirements for customers or price changes. The 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. Changes in stock requirements do not result in additional distinct services being provided as the service provided is of the same nature with the amount of garments/linen varying. Given the provision of clean items of garments/linen is a repetitive service of the same nature, any remaining services following a modification are distinct from those previously provided. The remaining consideration in the original contract not yet recognised as revenue is combined with the additional consideration promised in the modification to create a new transaction price that is then allocated to all remaining performance obligations. This effectively accounts for the modification as a termination of the original contract and the inception of a new contract for all performance obligations that remain unperformed. This approach would also apply to any mid-contract price increases.

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

Supply of goods
Where sale of goods occur, revenue is recognised at a point in time when goods are delivered to customers. Revenue recognised is the amount of consideration to which the Company expects to be entitled to, in accordance with the existing contract, in exchange for transferring promised goods to a customer, excluding amounts collected on behalf of third parties, such as VAT.

Invoices are raised to customers for the sale of goods following delivery.

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Rebates
Rebates payable to customers are recognised in line with relevant contractual terms. Rebates payable to customers are contingent on the occurrence or non-occurrence of a future event e.g. the customer meeting certain agreed criteria. Rebates are recorded using the most likely method (the single most likely amount in a range of possible consideration amounts). Accruals are made for each individual rebate based on the specific terms and conditions of the customer agreement. Management makes estimates on an ongoing basis, primarily based on current customer spending, historic data and its accumulated experience, in order to assess customer revenues and to calculate total rebates earned to be recorded as deductions from revenue. Rebates are charged directly to the Consolidated Income Statement over the period to which they relate and are recognised as a deduction from revenue.

Costs incurred to obtain a contract
The incremental costs incurred to directly obtain a contract with a customer are capitalised and recognised as an asset within Trade and other receivables where management expects to recover those costs. Such costs are subsequently amortised over the period consistent with the Company's transfer of the related goods or services to the customer. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained are recognised as an expense in the period where incurred.

The costs capitalised include sales commission paid to employees where payment is identified as relating directly to the signing of a customer contract. Where consideration is paid to customers relating to a contract for a period over which services will be provided, the Company also capitalises these costs. The costs are amortised over the average contract life.

Management is required to determine the recoverability of contract related assets at each reporting date. An impairment exists if the carrying amount of any asset exceeds the amount of consideration the 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 asset balance in the period therefore represents additional payments made, subsequent amortisation and any required impairment.

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, gains and losses related to capital insurance claims and expenses incurred 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.

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Employee Benefits (continued)
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.

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 an accrual 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.

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.

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.

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Intangible Assets (continued)
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 to 10 years)..

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

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

In 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision on the clarification of accounting in relation to the configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS) as follows:

- Amounts paid to the cloud vendor for configuration and customisation that are not distinct from access to the cloud software are expensed over the SaaS contract term.
- In limited circumstances, other configuration and customisation costs incurred in implementing SaaS arrangements may give rise to an identifiable intangible asset, for example, where code is created that is controlled by the entity.
- In all other instances, configuration and customisation costs will be expensed as the customisation and configuration services are received.

Following the agenda decision, the Company reviewed its costs incurred in respect of the configuration and customisation of cloud-based software arrangements implemented across the Company. As it was concluded that the Company's arrangements were not in the scope of IFRS 16, the costs were assessed in line with the guidance in IAS 38. The costs incurred did not create a resource controlled by the Company that is separate to the software and as such did not relate to a separately identifiable asset under IAS 38. The Company's accounting policy has therefore been revised so that such costs are expensed to the Income Statement. As the configuration and customisation services were performed in conjunction with a third party, the costs should be expensed as and when the services are received. Configuration and customisation costs which include the development of software code that enhances or modifies, or creates additional capability to the existing on-premise software to enable it to connect with the cloud-based software applications, are recognised as intangible assets. See note 27 for further details about prior year restatement in relation to the treatment of these costs in previous years.

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 (3 - 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.

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Tangible Fixed Assets (continued)
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 10 to 25 years from the date on which the assets are fully commissioned.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the 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.

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.

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

Where textile rental items are damaged and no charges are levied, an impairment loss is charged to the Income Statement.

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

Right of Use Assets and Lease Liabilities
Under IFRS 16, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised on the Balance Sheet. The only exceptions are short-term and low-value leases where costs are charged to the Income Statement on a straight line basis over the lease term.

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.

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Right of Use Assets and Lease Liabilities (continued)
Where a contract is deemed to contain a lease, the lease liability is initially recognised at the commencement day and measured at an amount equal to the present value of the lease payments during the lease term (the non-cancellable period) that are not yet paid.

Lease payments, excluding non-lease components (which are charged to the Income Statement on a straight line basis over the lease term) such as service costs, are discounted using the incremental borrowing rate of the lessee, since the interest rate implicit in the Company's leases is not readily determinable. The incremental borrowing rate is the rate that the Company would have to pay for a loan of a similar term, and with similar security, to obtain an asset of similar value. The Company consults with its main bankers to determine what interest rate they would expect to charge the Company to borrow money to purchase a similar asset to that which is being leased.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option or not exercise a break clause. Periods after extension options/break clauses are only included in the lease term if the lease is reasonably certain to be extended or not be terminated.

Break clause options are included in a number of property leases across the Company. These are used to maximise operational flexibility in terms of being able to make decisions regarding the Company's processing facilities in order to manage the needs of the Company. The majority of break clauses held are exercisable by either the Company or the lessor.

At the commencement date, it is unlikely that management would consider a break clause to be reasonably certain of being exercised given management would be unlikely to enter into a new lease agreement for a term which it was not their current intention to utilise in full. The lease term is reassessed if a break clause is exercised or the likelihood of exercise becomes reasonably certain. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the Company. An example of a significant change for the Company may include changing economic conditions and customer requirements impacting the Company's activities or long term strategy.

All property break clause options held by the Company have not been included in the lease liability unless otherwise stated i.e. the periods after the break clauses have been included in the lease term. This is due to the fact the Company could not move the plants to other locations without significant cost and disruption, for reasons such as the Company will have made significant leasehold improvements to the property to meet the requirements of a laundry processing facility, the costs involved in moving plant and machinery, the availability of a workforce and the lack of suitable alternative premises.

Variable lease payments that depend on an index or a rate, are initially measured using the index or rate existing at the commencement of the lease and are included in the measurement of the lease liability. The Company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Each subsequent lease payment is allocated between the liability and finance cost. The finance cost is charged to 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. An impairment can be recognised where onerous property leases are identified which can occur where a particular property becomes non-trading but for which the Company still has a remaining lease obligation. The net book value of the right of use asset is written down to £nil.

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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.

Rentals payable in respect of operating leases (net of any incentives received from the lessor) for short term and low value leases are charged to the Income Statement on a straight line basis over the lease term.

For lessor accounting, leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Sublet income is therefore recognised on a straight line basis over the lease term.

Assets financed by leasing or hire purchase arrangements, which give rights approximating to ownership, and which had an outstanding liability on transition to IFRS 16 were transferred from Property, plant and equipment to be disclosed within Right of use assets. Where such agreements expire and ownership is transferred, the cost and accumulated depreciation of the relevant assets are transferred back to Property, plant and equipment.

Inventories
Stocks of materials, stores, goods for resale and new rental items are valued at the lower of cost and net realisable value. Cost is stated on either a first in, first out basis or average cost basis and comprises invoiced cost in respect of the purchase of finished goods and materials, direct labour and direct transportation costs in respect of garments for sale. It excludes borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges of purchases of goods. Provision is made for obsolete, defective and slow moving stock.

Trade 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 (2020: Sterling).

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

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Trade and Other Receivables (continued)
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. 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 historical loss rates are adjusted to reflect current and forward looking information on factors affecting the ability of the customers to settle the receivables. Trade receivables have been grouped for this analysis based on shared credit risk characteristics, including operating segment and region in which the customer operates.

The model considers indicators such as actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customers' ability to meet its obligations.

Further to the above model, trade receivables are specifically impaired where there are indicators of significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, or there is default or delinquency in payments.

The amount of the provision is the difference between the carrying amount and the present value of estimated future cash flows of the asset, discounted, where material, at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the 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. Only when amounts are confirmed irrecoverable, are they written off to 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.

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Provisions (continued)
Property
Provision is made 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.

Government grants
Government grants are recognised at fair value when there is reasonable assurance that the conditions associated with the grants have been complied with and the grants will be received. Grants compensating for expenses incurred are recognised as a deduction of the related expenses in the Income Statement on a systematic basis in the same periods in which the expenses are incurred.

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

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

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.

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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.

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Financial Risk Management (continued)
With regards to credit exposures to customer, the Company applies the simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses for trade receivables. 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. 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. Trade receivables have been grouped for this analysis based on shared credit risk characteristics, including segment and region in which the customer operates. The model considers indicators such as actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customers' ability to meet its obligations. More significantly in the prior year, this would include the impact of COVID-19 with possible customer closures, unemployment increases, and the ability for customers to work from home which were all factors impacting the ability of customers to settle outstanding debts. In the current year, the risks associated with COVID-19 have been assessed as lower than the prior year but the Company's HORECA division still includes a higher risk of default of the customer base due to the higher impact of the COVID-19 pandemic on the division's operations.

Further to the above model, trade receivables are specifically impaired where there are indicators of significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganisation, or there is default or delinquency in payments.

(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.

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.

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1 OPERATING PROFIT / (LOSS)

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

	2021 £000	2020 £000 Restated
Employee benefit expense (note 2)	**123,166**	106,378
Auditors' remuneration	**272**	272
Auditors' non-audit services	**-**	51
Exceptional items	**2,977**	(4,184)
Impairment loss on trade receivables	**406**	3,618
Insurance proceeds re business interruption costs	**-**	(1,958)
Business interruption costs	**300**	1,958
All other operating costs*	**66,197**	64,439
Amortisation of intangible assets:		
- Software (note 8)	**145**	-
- Customer contracts (note 8)	**10,933**	10,613
Depreciation and impairment of tangible assets:		
- Property, plant and equipment (note 9)	**16,406**	15,766
- Right of use assets (note 10)	**6,851**	7,412
- Textile rental items (note 11)	**32,074**	41,922
Loss on sale of property, plant and equipment	**81**	878

Auditors' non-audit services relate to tax compliance.

Lease costs outside the scope of IFRS 16:		
- Land and buildings		
- Gross rents paid	**104**	121
- Sublet income	**(316)**	(328)
- Plant and machinery	**1,405**	974

* All other operating costs includes other distribution costs, other production costs and costs of inventory.

2 EMPLOYEE COSTS

	2021 £000	2020 £000
Wages and salaries	**119,243**	116,556
Social security costs	**9,947**	9,223
Redundancy costs	**102**	5,057
Cost of employee share schemes	**164**	189
Pension costs - defined contribution plans	**3,245**	3,183
Cost of private medical scheme	**200**	177
Cost of life assurance	**159**	189
Totals costs (excluding furlough claims)	**133,060**	134,574
Furlough claims	**(9,894)**	(28,196)
Total costs	**123,166**	106,378

Redundancy costs of £nil (2020: £5,030,000) have been included within exceptional items.

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2 EMPLOYEE COSTS (continued)

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

	2021	2020
	No.	No.
Full time	**4,551**	4,942
Part time	**378**	491
	4,929	5,433

3 DIRECTORS' EMOLUMENTS

Four of the Directors received their emoluments from the ultimate Parent Company. Of these Directors, two are not Directors of the ultimate Parent Company and therefore their remuneration is not disclosed in the Parent Company financial statements. It is concluded that for one Director, substantially all of their services relate to the management of the affairs of Johnsons Textile Services Limited and as such, it is deemed appropriate to include 100% of their remuneration in the following disclosure. For the other Director, substantially all of their services relate to the management of the affairs of the ultimate Parent Company rather than Johnsons Textile Services Limited and as such, their remuneration is not included below. The two other Directors have not been included below and details of their remuneration are given in the ultimate Parent Company financial statements.

	2021	2020
	£000	£000
Aggregate emoluments (excluding employer's pension contributions but including bonuses earned and benefits in kind)	**1,150**	606
Pension costs - defined contribution plans	**91**	69
	1,241	675

The number of Directors, other than Directors of the Parent Company, who exercised share options during the year was one (2020: nil).

The number of Directors, other than Directors of the Parent Company, who were granted shares under the share option schemes was four (2020: four).

At 31 December 2021, excluding directors of the Parent Company, retirement benefits are accruing to no Directors (2020: none) under a defined benefit scheme and four Directors (2020: four) are members of a defined contribution money purchase scheme.

Highest paid director

	2021	2020
	£000	£000
Aggregate emoluments (including employer's pension contributions, bonuses earned and benefits in kind)	**327**	177

The number of share options exercised by the highest paid Director during the year was nil (2020: nil).

At 31 December 2021, the highest paid director accrued pension entitlement was £nil (2020: £nil) under the Johnson Group Defined Benefit Scheme (the 'JGDBS').

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4 EXCEPTIONAL ITEMS

	2021 £000	2020 £000
Restructuring costs	**-**	(5,701)
Insurance claims	**3,123**	2,442
Impairment losses re insurance claims	**-**	(925)
Other costs re insurance claims	**(146)**	-
Total exceptional items	**2,977**	(4,184)

Of the exceptional items shown above, £2,977,000 credit is included within administrative costs (2020: £3,067,000 charge) and £nil (2020: £1,117,000 charge) are included within cost of sales.

Current year exceptional items
Insurance claims and other costs
During the prior year, a Workwear processing plant was destroyed as a result of a fire. Further interim insurance proceeds of £2,489,000 have been received. Professional fees of £146,000 have been incurred. Negotiations are continuing with the insurers for a final settlement value which is expected in HY1 2022.

A further Workwear processing plant was damaged as a result of flooding during the previous year. Final settlement proceeds of £634,000 have now been received in respect of this insurance claim.

Prior year exceptional items
Restructuring costs
Restructuring costs include £4,507,000 of redundancy costs relating to the realignment of the workforce in response to the impact of COVID-19 and £1,194,000 in respect of the closure of the Workwear plant in Newmarket, of which £523,000 related to redundancy costs.

Insurance claims and impairment losses
During the prior year, a Workwear processing plant was destroyed as a result of a fire. Plant and equipment with a net book value of £480,000 and Textile rental items with a net book value of £208,000 were destroyed and have been written off. Interim insurance proceeds of £1,456,000 were received.

A further Workwear processing plant was damaged as a result of flooding during the prior year. Plant and equipment with a net book value of £237,000 have been charged during the year offset by interim insurance proceeds of £986,000.

5 FINANCE COSTS

	2021 £000	2020 £000
Interest payable on lease liabilities relating to IFRS 16 (note 16)	**3,326**	3,384
Interest payable on loan from Parent Company	**5,625**	4,154
Total finance costs	**8,951**	7,538

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6 TAX ON LOSS

	2021 £000	2020 £000
Current income tax		
UK Corporation Tax credit for the year at 19% (2020: 19%)	**(328)**	(3,654)
Adjustments in relation to previous years	**(628)**	(306)
Current income tax credit for the year	**(956)**	(3,960)
Deferred income tax		
Origination and reversal of temporary differences	**(3,142)**	(1,548)
Change in deferred tax following change in tax rate	**763**	317
Adjustments in relation to previous years	**316**	125
Deferred income tax credit for the year	**(2,063)**	(1,106)
Total credit for taxation	**(3,019)**	(5,066)

The tax credit above is in respect of continuing operations.

The tax credit for the year is higher (2020: lower) than the standard rate of UK Corporation Tax. The differences are explained below:

	2021 £000	2020 £000
Loss before taxation per the Income Statement	**(81)**	(29,522)
Loss before taxation multiplied by standard rate of UK Corporation Tax of 19% (2020: 19%)	**(15)**	(5,609)
Factors affecting charge for the year:		
Share options	**36**	54
Tax effect of expenses not deductible for tax purposes	**411**	353
Impact of the super deduction	**(2,485)**	-
Difference in current and deferred taxation rates	**(1,417)**	
Changes in statutory tax rate	**763**	317
Adjustments in relation to previous years	**(312)**	(181)
Total tax credit for the year	**(3,019)**	(5,066)

The income tax expense for the year is based on the effective rate of UK Corporation Tax for the year of 19% (2020: 19%).

The Finance Bill 2021 enacted provisions to increase the main rate of UK corporation tax to 25% from 6 April 2023 for businesses with profits of £250,000 or more. As such, deferred income tax balances at the balance sheet date have been measured at the tax rate expected to be applicable at the date the deferred income tax assets and liabilities are realised. Management has performed an assessment, for all material deferred income tax assets and liabilities, to determine the period over which the deferred assets and liabilities are forecast to be realised, which has resulted in an average deferred income tax rate of 23.0% (2020: 19.0%).

During the year, a £7,000 credit relating to deferred taxation (2020: £45,000 debit) has been recognised directly in Shareholders' equity.

A capital allowance super deduction, which offers 130% first year relief on qualifying main rate plant and machinery investments until 31 March 2023, has been included within the tax calculations for 31 December 2021. This allowance provides a 30% permanent difference on our Textile rental items given their short life nature. The impact of the super deduction to 31 December 2021 is a £2,485,000 credit recognised within the Income Statement.

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7 GOODWILL

	2021 £000	2020 £000
Cost		
Cost brought forward	**112,548**	110,062
Recognised on acquisition of the trade and assets of businesses	**(22)**	2,486
Cost carried forward	**112,526**	112,548
Accumulated impairment losses		
Brought forward and carried forward	**3,272**	3,272
Carrying amount		
Opening carrying amount	109,276	106,790
Closing carrying amount	**109,254**	109,276

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. No impairment was recognised during the year (2020: £nil).

Impairment tests for goodwill
The allocation of goodwill to Cash Generating Units (CGUs) is as follows:

	2021 £000	2020 £000
Workwear	**22,243**	22,243
Stalbridge	**18,880**	18,902
London Linen	**29,146**	29,146
Hotel Linen	**38,985**	38,985
Cost carried forward	**109,254**	109,276

Goodwill is tested for impairment by comparing the carrying value of each CGU against its recoverable amount. The carrying value for each CGU includes the net book value of goodwill, intangible assets and related deferred tax balances, property, plant and equipment, right of use assets, textile rental items and lease liabilities. The recoverable amount of a CGU is primarily determined based on value-in-use calculations.

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8 INTANGIBLE ASSETS

	Capitalised Software £000	Customer Contracts £000	Total £000
Cost			
At 31 December 2019	2,414	74,535	76,949
Prior year restatement (note 27)	(1,505)	-	(1,505)
At 1 January 2020	909	74,535	75,444
Additions	1,007	1,207	2,214
Recognised on acquisition of the trade and assets of businesses	-	3,474	3,474
At 31 December 2020	1,916	79,216	81,132
Additions	**189**	**-**	**189**
At 31 December 2021	**2,105**	**79,216**	**81,321**
Accumulated amortisation			
At 31 December 2019	635	43,504	44,139
Prior year restatement (note 27)	(93)	-	(93)
At 1 January 2020	542	43,504	44,046
Charged during the year (as previously reported)	214	10,613	10,827
Prior year restatement (note 27)	(214)	-	(214)
At 31 December 2020	542	54,117	54,659
Charged during the year	**145**	**10,933**	**11,078**
At 31 December 2021	**687**	**65,050**	**65,737**
Carrying amount			
At 31 December 2019	1,779	31,031	32,810
At 31 December 2020	1,374	25,099	26,473
At 31 December 2021	**1,418**	**14,166**	**15,584**

In 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision on the clarification of accounting in relation to the configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS) as follows:

- Amounts paid to the cloud vendor for configuration and customisation that are not distinct from access to the cloud software are expensed over the SaaS contract term.
- In limited circumstances, other configuration and customisation costs incurred in implementing SaaS arrangements may give rise to an identifiable intangible asset, for example, where code is created that is controlled by the entity.
- In all other instances, configuration and customisation costs will be expensed as the customisation and configuration services are received.

Following the agenda decision, the Company reviewed its costs incurred in respect of the configuration and customisation of cloud-based software applications implemented across the Company. It was concluded that the costs incurred did not create a resource controlled by the Company that is separate to the software and as such did not relate to a separately identifiable asset under IAS 38. The Company's accounting policy has therefore been revised so that such costs are expensed to the Consolidated Income Statement. As the configuration and customisation services were performed in conjunction with a third party, the costs should be expensed as and when the services are received. Configuration and customisation costs which include the development of software code that enhances or modifies, or creates additional capability to the existing on-premise software to enable it to connect with the cloud-based software applications, are recognised as intangible assets. See note 27 for further details about prior year restatement in relation to the treatment of these costs in previous years.

Amortisation of capitalised software is included within administrative expenses in the Consolidated Income Statement in determining operating profit / (loss) before exceptional items. Amortisation of other intangible assets is shown separately on the face of the Consolidated Income Statement.

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8 INTANGIBLE ASSETS (continued)

Other intangible assets comprise of customer contracts and relationships arising from business combinations together with the customer contracts acquired not as part of a business combination. For assets resulting from a business combination, fair value is calculated based upon historical and prospective information and financial data specific to each business combination, with an appropriate discount factor applied based upon the weighted average cost of capital for the Company. For assets not acquired as part of a business combination, fair value is deemed to be the amounts to purchase the contracts plus associated costs less value of stock acquired.

Other intangible assets have a finite useful life and are carried at cost less accumulated amortisation. Amortisation of other intangible assets is calculated using the straight-line method to allocate the cost of the assets over their estimated useful lives (usually 4 to 10 years). The longest estimated useful life remaining at 31 December 2021 is 3 years.

9 PROPERTY, PLANT AND EQUIPMENT

	Properties £000	Plant And Equipment £000	Total £000
Cost			
At 1 January 2020	12,703	149,669	162,372
Additions	1,164	19,517	20,681
Recognised on acquisition of the trade and assets of businesses	12	2,212	2,224
Disposals	-	(6,600)	(6,600)
At 31 December 2020	13,879	164,798	178,677
Additions	**18**	**22,377**	**22,395**
Disposals	**-**	**(1,670)**	**(1,670)**
At 31 December 2021	**13,897**	**185,505**	**199,402**
Accumulated depreciation and impairment			
At 1 January 2020	4,759	76,679	81,438
Charged during the year	870	14,896	15,766
Disposals	-	(5,511)	(5,511)
At 31 December 2020	5,629	86,064	91,693
Charged during the year	**864**	**15,542**	**16,406**
Disposals	**-**	**(1,554)**	**(1,554)**
At 31 December 2021	**6,493**	**100,052**	**106,545**
Carrying amount			
At 31 December 2019	7,944	72,990	80,934
At 31 December 2020	8,250	78,734	86,984
At 31 December 2021	**7,404**	**85,453**	**92,857**

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

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10 RIGHT OF USE ASSETS

	Properties £000	Plant and Equipment £000	Total £000
Cost			
At 1 January 2020	65,441	7,473	72,914
Recognised on acquisition of the trade and assets of businesses	223	767	990
Additions	6,931	1,703	8,634
Reassessment/modification of assets previously recognised	1,753	-	1,753
Disposals	(1,315)	(1,466)	(2,781)
At 31 December 2020	73,033	8,477	81,510
Additions	**371**	**547**	**918**
Reassessment/modification of assets previously recognised	**824**	**121**	**945**
Disposals	**(369)**	**(1,890)**	**(2,259)**
At 31 December 2021	**73,859**	**7,255**	**81,114**
Accumulated depreciation and impairment			
At 1 January 2020	3,988	2,310	6,298
Charged during the year	4,856	2,482	7,338
Impairment	74	-	74
Disposals	(185)	(1,100)	(1,285)
At 31 December 2020	8,733	3,692	12,425
Charged during the year	**4,654**	**2,197**	**6,851**
Disposals	**(369)**	**(1,868)**	**(2,237)**
At 31 December 2021	**13,018**	**4,021**	**17,039**
Carrying amount			
At 31 December 2019	61,453	5,163	66,616
At 31 December 2020	64,300	4,785	69,085
At 31 December 2021	**60,841**	**3,234**	**64,075**

Depreciation charges are recognised in cost of sales, distribution costs and administrative expenses within the Income Statement depending on the assets to which the depreciation relates.

The reassessment/modification of leases relates to rental increases and extensions to lease terms that have been agreed during the year to 31 December 2021 and 31 December 2020 for leases that were in place at the start of the relevant year.

During the prior year, the Exeter processing site was destroyed in a fire resulting in the termination of the lease and a disposal cost of £854,000. The Company also announced the closure of the Newmarket site. The Company utilised the break clause which was part of the original lease contract. The lease term was previously assumed to end in April 2027 but instead ended in April 2022. As such the lease term was revised resulting in a disposal cost of £317,000. As the site closed from December 2020, an impairment of £74,000 was recognised within administrative expenses.

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11 TEXTILE RENTAL ITEMS

	2021 £000	2020 £000
Cost		
Brought forward	**90,352**	116,446
Additions	**46,548**	23,413
Recognised on acquisition of the trade and assets of businesses	**-**	1,450
Disposals	**(41,875)**	(46,862)
Special charges	**(4,714)**	(4,095)
Carried forward	**90,311**	90,352
Accumulated depreciation		
Brought forward	**54,774**	61,527
Charged during the year	**32,074**	41,349
Impairment	**-**	573
Disposals	**(41,875)**	(46,628)
Special charges	**(2,357)**	(2,047)
Carried forward	**42,616**	54,774
Carrying amount		
Opening	**35,578**	54,919
Closing	**47,695**	35,578

Depreciation and impairment losses are recognised in cost of sales within the Income Statement.

12 INVENTORIES

	2021 £000	2020 £000
New rental items	**1,640**	839
Raw materials and stores	**561**	530
	2,201	1,369

The amounts above are net of an inventory provision of £735,000 (2020: £839,000). There has been £44,000 (2020: £423,000) stock provision recognised during the year within cost of sales in the Consolidated Income Statement. Amounts transferred to cost of sales in the year are £7,281,000 (2020: £7,658,000).

13 TRADE AND OTHER RECEIVABLES

	2021 £000	2020 £000
Amounts falling due within one year:		
Trade receivables	**45,393**	29,058
Less: provision for impairment of receivables	**(3,084)**	(3,626)
Net trade receivables	**42,309**	25,432
Unbilled receivables	**1,572**	589
Other receivables	**1,390**	3,390
Prepayments	**1,216**	1,154
Costs incurred to obtain a contract	**616**	593
	47,103	31,158
Amounts falling due after more than one year:		
Receivables from the Parent Company and other Group undertakings	**10,299**	35,184
Costs incurred to obtain a contract	**287**	261
	10,586	35,445
	57,689	66,603

Costs capitalised as costs incurred to obtain a contract during the year include sales commissions that relate directly to a contract and total £875,000 (2020: £638,000). Amortisation recognised during the year relating to costs incurred to obtain a contract is £826,000 (2020: £921,000).

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13 TRADE AND OTHER RECEIVABLES (continued)

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 (2020: Sterling) and are held at amortised cost. Given the short term nature there is deemed to be no difference between this and fair value.

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 SONIA 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 0.41% (2020: -0.15%), as at the balance sheet date, the fair value of amounts receivable from the Parent Company and other Group undertakings would be circa £10,257,000 (2020: £35,237,000).

14 TRADE AND OTHER PAYABLES

	2021	2020
	£000	£000
Amounts payable within one year:		
Trade payables	**24,969**	16,713
Payables to the Parent Company and Group undertakings	**546**	456
Other payables	**7,172**	16,104
Accruals	**26,141**	24,674
Other taxation and social security benefits	**1,277**	2,417
	60,105	60,364
Amounts payable after one year:		
Frozen holiday pay	**460**	491
Deferred Income	**343**	411
	803	902
	60,908	61,266

The carrying amounts of the Company's Trade and Other Payables on the Balance Sheet are denominated in Sterling (2020: Sterling) and are held at amortised cost. Given the short term nature there is deemed to be no difference between this and fair value.

15 BORROWINGS

	2021	2020
	£000	£000
CURRENT		
Overdraft	**-**	826

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16 LEASE LIABILITIES

	Properties £000	Plant and Equipment £000	Total £000
At 1 January 2020	63,433	5,146	68,579
Recognised on acquisition of the trade and assets of businesses	212	776	988
Additions	6,868	1,677	8,545
Reassessment/modification of liabilities previously recognised	1,752	-	1,752
Disposals	(1,154)	(380)	(1,534)
Lease liability payments (including finance costs)	(6,937)	(2,514)	(9,451)
Finance costs	3,263	121	3,384
At 31 December 2020	67,437	4,826	72,263
Additions	**365**	**542**	**907**
Reassessment/modification of liabilities previously recognised	**824**	**89**	**913**
Disposals	**(154)**	**(23)**	**(177)**
Lease liability payments (including finance costs)	**(6,914)**	**(2,255)**	**(9,169)**
Finance costs	**3,226**	**100**	**3,326**
At 31 December 2021	**64,784**	**3,279**	**68,063**

The reassessment/modification of leases relates to rent increases and extensions to lease terms that have been agreed during the year to 31 December 2021 and 31 December 2020 for leases that were in place at the start of the relevant year.

Lease liabilities are comprised of the following balance sheet amounts:

	2021 £000	2020 £000
Amounts due within one year (Lease liabilities, Current Liabilities)	**5,356**	5,833
Amounts due after more than one year (Lease liabilities, Non-Current Liabilities)	**62,707**	66,430
	68,063	72,263

17 PROVISIONS FOR LIABILITIES

	Property £000	Self Insurance £000	Total £000
At 1 January 2020	1,190	556	1,746
Provision made during the year	431	-	431
Provision utilised during the year	(133)	(56)	(189)
Provision released during the year	-	(3)	(3)
At 31 December 2020	1,488	497	1,985
Provision made during the year	**-**	**8**	**8**
Provision utilised during the year	**(338)**	**(59)**	**(397)**
Provision released during the year	**(523)**	**-**	**(523)**
At 31 December 2021	**627**	**446**	**1,073**

Analysis of total provisions	**2021 £000**	2020 £000
Current	**230**	1,175
Non-current	**843**	810
	1,073	1,985

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17 PROVISIONS FOR LIABILITIES (continued)

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 9 years. This scheme is now closed but not discontinued.

18 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	
	2021	2020	**2021**	2020
	£000	£000	**£000**	£000
Recognised deferred income tax balances in respect of:				
Depreciation in excess of capital allowances	-	2,197	**(7,070)**	-
Separately identifiable intangible assets	-	-	**(2,855)**	(4,418)
Employee share schemes	**46**	51	-	-
Other short term timing differences	**461**	328	-	-
Trading losses	**9,724**	-	-	-
	10,231	2,576	**(9,925)**	(4,418)

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

	Depreciation in excess of / (less than) capital allowances	Separately identifiable intangible assets	Employee share schemes	Other short term timing differences	Trading losses	Total
	£000	£000	£000	£000	£000	£000
At 1 January 2020	254	(3,404)	121	407	-	(2,622)
Deferred tax liability acquired	316	(661)	-	64	-	(281)
Credit / (charge) to income	48	1,188	(25)	(105)	-	1,106
Charge to Shareholders' equity	-	-	(45)	-	-	(45)
Reclassification	1,579	(1,541)	-	(38)	-	-
At 31 December 2020	2,197	(4,418)	51	328	-	(1,842)
(Charge) / credit to income	**(9,267)**	**1,563**	**(12)**	**133**	**9,724**	**2,141**
Credit to Shareholders' equity	-	-	**7**	-	-	**7**
At 31 December 2021	**(7,070)**	**(2,855)**	**46**	**461**	**9,724**	**306**

£78,000 of the charge to the Income Statement within Trading losses during the year relates to discontinued operations (2020: £nil).

The Finance Bill 2021 enacted provisions to increase the main rate of UK corporation tax to 25% from 6 April 2023 for businesses with profits of £250,000 or more. As such, deferred income tax balances at the balance sheet date have been measured at the tax rate expected to be applicable at the date the deferred income tax assets and liabilities are realised. Management has performed an assessment, for all material deferred income tax assets and liabilities, to determine the period over which the deferred assets and liabilities are forecast to be realised, which has resulted in an average deferred income tax rate of 23.0% (2020: 19.0%).

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18 DEFERRED TAXATION (continued)

During the year, a £7,000 credit relating to deferred taxation (2020: £45,000 debit) has been recognised directly in Shareholders' equity.

A capital allowance super deduction, which offers 130% first year relief on qualifying main rate plant and machinery investments until 31 March 2023, has been included within the tax calculations for 31 December 2021. This allowance provides a 30% permanent difference on our Textile Rental items given their short life nature. The impact of the super deduction to 31 December 2021 is a £2,485,000 credit recognised within the Income Statement.

The Company has estimated that £3,777,000 of the Company's net deferred income tax balance 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.

19 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 £3,245,000 (2020: £3,183,000).

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 (2020: £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 2021 and 31 December 2020:

	2021 £m	2020 £m
Present value of funded obligations	**(222.3)**	(240.5)
Fair value of scheme assets	**221.2**	226.7
Net defined benefit pension obligations	**(1.1)**	(13.8)
Post-retirement healthcare obligations	**(1.0)**	(1.1)
Net post-employment benefit obligations	**(2.1)**	(14.9)

Further disclosure in relation to the JGDBS can be found in the Johnson Service Group PLC annual report, which is publicly available, on pages 159 to 163.

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20 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.

21 CONTINGENT ASSETS

During the year the Company has made claims against its insurance policy in relation to a fire and a flood at two workwear processing plants. £3,123,000 of claims have been recognised within the Income Statement during the year, all within exceptional items.

Work is ongoing with the insurers such that the claims will likely be finalised in 2022. Further insurance proceeds relating to capital items of at least £310,000 are expected to be received in 2022. Additional proceeds are expected to be received in relation to business interruption costs, the quantum of which has yet to be agreed with the insurer.

22 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 125.75 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 vesting periods or non-market vesting conditions apply, the expense is allocated over the vesting period based on the best available estimate of the number of share options expected to vest. Estimates are subsequently revised if there is any indication that the number of share options expected to vest differs from previous estimates. If the options remain 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 30 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 2021, the periods in which they were granted and the periods in which they may be exercised are set out in note 29 and note 30 to the Annual Report of Johnson Service Group PLC.

During the year the Company recognised total expenses of £164,000 (2020: £189,000) in relation to equity-settled share based payment transactions.

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23 SHARE CAPITAL

Issued and fully paid	Number of shares	2021 £000	Number of shares	2020 £000
Ordinary shares of 100p each	**131,563,000**	**131,563**	131,563,000	131,563

24 BUSINESS COMBINATIONS

In the prior year, on 30 June 2020, the Company acquired the trade and assets of a subsidiary of Johnson Service Group PLC. The business assets and liabilities of Fresh Linen Limited were acquired for £7,649,000. This has been accounted for as a business combination.

Fresh Linen Limited prepares accounts under FRS 102. 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 financial statements.

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

	Fresh Linen £000	IFRS 16 adjustments £000	Fresh Linen £000
Intangible Assets – Goodwill	**2,486**	**-**	**2,486**
Intangible Assets – Customer contracts	**3,474**	**-**	**3,474**
Property, Plant and Equipment	**2,544**	**(320)**	**2,224**
Right of use assets	**-**	**990**	**990**
Textile Rental Items	**1,450**	**-**	**1,450**
Stock	**45**	**-**	**45**
Trade and other receivables	**127**	**(13)**	**114**
Cash	**129**	**-**	**129**
Amounts owed to Parent company	**626**	**-**	**626**
Trade and other payables	**(2,456)**	**(62)**	**(2,518)**
Borrowings	**(368)**	**365**	**(3)**
Lease liabilities	**-**	**(988)**	**(988)**
Current income tax asset	**(127)**	**-**	**(127)**
Deferred income tax liability	**(281)**	**-**	**(281)**
	7,649	**(28)**	**7,621**

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.

25 DISCONTINUED OPERATIONS

Discontinued operations relate to Johnson Hospitality Services which ceased trading in 2006. A property provision of £480,000 is no longer required and has been credited to the Income Statement during 2021. Transactions in 2020 consist of Group loan interest payable.

	2021 £000	2020 £000
Exceptional items:		
- Property provision	**480**	-
Operating profit	**480**	-
Interest	**(810)**	(827)
Loss before taxation	**(330)**	(827)
Taxation credit	**78**	157
Loss for the year	**(252)**	(670)

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26 FINANCIAL COMMITMENTS

Capital expenditure

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

	2021 £000	2020 £000
Capitalised software	-	76
Property, plant and equipment	**10,871**	10,261

27 PRIOR YEAR RESTATEMENT

In 2021, the IFRS Interpretations Committee (IFRIC) published an agenda decision on the clarification of accounting in relation to the configuration and customisation costs incurred in implementing Software-as-a-Service (SaaS) as follows:

- Amounts paid to the cloud vendor for configuration and customisation that are not distinct from access to the cloud software are expensed over the SaaS contract term.
- In limited circumstances, other configuration and customisation costs incurred in implementing SaaS arrangements may give rise to an identifiable intangible asset, for example, where code is created that is controlled by the entity.
- In all other instances, configuration and customisation costs will be expensed as the customisation and configuration services are received.

Following the agenda decision, the Company reviewed its costs incurred in respect of the configuration and customisation of cloud-based software applications. It was concluded that the costs incurred did not create a resource controlled by the Company that is separate to the software and as such did not relate to a separately identifiable asset under IAS 38. The Company's accounting policy has therefore been revised so that such costs are expensed to the Income Statement. As the configuration and customisation services were performed in conjunction with a third party, the costs should be expensed as and when the services are received. This clarification has been accounted for retrospectively resulting in a prior year restatement.

The Company identified £1,505,000 of capitalised costs incurred prior to 1 January 2020 which should, in light of the agenda decision, have been expensed to the Income Statement as incurred. Amortisation thereon of £93,000 was charged to the Income Statement prior to 1 January 2020 resulting in a £1,412,000 adjustment to Intangible assets at 1 January 2020.

The overall impact of the prior year restatement on the Company's opening Balance Sheet is as follows:

	As at 31 December 2019 £000	**Prior year adjustment £000**	**As at 1 January 2020 £000**
Non-current assets			
Intangible assets	32,810	**(1,412)**	**31,398**
Current liabilities			
Current income tax liabilities	(8,929)	**268**	**(8,661)**
Net assets	290,192	**(1,144)**	**289,048**
Retained earnings	129,526	**(1,144)**	**128,382**
Total equity	290,192	**(1,144)**	**289,048**

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27 PRIOR YEAR RESTATEMENT (continued)

The impact of the prior year restatement on the Company's retained earnings as at 1 January 2020 is as follows:

	£000
As at 31 December 2019	129,526
Recognition of cloud based software costs	(1,505)
Reverse amortisation previously charged	93
Decrease in current income tax liabilities	268
Adjustment to retained earnings	(1,144)
As at 1 January 2020	128,382

As a result of the above costs being expensed through the Income Statement during the prior year, amortisation of the previously capitalised costs has been reversed in the year to 31 December 2020. This cost was £214,000. The impact of the prior year restatement on the Income Statement as at 31 December 2020 is as follows:

	Year ended 31 December 2020 £000	**Prior year adjustment £000**	**Year ended 31 December 2020 £000**
Operating loss before amortisation of intangible assets (excluding software amortisation) and exceptional items	(7,401)	**214**	**(7,187)**
Operating loss	(22,198)	**214**	**(21,984)**
Loss before taxation	(29,736)	**214**	**(29,522)**
Loss for the year	(25,340)	**214**	**(25,126)**

28 EVENTS AFTER THE REPORTING PERIOD

There were no events occurring after the balance sheet date which should be disclosed in accordance with IAS 10, 'Events after the reporting period'.

29 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.