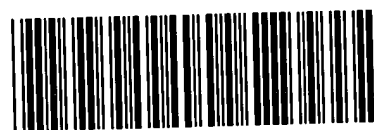


Johnsons Textile Services Limited
Registered No: 464645

Directors' Report and Financial Statements
For the year ended 31 December 2020

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Johnsons Textile Services Limited

Directors' Report and Financial Statements

For the year ended 31 December 2020

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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 (appointed 16 June 2020)
Mr D Smith (appointed 16 June 2020)
Mr M Woolfenden (appointed 16 June 2020)
Mr S McKeever (appointed 16 June 2020)

REGISTERED OFFICE

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

BANKERS

Lloyds Bank plc
40 Spring Gardens
Manchester M2 1EN

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

Bank of Ireland
26 Cross Street
Manchester M2 7AF

LAWYERS

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

INDEPENDENT AUDITORS

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

Johnsons Textile Services Limited

Strategic Report

For the year ended 31 December 2020

The Directors present their Strategic Report on the affairs of the Company, together with the audited financial statements for the year ended 31 December 2020.

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

Activities and business review

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

The total revenue for the year was £225,948,000 (2019: £347,858,000), the reduction reflecting the closure of a significant number of our sites through the various lockdowns. Operating loss before amortisation of intangible assets (excluding software amortisation) and exceptional items was £7,401,000 (2019: £57,321,000 profit). The associated margin decreased from 16.5% to (3.3)%. At the year end, the Company had net assets of £265,000,000 (2019: £290,192,000).

Workwear Division

The Workwear business has continued to operate throughout the pandemic with garment volumes slowly returning to pre-COVID levels in October, from a low of 88% of normal volumes in April 2020. There was a more limited impact from the second lockdown in November, resulting in a small reduction of garment volumes processed. This was repeated in the first two months of 2021 as more customers have remained open and sought to continue to trade through lockdown. Many of our customers, such as the food manufacturing sector, have relied on our ability to provide continuous and consistent service during these unprecedented times.

The additional unit in Basingstoke, which increases processing capacity by 40% and utilises state of the art automation, was commissioned in September after a delay due to COVID-19 and is now meeting our expectations.

Rebranding of vehicles less than five years old continued throughout 2020 and the plan to fit all vehicles over 3.5 tonnes with tracking devices and cameras will be completed by the end of the first quarter of 2021.

Our field-based sales and service teams have continued to use online communication tools for maintaining contact with both new and existing customers. Customer retention levels remain high at 94%. Despite the impact of COVID-19, our service teams have performed well and continue to achieve organic growth within existing customers. Our 'Existing Customer Satisfaction Survey' for 2020 maintained high levels at 86%, which is in the upper quartile of businesses.

Our sales team, which concentrates on winning new business, was furloughed for part of the year as potential new customers were themselves working from home. Despite this, and with the aid of our call centre, we continued to win new accounts, and of those won, 33.5% were new to rental (2019: 17.6%).

A brand-new building has been secured in Exeter replacing the site lost to fire in early 2020 and is expected to be operational towards the end of 2021. In the meantime, the temporary Exeter depot continues to perform well with garment processing being serviced from nearby sites. The Treforest plant, which was damaged by flooding in February 2020, is now fully refurbished with new machinery installed. We are working closely with our insurers in order to reach a final financial settlement on both claims. The successful management of these two incidents demonstrates the integrity of our business continuity plans, particularly as there was minimal impact to our customers as a result of them being serviced from nearby sites. Our employees at Exeter and Treforest, together with those at supporting sites, are commended on their support of the business during these challenging times.

Johnsons Textile Services Limited

Strategic Report (continued)

Five of our sites, being Lancaster, Leeds, Basingstoke, Perth and Birmingham have successfully achieved certification EN 14065, Biocontamination Control System for Laundry Processed Textiles. This achievement demonstrates to our customers that our laundry service has systems and processes in place to control microbiological contamination in laundered textiles. The standard compliments others already in place, especially for food and pharmaceutical industries, as well as giving us the ability of processing isolation gowns and other healthcare products separately in our plants. By mid-2021, the majority of our plants will have achieved this standard.

Following our Employee Engagement Survey in 2019, various initiatives have continued to be launched in line with the key areas identified. Active listening and communication, continued investment in learning and development and promotion of health and well-being together with the launch of “workwear heroes” were areas of focus. Many of our employees have undertaken various types of voluntary work supporting the NHS, local charities and communities and we are extremely proud of them all.

The number of projects managed during 2020 was unprecedented, with challenges due to a fire, a flood and a pandemic. In addition, we have progressed the replacement of our textile rental management system and payroll system, completed large capital projects, implemented the results of the employee engagement survey and commenced a logistics review, to name but a few. We look forward to completing these projects in the coming months.

HORECA (Hotel, Restaurant & Catering) Division

Once the impact of COVID-19 began to be felt, we reacted quickly in order to introduce enhanced health and safety protocols and Personal Protective Equipment (PPE). We also adjusted production volumes, reduced costs and aligned, as quickly as we could, our operations to the challenging environment which was experiencing a dramatic decline in volume and revenue. We have maintained our ability to be agile in restoring processing capacity quickly and efficiently as our volumes recover.

Our hotel, restaurant and catering business, which includes Johnsons Stalbridge, London Linen and South West Laundry, experienced strong new sales activity during the first quarter, with high levels of customer retention. Some major capital projects to support growth and capacity were completed or were underway.

A new and more efficient continuous batch washer, dryers and ironing line were installed in our Milborne Port site to replace obsolete and high maintenance machinery, and a new ironer line and towel folding equipment were installed in Shaftesbury to support capacity growth across our three Dorset locations. At Grantham, we expanded the footprint of the site in order to handle the expected future growth of the business.

The impact of COVID-19 saw volumes decrease to a low of 3% of normal demand during some weeks of the first lockdown from March to June. As a result, operations ceased completely in most locations, although some sites continued to support the Ministry of Defence, Ministry of Justice and similar government agency locations. After the re-opening of hospitality in early July there was significant volatility in volumes across our estate, which reflected holiday locations and the “eat out to help out” scheme. However, by the end of the third quarter, volumes had steadied at near 55% of normal. Since the beginning of October, the introduction of local lockdown measures at various levels has meant volumes have reduced substantially again, although to levels slightly ahead of those in the first lockdown. Three factory locations, in Southall, Milborne Port and Cornwall, are presently mothballed pending a recovery of volumes in 2021, with the remaining sites operating on significantly reduced hours. We will continue to utilise the Government's furlough scheme to match employee resources to customer demand.

We are pleased to be able to support some local healthcare locations with a free scrub suit processing service to support their effort in dealing with the pandemic. We have applied flexibility in supporting our hospitality industry customers through stock management and reduced charging for items on rental. During the final quarter of 2020, we renewed or extended several long-term contracts with existing large group customers.

Non-essential capital expenditure was halted after the first quarter of 2020. However, as part of our ongoing programme of reducing our impact on the environment, we have installed a Carbon Trust sponsored prototype water recycling plant at our Shaftesbury site. The installation is expected to be tested and commissioned in early 2021 and we look forward to working with the developer to assess the benefits.

Johnsons Textile Services Limited

Strategic Report (continued)

Johnsons Hotel Linen also had a strong start to 2020, with volumes and revenue slightly ahead of forecast due to continued growth in customers and a generally favourable hospitality outlook prior to the impact of COVID-19.

The Johnsons Hotel Linen business, which primarily serves the corporate 4 star and budget hotel marketplace, was inevitably the most materially affected of our businesses. Many of our customers experienced a significant and sudden drop in bookings, together with high cancellation rates, as a result of the introduction of Government restrictions on travel. In addition, many of our customers faced significant cancellations of conferences and sporting events during the majority of the subsequent lockdown periods.

Throughout the year, processing volumes were adjusted, and some sites were consolidated and mothballed, with volume moved around the country to reduce operating costs and align volumes and revenue as efficiently as possible. Through much of the first lockdown, the business operated with a core of just 60 members of the team, the vast majority of whom agreed voluntary salary sacrifices for a minimum of three months. Capital expenditure was largely frozen for all but essential spend.

Substantial efforts in introducing COVID secure policies enabled the business to continue to operate successfully and we were delighted to support a number of key customers who chose to remain open in order to help support UK Government efforts in accommodating key workers, including NHS staff, in hotels close to hospital sites. Several other hotels were also serviced and supported to help accommodate homeless people as part of the Government's "Everyone In" package, to avoid people sleeping rough amid the pandemic.

During the first lockdown in the second quarter of 2020, the business continued to successfully plan for the future, whilst benefiting from the Government's furlough scheme, enabling it to reduce costs whilst maintaining employees for as long as possible. During this time, senior and middle management used their time to good effect, ensuring the successful implementation of a new IT platform across several sites, on time and to budget. Considerable effort, creative new ways of working and innovative new plans were drawn up to enable a key project such as this to be completed across a total of five sites during the year and our thanks go to all those involved for seeing through and implementing the project so successfully.

In addition, we successfully completed the construction and installation of our new £10 million production facility in Leeds, but strategically took the decision to delay final commissioning until demand in the hospitality market has improved, later this year.

As the UK came out of the first lockdown, volumes recovered quickly, and to over 50% by September, driven largely by strong demand for staycations and recovery in domestic business travel. Hotels around airports, whilst evidencing some recovery, remained far below their normal demand levels. Particularly strong demand was seen around the traditionally busier coastal areas, in particular the South Coast, Wales and East Anglia. The Scottish market, whilst improving, faced a weaker level of demand, impacted significantly by the cancellation of events such as the Edinburgh Festival. The cancellation of many other cultural and sporting events also impacted the business across the UK throughout the remainder of the year.

In the autumn and early winter, volumes continued to fluctuate based on an evolving series of changes brought about by the various local lockdowns and policies implemented by the UK, Scottish and Welsh Governments. Clearly, these policy changes have impacted on our local management teams and resulted in a considerable challenge at a local operational level to align logistics with evolving volumes at different sites. It is great testament to the agility and resilience of our business that, throughout this period, no material service issues emerged, and a significant number of customers have recognised the professional manner in which these challenges have been faced.

During 2020 we successfully renewed our contract with the Group's largest customer, Premier Inn. Under the new contract we will add a significant number of new sites, over 100 additional hotels, totalling over 12,000 rooms across the UK, with a significant cluster around our new Leeds production facility. In total, once fully installed, we will supply approximately 50% of the Premier Inn estate.

Throughout the year we have continued to support the local communities we serve. Several employees were engaged in a range of initiatives including helping to recruit those leaving prison into the workplace to give people a second chance. The pandemic has, unfortunately, meant that this programme has been suspended for the time being. We also helped support several local food banks and made donations to a number of local schools as part of our engagement with the local communities in which we operate.

Johnsons Textile Services Limited

Strategic Report (continued)

In addition, during the year, working with our professional trade body, the Textile Services Association ('TSA') we participated in a trial to assess the impact of how we can recycle end of life textiles, to enable us to promote the benefit of a genuine circular economy.

Furthermore, we believe we became the first textile rental company in the world to have its application to join the Better Cotton Initiative ('BCI'), a global organisation based in Geneva, approved. BCI is internationally recognised as a not-for-profit organisation that exists to make global cotton production better for the people who produce it, better for the environment it grows in and better for the sector's future. BCI Membership has historically been for major global retailing brands and textile manufacturers and we are delighted, as part of our sustainability efforts, to be able to join, support and promote BCI membership to help encourage sustainable purchasing of textiles through our supply chain and throughout our industry.

Ongoing Impact of COVID-19

During the first two months of 2021 we have continued to see the impact of the various lockdowns and restrictions on our business, particularly in HORECA. Volumes during January and February in HORECA were some 9% of normal and many of our employees continue to be furloughed. We have yet to open our new HORECA site in Leeds and we currently have three other HORECA sites mothballed whilst the second units at Bourne and Reading are also temporarily closed. It is our intention to open the Leeds site and return the remainder of the other plants to production as demand increases. We are working closely with our HORECA customers to plan for the upturn as restrictions are lifted over the coming months. In Workwear, volumes are 96% of normal and all sites continue to operate and service our customers.

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.

Our corporate culture defines who we are, what we stand for and how we do business and it is integral to the success of the Company. Our strong reputation has been built on the solid foundation of an ethical culture, underpinned by a well-defined and effective system of governance. We are committed to equal opportunities and an entirely non-discriminatory working environment where everyone is treated with dignity and respect and we strive to create an inspiring working environment where everyone is engaged and motivated.

The Board has always taken its environmental impact very seriously and is taking steps to improve the performance further. For many years, we have continued to invest in energy efficient capital equipment and update our operational procedures in order to reduce our energy, fuel, water and detergent usage and, in turn, our wastage. This ongoing investment has, unquestionably, reduced our environmental impact over the years whilst at the same time improved our productivity. Our approach is to work through education, communication and direct action.

Further details on our ongoing initiatives, together with actions for the future, are set out within the Environmental and Social Responsibility Statement, on pages 34 to 36 of the Johnson Service Group PLC Annual Report and Accounts for the year ended 31 December 2020 which can be obtained from www.jsq.com. Johnson Service Group PLC is the ultimate parent undertaking.

System Development

Work has continued on the installation of a new laundry management system with six of our Hotel Linen plants now live. The remaining Hotel Linen plants will be rolled out by the end of the year. A new laundry management system for Workwear is also expected to be rolled out in 2021, with the first installation expected in the second quarter.

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Johnsons Textile Services Limited

Strategic Report (continued)

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 (loss) / profit' refers to continuing operating (loss) / profit before amortisation of intangible assets (excluding software amortisation) and exceptional items. The Directors consider that 'adjusted operating (loss) / profit', 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.

	2020	2019
	£000	£000
Revenue (net of VAT)	225,948	347,858
Adjusted operating (loss) / profit	(7,401)	57,321

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 38 to 45 of the Johnson Service Group PLC Annual Report and Accounts for the year ended 31 December 2020 which can be obtained from www.jsq.com.

Duty to promote the success of the Company

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

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

As part of their induction, a Director is briefed on their duties and they can access professional advice on these, either from the Company Secretary or, if they judge it necessary, from an independent advisor.

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

Risk Management

As we continue to grow, it is vital that we effectively identify, evaluate, manage and mitigate the risks we face. The principal risks and uncertainties which the Company faces are consistent with those reported by the parent company, Johnson Service Group PLC. The principal risks and uncertainties, along with mitigating actions taken by the Company are set out on pages 38 to 45 of the Johnson Service Group PLC Annual Report and Accounts for the year ended 31 December 2020 which can be obtained from www.jsq.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 2020.

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 30 to 32 of

Johnsons Textile Services Limited

Strategic Report (continued)

the Johnson Service Group PLC Annual Report and Accounts for the year ended 31 December 2020 which can be obtained from www.jsq.com.

Business Relationships

Our strategy prioritises growth, both organically and through acquisition. Organic growth is driven through cross-selling and up-selling services to existing clients as well as bringing new customers into the Group. To do this, we need to develop and maintain strong customer relationships. We value all of our suppliers and have multi-year contracts with our key suppliers. For further details on how we work with our customers and suppliers, please see page 33 of the Johnson Service Group PLC Annual Report and Accounts for the year ended 31 December 2020 which can be obtained from www.jsq.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 we interact with communities and the environment, please see pages 32 to 34 of the Johnson Service Group PLC Annual Report and Accounts for the year ended 31 December 2020 which can be obtained from www.jsq.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 page 36 of the Johnson Service Group PLC Annual Report for the year ended 31 December 2020 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 30 respectively of the Johnson Service Group PLC Annual Report and Accounts for the year ended 31 December 2020 which can be obtained from www.jsq.com.

Shareholders

The Board is committed to openly engaging with our Shareholders, as we recognise the importance of a continuing effective dialogue, whether with major institutional investors, private or employee Shareholders. It is important to us that Shareholders understand our strategy and objectives, so these must be explained clearly, feedback heard and any issues or questions raised properly considered. For further details on how we engage with our Shareholders, please see page 33 of the Johnson Service Group PLC Annual Report and Accounts for the year ended 31 December 2020 which can be obtained from www.jsq.com.

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



Y M Monaghan
Director
9 April 2021

Johnsons Textile Services Limited

Directors' Report

For the year ended 31 December 2020

The Directors present their report and audited financial statements for the year ended 31 December 2020.

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

RESULTS AND DIVIDENDS

The loss for the financial year after taxation was £25,340,000 (2019: £31,887,000 profit).

The Directors do not recommend the payment of a final dividend (2019: £nil). During the year no interim dividend has been paid (2019: £13,156,000).

The Directors consider the financial position of the Company at 31 December 2020 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, of restrictions imposed by the UK Government and the devolved authorities in response to COVID-19. The process and key judgments in coming to this conclusion are set out below. The going concern status of the Company is intrinsically linked to that of the Group, as Johnson Textile Services Limited is the trading company of the Group.

Going Concern Assessment

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

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

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

1) Cash Flows and Sensitivity Analysis

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

Johnsons Textile Services Limited

Directors' Report (continued)

For the year ended 31 December 2020

GOING CONCERN (continued)

Base Case Scenario

This scenario assumes that the HORECA market gradually begins to reopen during the second quarter. April assumes a modest increase in current volumes, based on the planned reopening of gyms, outdoor hospitality and self-catering holiday accommodation on 12 April whilst May assumes a more stepped increase as a result of the planned reopening of indoor hospitality (pubs and restaurants), hotels and B&Bs on 17 May. By June 2021, this scenario assumes that volumes have reached between 50% and 70% of normalised levels, such range reflecting the nuances of specific sub-markets within the overall HORECA market, for example, restaurants, hotels, contract catering. Volumes increase month on month thereafter, reaching a maximum of 85% of normalised volumes by September 2021 with modest increases thereafter to reach 90% of normalised volumes by December 2021. Further modest monthly increases are then assumed throughout 2022. In Workwear, volumes were 96% of normal in February 2021. The scenario assumes a continuation of trading, adjusted for any known changes and market developments.

Delay in Lifting of Restrictions Scenario

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

Severe but Plausible Scenario

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

2) Covenants

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

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

3) Liquidity

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

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

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 9 April 2021.

Johnsons Textile Services Limited

Directors' Report (continued)

For the year ended 31 December 2020

Going Concern Statement

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

Mr G Collis, resigned 31 March 2020

Mr A Kar, resigned 16 June 2020

Mr M Rue, resigned 16 June 2020

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.

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 7 of these financial statements. The Company's approach to financial risk management is included within the Statement of Significant Accounting Policies.

INDEPENDENT AUDITORS

During the year, there was a formal competitive tender process for the appointment of a new external auditor. The Directors have approved the proposed appointment of Grant Thornton UK LLP as its external auditor to take effect from, and including, the financial year ending 31 December 2021. Further details are set out on page 68 of the Johnson Service Group PLC Annual Report and Accounts for the year ended 31 December 2020 which can be obtained from www.jsg.com.

Johnsons Textile Services Limited

Directors' Report (continued)

For the year ended 31 December 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Under company law, directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing the financial statements, the Directors are required to:

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

The Directors are 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 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.

DIRECTORS' CONFIRMATIONS

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

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

On behalf of the Board



Y M Monaghan
Director
9 April 2021
Johnsons Textile Services Limited
Registered in England and Wales Number 464645

Johnsons Textile Services Limited

Independent Auditors' Report to the Members of Johnsons Textile Services Limited

For the year ended 31 December 2020

Report on the audit of the financial statements

Opinion

In our opinion, Johnsons Textile Services Limited's financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Directors' Report and Financial Statements (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2020; the Income Statement and Statement of Changes in Equity for the year then ended; the Statement of Significant Accounting Policies; and the notes to the financial statements.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

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.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information.

Johnsons Textile Services Limited
Independent Auditors' Report to the Members of Johnsons Textile
Services Limited (continued)
For the year ended 31 December 2020

Reporting on other information (continued)

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' Responsibilities in Respect of the Financial Statements, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

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

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

Based on our understanding of the Company and industry, we identified that the principal risks of non-compliance with laws and regulations related to health and safety laws, UK tax legislation, and environmental legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to increase revenue or reduce expenditure, and management bias in accounting estimates. Audit procedures performed included:

Johnsons Textile Services Limited
Independent Auditors' Report to the Members of Johnsons Textile
Services Limited (continued)
For the year ended 31 December 2020

Auditors' responsibilities for the audit of the financial statements (continued)

- Obtained an understanding of the legal and regulatory framework applicable to the Company and how the Company is complying with that framework;
- Discussions with management including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations;
- Challenging assumptions and judgments made by management in their significant accounting estimates, in particular in relation to the valuation of goodwill, intangible and tangible fixed assets; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

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

We have no exceptions to report arising from this responsibility.

Jonathan Studholme

Jonathan Studholme (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Manchester
9 April 2021

Johnsons Textile Services Limited
Income Statement
For the year ended 31 December 2020

Note	Year ended 31 December 2020 £000	Year ended 31 December 2019 £000
Continuing Operations		
Revenue	225,948	347,858
Cost of sales	(154,834)	(194,445)
GROSS PROFIT	71,114	153,413
Operating expenses		
- Distribution costs	(44,115)	(57,421)
- Administrative expenses	(49,197)	(48,425)
1 OPERATING (LOSS) / PROFIT	(22,198)	47,567
Operating (loss) / profit before amortisation of intangible assets (excluding software amortisation) and exceptional items	(7,401)	57,321
Amortisation of intangible assets (excluding software amortisation)	(10,613)	(9,754)
4 Exceptional items		
- Restructuring costs	(5,701)	-
- Insurance claims	2,442	-
- Impairment losses re insurance claims	(925)	-
	(22,198)	47,567
5 Finance costs	(7,538)	(7,237)
(LOSS) / PROFIT BEFORE TAXATION	(29,736)	40,330
6 Tax on (loss) / profit	5,066	(7,721)
(LOSS) / PROFIT FOR THE FINANCIAL YEAR FROM CONTINUING OPERATIONS	(24,670)	32,609
26 DISCONTINUED OPERATIONS		
LOSS FOR THE FINANCIAL YEAR FROM DISCONTINUED OPERATIONS	(670)	(722)
(LOSS) / PROFIT FOR THE FINANCIAL YEAR	(25,340)	31,887

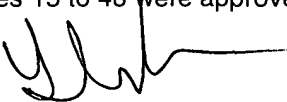
The notes on pages 33 to 48 are an integral part of these financial statements.

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

Johnsons Textile Services Limited
Balance Sheet
As at 31 December 2020

Note		As at 31 December 2020 £000	As at 31 December 2019 £000
	NON-CURRENT ASSETS		
8	Goodwill	109,276	106,790
9	Intangible assets	27,671	32,810
10	Property, plant and equipment	86,984	80,934
11	Right of use assets	69,085	66,616
12	Textile rental items	35,578	54,919
20	Deferred income tax assets	-	782
14	Trade and other receivables	35,445	29,615
		364,039	372,466
	CURRENT ASSETS		
13	Inventories	1,369	2,242
14	Trade and other receivables	31,158	52,160
	Cash and cash equivalents	2,708	6,466
	Current income tax assets	3,908	-
		39,143	60,868
	CURRENT LIABILITIES		
15	Trade and other payables	(60,364)	(59,460)
	Current income tax liabilities	-	(8,929)
16	Borrowings	(826)	-
17	Lease liabilities	(5,833)	(5,455)
18	Provisions for liabilities	(1,175)	(812)
		(68,198)	(74,656)
	NET CURRENT LIABILITIES	(29,055)	(13,788)
	NON-CURRENT LIABILITIES		
15	Trade and other payables	-	(24)
17	Lease liabilities	(66,430)	(63,124)
20	Deferred income tax liabilities	(1,842)	(3,404)
18	Provisions for liabilities	(810)	(934)
19	Other non-current trade and other payables	(902)	(1,000)
		(69,984)	(68,486)
	NET ASSETS	265,000	290,192
	CAPITAL AND RESERVES		
25	Share capital	131,563	131,563
	Share premium	15,308	15,308
	Other reserves	13,795	13,795
	Retained earnings	104,334	129,526
	TOTAL SHAREHOLDERS' FUNDS	265,000	290,192

The notes on pages 33 to 48 are an integral part of these financial statements. The financial statements on pages 15 to 48 were approved by the Board of Directors on 9 April 2021 and signed on its behalf by:


Y M Monaghan
Director

Johnsons Textile Services Limited
Statement of Changes in Equity
For the year ended 31 December 2020

	Share Capital £000	Share Premium £000	Other Reserves £000	Retained Earnings £000	Total Shareholders' Funds £000
Balance at 1 January 2019	131,563	15,308	13,795	110,416	271,082
Change in accounting standard – IFRS 16	-	-	-	149	149
Adjusted balance at 1 January 2019	131,563	15,308	13,795	110,565	271,231
Profit for the financial year	-	-	-	31,887	31,887
Dividend paid (note 7)	-	-	-	(13,156)	(13,156)
Current tax on share options	-	-	-	47	47
Deferred tax on share options	-	-	-	36	36
Share options (value of employee services)	-	-	-	147	147
Balance at 31 December 2019	131,563	15,308	13,795	129,526	290,192
Balance at 1 January 2020	131,563	15,308	13,795	129,526	290,192
Loss for the financial year	-	-	-	(25,340)	(25,340)
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	131,563	15,308	13,795	104,334	265,000

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

Johnsons Textile Services Limited

Statement of Significant Accounting Policies

For the year ended 31 December 2020

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 9 April 2021.

Basis of Preparation

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

These financial statements have been prepared in accordance with the Companies Act 2006 (the 'Act') as applicable to companies using Financial Reporting Standard 101, 'Reduced Disclosure Framework' ('FRS 101'). FRS 101 sets out a reduced disclosure framework for a 'qualifying entity' as defined in the standard which addresses the financial reporting requirements and disclosure exemptions in the individual financial statements of qualifying entities that otherwise apply the recognition, measurement and disclosure requirements of international financial reporting standards adopted pursuant to Regulation (EC) No 1606/2002 as it applies in the European Union.

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

The Company is a qualifying entity for the purposes of FRS 101. Note 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 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'.

Going Concern Assessment

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

Johnsons Textile Services Limited

Statement of Significant Accounting Policies (continued)

For the year ended 31 December 2020

Going Concern Assessment (continued)

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

1) Cash Flows and Sensitivity Analysis

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

Base Case Scenario

This scenario assumes that the HORECA market gradually begins to reopen during the second quarter. April assumes a modest increase in current volumes, based on the planned reopening of gyms, outdoor hospitality and self-catering holiday accommodation on 12 April whilst May assumes a more stepped increase as a result of the planned reopening of indoor hospitality (pubs and restaurants), hotels and B&Bs on 17 May. By June 2021, this scenario assumes that volumes have reached between 50% and 70% of normalised levels, such range reflecting the nuances of specific sub-markets within the overall HORECA market, for example, restaurants, hotels, contract catering. Volumes increase month on month thereafter, reaching a maximum of 85% of normalised volumes by September 2021 with modest increases thereafter to reach 90% of normalised volumes by December 2021. Further modest monthly increases are then assumed throughout 2022. In Workwear, volumes were 96% of normal in February 2021. The scenario assumes a continuation of trading, adjusted for any known changes and market developments.

Delay in lifting restrictions scenario

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

Severe but Plausible Scenario

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

2) Covenants

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

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

Johnsons Textile Services Limited

Statement of Significant Accounting Policies (continued)

For the year ended 31 December 2020

Going Concern Assessment (continued)

3) Liquidity

The Group extended its committed debt facilities in May 2020. The revised facilities comprise a £135.0 million revolving credit facility, which matures in August 2023, together with a £40.0 million accordion facility, which is due to mature in May 2022 but which may be extended for a further one year, subject to lender approval. Quarterly covenant tests allow for maximum bank borrowings of £155.0 million at each quarter end from September 2020 through to September 2021, reducing to £145.0 million for the quarter ending December 2021. Thereafter, the maximum net debt covenant falls away and is effectively replaced with a leverage covenant.

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

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 9 April 2021.

Going Concern Statement

After considering the current financial scenarios, the severe but plausible sensitivity and the facilities available to the Company, the Directors have a reasonable expectation that the Company has adequate resources for its operational needs, will remain in compliance with the financial covenants set out in the bank facility agreement and will continue in operation for at least the next 12 months from the date of approving the Company financial statements. As a consequence, and having reassessed the principal risks and uncertainties, the Directors considered it appropriate to adopt the going concern basis in preparing the 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 2020:

- Amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors' definition of material; and
- Amendments to the conceptual framework
- Amendments to IFRS 16, COVID-19 related rent concessions
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2

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 and have not been early adopted by the Company*

- Amendments to IAS 1, 'Presentation of financial statements', on classification of liabilities
- A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 17 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16

Certain new accounting standards and interpretations have been published that are not mandatory for 31 December 2020 reporting periods and have not been early adopted by the Company.

Johnsons Textile Services Limited

Statement of Significant Accounting Policies (continued)

For the year ended 31 December 2020

COVID-19 accounting policies

The Company's trading has been impacted by the various UK government restrictions throughout the year ended 31 December 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.

Furlough and the Coronavirus Job Retention Scheme (CJRS)

The Company has utilised the CJRS extensively throughout the various national restrictions imposed during 2020. 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. Unpaid claims to government are included in Trade and other receivables in the Balance Sheet. In the year to 31 December 2020, £28,196,000 has been included with Income Statement.

VAT and PAYE deferrals

VAT liabilities that fell due between 20 March 2020 and the end of June 2020 were deferred with the approval of HMRC, in addition to PAYE liabilities that fell due in March 2020 and April 2020. PAYE due on furlough wages funded by government has not been deferred. The Company took advantage of the initial deferral to further support the cash position during uncertain times. All PAYE liabilities have since been paid however as at 31 December 2020, £11,274,000 of VAT has been deferred. This is expected to be repaid in monthly instalments through 2021. Amounts deferred are 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 18 to 20.

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:

Johnsons Textile Services Limited

Statement of Significant Accounting Policies (continued)

For the year ended 31 December 2020

Sources of estimation and uncertainty (continued)

(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 29. 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 14.

Forward Looking Statements

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

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

Consolidation

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

Revenue Recognition

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

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

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

Customers are generally invoiced weekly or monthly in arrears for service contracts with 30 day credit terms. Invoices are raised to customers for the sale of goods following delivery.

Revenue from goods and services provided to customers not invoiced as at the balance sheet date is recognised as accrued income within trade and other receivables. This typically arises where the timing of the related billing cycle occurs in a period after the performance obligation is satisfied. When the right to consideration is conditional only on the passage of time, as in this case where no further performance obligations are required, the balance does not meet the definition of a contract asset and is classified as accrued income.

Interest receivable on bank deposits and other items is not classed as revenue but included within finance income.

Johnsons Textile Services Limited

Statement of Significant Accounting Policies (continued)

For the year ended 31 December 2020

Revenue Recognition (continued)

Contract modifications occur on a regular basis to record price changes or a change in stock requirements for customers. The Company accounts for a contract modification when it is approved by the parties to the contract. Following a contract modification, the customer is billed in line with the delivery of the remaining performance obligations. A modification is accounted for as an adjustment to the original contract, either prospectively or through a cumulative catch-up adjustment depending on whether the remaining goods or services in the contract are distinct. The Company accounts for a modification prospectively if the goods or services in the modification are distinct from those transferred before the modification. The remaining consideration in the original contract not yet recognised as revenue is combined with the additional consideration promised in the modification to create a new transaction price that is then allocated to all remaining performance obligations (that is, both those not yet completed in the original contract and those added through the modification). This effectively accounts for the modification as a termination of the original contract and the inception of a new contract for all performance obligations that remain unperformed. This would be the case for a price change or change of stock requirements mid-contract.

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

Rebates

Rebates payable to customers, and receivable from suppliers, are recognised in line with relevant contractual terms. Rebates payable to customers are 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 Income Statement over the period to which they relate and are recognised as a deduction from revenue. Rebates receivable from suppliers are either recognised directly in the Income Statement, or as a reduction in the value of acquired textile rental items, dependent on the nature of goods acquired from suppliers.

Contract Assets

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

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

Management is required to determine the recoverability of contract related assets at each reporting date. An impairment exists if the carrying amount of any asset exceeds the amount of consideration the Company expects to receive in exchange for providing the associated goods and services, less the remaining costs that relate directly to providing those goods and services under the relevant contract. An impairment is recognised immediately where such losses are forecast.

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

Contract assets are included in the Balance Sheet within trade and other receivables, as shown in note 14, in line with the disclosure requirements of IFRS 15.

Johnsons Textile Services Limited

Statement of Significant Accounting Policies (continued)

For the year ended 31 December 2020

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.

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.

Johnsons Textile Services Limited

Statement of Significant Accounting Policies (continued)

For the year ended 31 December 2020

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.

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

Capitalised software

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

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

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

Other intangible assets

Other intangible assets comprise brands and customer contracts and relationships, recognised at cost or fair value. They have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of the intangible assets over their estimated useful lives (3 - 10 years).

Johnsons Textile Services Limited

Statement of Significant Accounting Policies (continued)

For the year ended 31 December 2020

Tangible Fixed Assets

Property, Plant and Equipment

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

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

The fitting out costs of new freehold or long leasehold industrial buildings are depreciated, in equal annual instalments, over their expected useful lives which range from 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.

Johnsons Textile Services Limited

Statement of Significant Accounting Policies (continued)

For the year ended 31 December 2020

Right of Use Assets and Lease Liabilities (continued)

At the date of lease inception, the Company determines whether the arrangement is a lease or contains a lease, while examining if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. In its assessment of whether an arrangement conveys the right to control the use of an identified asset, the Company assesses whether it has the following two rights throughout the lease term:

- (a) The right to obtain substantially all the economic benefits from use of the identified asset; and
- (b) The right to direct the identified asset's use.

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

Lease payments, 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.

Johnsons Textile Services Limited

Statement of Significant Accounting Policies (continued)

For the year ended 31 December 2020

Right of Use Assets and Lease Liabilities (continued)

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.

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.

IASB has provided lessees with relief in the form of an optional exemption from assessing whether a rent concession related to COVID-19 e.g. payment holidays, payment deferrals and payment waivers, is a lease modification. The relief applies to annual reporting periods starting on or after 1 June 2020 albeit early adoption is permitted, which the Company has taken advantage of.

The practical expedient outlined by the IASB only applies to lessees' rent concessions occurring as a direct consequence of the COVID-19 pandemic, and only if all of the following conditions are met:

1. the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
2. any reduction in lease payments affects only payments due on or before 30 June 2021; and
3. there is no substantive change to other terms and conditions of the lease.

Concessions received by the Company meeting the above criteria include rental discounts received from suppliers relating to commercial vehicles which had been taken off the road when not in use. The Company has applied the practical expedient to all of these leases, meaning that instead of treating the changes as a lease modification resulting in an adjustment to both the right of use asset and lease liability, the waiver of lease payments is treated as a variable lease payment i.e. the lease liability is reduced by the present value of the discount received with a corresponding credit to the Income Statement.

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.

Johnsons Textile Services Limited

Statement of Significant Accounting Policies (continued)

For the year ended 31 December 2020

Right of Use Assets and Lease Liabilities (continued)

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 (2019: 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.

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.

Johnsons Textile Services Limited

Statement of Significant Accounting Policies (continued)

For the year ended 31 December 2020

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.

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.

Johnsons Textile Services Limited

Statement of Significant Accounting Policies (continued)

For the year ended 31 December 2020

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.

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.

Johnsons Textile Services Limited

Statement of Significant Accounting Policies (continued)

For the year ended 31 December 2020

(iii) Price risk – Utilities and fuel (continued)

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.

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. In the current year, this would include the impact of COVID-19 with ongoing lockdowns, customer closures, unemployment increases, the ability for customers to work from home and the wind down of the furlough scheme which are all factors impacting the ability of customers to settle outstanding debts and are factors that will continue to affect into 2021 and beyond. The Company's HORECA division therefore includes a higher risk of default of the customer base due to the significantly 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.

See pages 8 to 10 for further details of the impact of COVID-19 on the liquidity of the Company and going concern.

2 Capital risk management

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

Johnsons Textile Services Limited
Notes to the Financial Statements
For the year ended 31 December 2020

1 OPERATING (LOSS) / PROFIT

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

	2020 £000	2019 £000
Employee benefit expense (note 2)	106,378	144,414
Auditors' remuneration	272	225
Auditors' non-audit services	51	68
Insurance proceeds re business interruption costs	(1,958)	-
Business interruption costs	1,958	-
Amortisation of intangible assets:		
- Software (note 9)	214	99
- Customer contracts (note 9)	10,613	9,753
Depreciation and impairment of tangible assets:		
- Property, plant and equipment (note 10)	15,766	13,356
- Right of use assets (note 11)	7,412	7,752
- Textile rental items (note 12)	41,922	44,691
Loss / (profit) on sale of property, plant and equipment	878	(55)
Auditors' non-audit services relate to tax compliance.		
Lease costs outside the scope of IFRS 16:		
- Land and buildings		
- Gross rents paid	121	158
- Sublet income	(328)	(332)
- Plant and machinery	974	1,205

2 EMPLOYEE COSTS

	2020 £000	2019 £000
Wages and salaries	116,556	130,379
Social security costs	9,223	10,230
Furlough claims	(28,196)	-
Redundancy costs	5,057	119
Cost of employee share schemes	189	147
Pension costs - defined contribution plans	3,183	3,202
Cost of private medical scheme	177	155
Cost of life assurance	189	182
	106,378	144,414

Of the redundancy costs above, £5,030,000 have been included within exceptional items.

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

	2020 No.	2019 No.
Full time	4,942	5,145
Part time	491	614
	5,433	5,759

Johnsons Textile Services Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2020

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.

	2020	2019
	£000	£000
Aggregate emoluments (excluding employer's pension contributions but including bonuses earned and benefits in kind)	606	1,220
Pension costs - defined contribution plans	69	85
	675	1,305

The number of Directors, other than Directors of the Parent Company, who exercised share options during the year was nil (2019: 1).

The number of Directors, other than Directors of the Parent Company, who were granted shares under the share option schemes was 4 (2019: 2).

At 31 December 2020, excluding directors of the Parent Company, retirement benefits are accruing to no Directors (2019: none) under a defined benefit scheme and 4 Directors (2019: 4) are members of a defined contribution money purchase scheme.

Highest paid director

	2020	2019
	£000	£000
Aggregate emoluments (including employer's pension contributions, bonuses earned and benefits in kind)	177	383

The number of share options exercised by the highest paid Director during the year was nil (2019: 110,000).

At 31 December 2020, the highest paid director accrued pension entitlement was £nil (2019: £20,000) under the Johnson Group Defined Benefit Scheme (the 'JGDBS').

4 EXCEPTIONAL ITEMS

	2020	2019
	£000	£000
Restructuring costs	(5,701)	-
Insurance claims	2,442	-
Impairment losses re insurance claims	(925)	-
Total exceptional items	(4,184)	-

Of the exceptional items shown above, £3,067,000 relate to administrative costs and £1,117,000 cost of sales.

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.

Johnsons Textile Services Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2020

4 EXCEPTIONAL ITEMS (continued)

Insurance claims and impairment losses

During the 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 have been received. Negotiations are continuing with the insurers for a final settlement value which is expected in 2021.

A further Workwear processing plant was damaged as a result of flooding during the 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. Negotiations are continuing with the insurers for a final settlement value which is expected in 2021.

5 FINANCE COSTS

	2020 £000	2019 £000
Interest payable on lease liabilities relating to IFRS 16 (note 17)	3,384	3,420
Interest payable on loan from Parent Company	4,154	3,817
Total finance costs	7,538	7,237

6 TAX ON (LOSS) / PROFIT

	2020 £000	2019 £000
Current income tax		
UK Corporation Tax (credit) / charge for the year at 19% (2019: 19%)	(3,654)	10,140
Adjustments in relation to previous years	(306)	(519)
Current income tax (credit) / charge for the year	(3,960)	9,621
Deferred income tax		
Origination and reversal of temporary differences	(1,548)	(1,979)
Change in deferred tax following change in tax rate	317	(109)
Adjustments in relation to previous years	125	188
Deferred income tax credit for the year	(1,106)	(1,900)
Total (credit) / charge for taxation	(5,066)	7,721

The tax (credit) / charge above is in respect of continuing operations.

The tax (credit) / charge for the year is lower (2019: higher) than the standard rate of UK Corporation Tax. The differences are explained below:

	2020 £000	2019 £000
(Loss) / profit before taxation per the Income Statement	(29,736)	40,330
(Loss) / profit before taxation multiplied by standard rate of UK Corporation Tax of 19% (2019: 19%)	(5,650)	7,663
Factors affecting charge for the year:		
Share options	54	(15)
Tax effect of expenses not deductible for tax purposes	394	292
Changes in statutory tax rate	317	112
Adjustments in relation to previous years	(181)	(331)
Total tax (credit) / charge for the year	(5,066)	7,721

The income tax expense for the year is based on the effective rate of UK Corporation Tax for the year of 19% (2019: 19%).

Johnsons Textile Services Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2020

6 TAX ON PROFIT (continued)

The Finance Bill 2016 enacted provisions to reduce the main rate of UK corporation tax to 17% from 1 April 2020. However, in the March 2020 Budget it was announced that the reduction in the UK rate to 17% will not occur and the Corporation Tax rate will be held at 19%. The Company has recognised deferred tax balances at 19% accordingly.

In the Budget 2021, the government announced that the rate of UK corporation tax will increase to 25% from 6 April 2023 for businesses with profits of £250,000 or more. The rate will remain at 19% until that date. The legislation to implement this new law has not been substantively enacted as of the date of this report, and therefore no adjustment to deferred tax balances has been recognised in the Financial Statements. However, the impact of the rate change is not expected to be material to the Company.

Deferred income taxes at the balance sheet date have been measured at 19% (2019: 17%). The impact of the change in tax rates in 2020 to 19% (2019: 17%) has been a £317,000 charge in the Income Statement (2019: £109,000 credit).

During the year, a £4,000 credit relating to current taxation (2019: £47,000) and a £45,000 debit relating to deferred taxation (2019: £36,000 credit) have been recognised directly in Shareholders' equity.

7 DIVIDENDS PAID

	2020	2019
	£000	£000
Dividend paid in year (2019: 10 pence per share)	-	13,156

8 GOODWILL

	2020	2019
	£000	£000
Cost		
Cost brought forward	110,062	102,421
Recognised on acquisition of the trade and assets of businesses (note 26)	2,486	7,641
Cost carried forward	112,548	110,062
Accumulated impairment losses		
Brought forward and carried forward	3,272	3,272
Carrying amount		
Opening carrying amount	106,790	99,149
Closing carrying amount	109,276	106,790

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.

Johnsons Textile Services Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2020

9 INTANGIBLE ASSETS

	Capitalised Software £000	Customer Contracts £000	Total £000
Cost			
At 1 January 2019	1,180	68,705	69,885
Additions	1,234	2,271	3,505
Recognised on acquisition of the trade and assets of businesses	-	3,559	3,559
At 31 December 2019	2,414	74,535	76,949
Additions	1,007	1,207	2,214
Recognised on acquisition of the trade and assets of businesses (note 26)	-	3,474	3,474
At 31 December 2020	3,421	79,216	82,637
Accumulated amortisation			
At 1 January 2019	536	33,751	34,287
Charged during the year	99	9,753	9,852
At 31 December 2019	635	43,504	44,139
Charged during the year	214	10,613	10,827
At 31 December 2020	849	54,117	54,966
Carrying amount			
At 31 December 2019	1,779	31,031	32,810
At 31 December 2020	2,572	25,099	27,671

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

Customer contracts and relationships are recognised at fair value and arise from business combinations. Fair value is calculated based upon historical and prospective information and financial data specific to each business combination, with an appropriate discount factor applied based upon the weighted average cost of capital for the Company. Customer contracts have a finite useful life and are carried at cost less accumulated amortisation. Amortisation of customer contracts is calculated using the straight-line method to allocate the cost of the assets over their estimated useful lives (4 - 10 years). The longest estimated useful life remaining at 31 December 2020 is four years. Amortisation of customer contracts is shown separately on the face of the Income Statement.

Johnsons Textile Services Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2020

10 PROPERTY, PLANT AND EQUIPMENT

	Properties			Plant And Equipment £000	Total £000
	Freehold £000	Long Leasehold £000	Short Leasehold £000		
Cost					
At 31 December 2018	2,444	1,137	7,817	130,539	141,937
Transfer to right of use assets	-	-	-	(14,503)	(14,503)
At 1 January 2019	2,444	1,137	7,817	116,036	127,434
Additions	292	6	375	18,650	19,323
Recognised on acquisition of the trade and assets of businesses	-	-	205	1,766	1,971
Disposals	(26)	-	(51)	(2,635)	(2,712)
Re-categorisation of assets	-	-	504	(504)	-
Transfers from right of use assets	-	-	-	16,356	16,356
At 31 December 2019	2,710	1,143	8,850	149,669	162,372
Additions	-	-	1,164	19,517	20,681
Recognised on acquisition of the trade and assets of businesses (note 26)	-	-	12	2,212	2,224
Disposals	-	-	-	(6,600)	(6,600)
At 31 December 2020	2,710	1,143	10,026	164,798	178,677
Accumulated depreciation and impairment					
At 31 December 2018	692	298	2,996	65,089	69,075
Transfer to right of use assets	-	-	-	(4,556)	(4,556)
At 1 January 2019	692	298	2,996	60,533	64,519
Charged during the year	103	121	575	12,557	13,356
Disposals	(26)	-	-	(2,405)	(2,431)
Transfers from right of use assets	-	-	-	5,994	5,994
At 31 December 2019	769	419	3,571	76,679	81,438
Charged during the year	73	119	678	14,896	15,766
Disposals	-	-	-	(5,511)	(5,511)
At 31 December 2020	842	538	4,249	86,064	91,693
Carrying amount					
At 31 December 2018	1,752	839	4,821	65,450	72,862
At 31 December 2019	1,941	724	5,279	72,990	80,934
At 31 December 2020	1,868	605	5,777	78,734	86,984

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

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

Johnsons Textile Services Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2020

11 RIGHT OF USE ASSETS

	Properties £000	Plant and Equipment £000	Total £000
Cost			
Right of use assets recognised at 1 January 2019	58,822	19,711	78,533
Recognised on acquisition of the trade and assets of businesses	1,211	1,938	3,149
Additions	4,053	2,342	6,395
Reassessment/modification of assets previously recognised	1,355	(137)	1,218
Disposals	-	(25)	(25)
Transfers to property, plant and equipment	-	(16,356)	(16,356)
At 31 December 2019	65,441	7,473	72,914
Recognised on acquisition of the trade and assets of businesses (note 26)	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
Accumulated depreciation and impairment			
At 1 January 2019	-	4,556	4,556
Charged during the year	3,963	3,764	7,727
Impairment	25	-	25
Disposals	-	(16)	(16)
Transfers to property, plant and equipment	-	(5,994)	(5,994)
At 31 December 2019	3,988	2,310	6,298
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
Carrying amount			
At 1 January 2019	58,822	15,155	73,977
At 31 December 2019	61,453	5,163	66,616
At 31 December 2020	64,300	4,785	69,085

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

The reassessment/modification of leases relates to rent increases and extensions to lease terms that have been agreed during the year.

During the current 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 have utilised the break clause which was part of the original lease contract. The lease term was previously assumed to end in April 2027 but will instead end in April 2022. As such the lease term has been revised resulting in a disposal cost of £317,000. As the site has closed from December 2020, an impairment of £74,000 has been recognised within administrative expenses.

The transfer of assets to property, plant and equipment represents the reclassification of the cost and associated depreciation of assets to property, plant and equipment where the lease expired in the year and the asset is now owned.

Johnsons Textile Services Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2020

12 TEXTILE RENTAL ITEMS

	2020 £000	2019 £000
Cost		
Brought forward	116,446	112,723
Additions	23,413	45,673
Recognised on acquisition of the trade and assets of businesses (see note 26)	1,450	1,138
Disposals	(46,862)	(38,490)
Special charges	(4,095)	(4,598)
Carried forward	90,352	116,446
Accumulated depreciation		
Brought forward	61,527	57,621
Charged during the year	41,349	44,691
Impairment	573	-
Disposals	(46,628)	(38,486)
Special charges	(2,047)	(2,299)
Carried forward	54,774	61,527
Carrying amount		
Opening	54,919	55,102
Closing	35,578	54,919

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

13 INVENTORIES

	2020 £000	2019 £000
New rental items	839	1,195
Raw materials and stores	530	1,047
	1,369	2,242

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

	2020 £000	2019 £000
Opening inventories	2,242	2,790
Purchases	30,519	56,405
Recognised on acquisition of the trade and assets of a businesses (note 26)	45	13
Amounts transferred to textile rental items	(23,413)	(45,673)
Amounts transferred to cost of sales	(7,658)	(11,230)
Amounts written off	-	(216)
Provision utilised during the year	57	289
Provision charged during the year	(423)	(136)
	1,369	2,242

The amounts above are net of an inventory provision of £839,000 (2019: £474,000).

Johnsons Textile Services Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2020

14 TRADE AND OTHER RECEIVABLES

	2020	2019
	£000	£000
Amounts falling due within one year:		
Trade receivables	29,058	46,651
Less: provision for impairment of receivables	(3,626)	(2,269)
Net trade receivables	25,432	44,382
Other receivables	3,390	2,442
Prepayments	1,154	1,400
Contract assets	593	707
Accrued income	589	3,229
	31,158	52,160
Amounts falling due after more than one year:		
Receivables from the Parent Company and other Group undertakings	35,184	29,185
Contract assets	261	430
	35,445	29,615
	66,603	81,775

Costs capitalised as contract assets during the year include sales commissions that relate directly to a contract and total £638,000 (2019: £982,000). Amortisation recognised during the year relating to contract assets is £921,000 (2019: £900,000).

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

The carrying amounts of the Company's trade and other receivables on the Balance Sheet are denominated in Sterling (2019: 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 LIBOR and it is not the Company's present intention to request payment of these amounts within the next 12 months and as such they have been presented as non-current assets. The Directors have considered the difference between the book value and fair value of amounts receivable from the Parent Company and other Group undertakings. Taking into account the one year risk free rate of return of -0.15% (2019: 0.57%), as at the balance sheet date, the fair value of amounts receivable from the Parent Company and other Group undertakings would be circa £35,237,000 (2019: £29,019,000).

15 TRADE AND OTHER PAYABLES

	2020	2019
	£000	£000
Amounts payable within one year:		
Trade payables	16,713	22,133
Payables to the Parent Company and Group undertakings	456	421
Other payables	16,104	8,939
Accruals	24,674	25,191
Other taxation and social security benefits	2,417	2,776
	60,364	59,460
Amounts payable after one year:		
Trade payables	-	24
	60,364	59,484

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

Johnsons Textile Services Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2020

16 BORROWINGS

	2020 £000	2019 £000
CURRENT		
Overdraft	826	-

17 LEASE LIABILITIES

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

The reassessment/modification of leases relates to rent increases and extensions to lease terms that have been agreed during the year.

During the current year, the Exeter processing site was destroyed in a fire resulting in the termination of the lease and a disposal of £837,000. The Company also announced the closure of the Newmarket site. As a result, the Company will utilise the break clause which was part of the original lease contract. The lease term was previously assumed to end in April 2027 but will instead end April 2022. As such the lease term has been revised resulting in a disposal of £317,000.

Lease liabilities are comprised of the following balance sheet amounts:

	2020 £000	2019 £000
Amounts due within one year (Lease liabilities, Current Liabilities)	5,833	5,455
Amounts due after more than one year (Lease liabilities, Non-Current Liabilities)	66,430	63,124
	72,263	68,579

Johnsons Textile Services Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2020

18 PROVISIONS FOR LIABILITIES

	Property £000	Self Insurance £000	Total £000
At 1 January 2019	1,273	612	1,885
Utilised during the year	(83)	(56)	(139)
At 31 December 2019	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
Analysis of total provisions		2020 £000	2019 £000
Current		1,175	812
Non-current		810	934
		1,985	1,746

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 four 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 12 years. This scheme is now closed but not discontinued.

19 OTHER NON-CURRENT TRADE AND OTHER PAYABLES

	2020 £000	2019 £000
Frozen holiday pay	491	522
Deferred Income	411	478
	902	1,000

20 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	
	2020 £000	2019 £000	2020 £000	2019 £000
<i>Recognised deferred income tax balances in respect of:</i>				
Depreciation in excess of capital allowances	2,197	254	-	-
Separately identifiable intangible assets	-	-	(4,418)	(3,404)
Employee share schemes	51	121	-	-
Other short term timing differences	328	407	-	-
	2,576	782	(4,418)	(3,404)

Johnsons Textile Services Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2020

20 DEFERRED TAXATION (continued)

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

	Depreciation in excess of capital allowances £000	Employee share schemes £000	Other short term timing differences £000	Separately identifiable intangible assets £000	Total £000
At 1 January 2019	349	44	352	(4,525)	(3,780)
Adjustment on adoption of IFRS 16	-	-	(32)	-	(32)
Deferred tax liability acquired	(92)	-	(49)	(605)	(746)
Credit / (charge) to income	(3)	41	136	1,726	1,900
Charge to Shareholders' equity	-	36	-	-	36
At 31 December 2019	254	121	407	(3,404)	(2,622)
Deferred tax liability acquired (note 26)	316	-	64	(661)	(281)
Credit / (charge) to income	48	(25)	(105)	1,188	1,106
Charge to Shareholders' equity	-	(45)	-	-	(45)
Reclassification	1,579	-	(38)	(1,541)	-
At 31 December 2020	2,197	51	328	(4,418)	(1,842)

None of the deferred tax charge in 2020 related to discontinued operations (2019: £nil).

Deferred income taxes at the balance sheet date have been measured at a tax rate of 19% as at 31 December 2020 (2019: 17%). The impact of the change in tax rates to 19% has been a £317,000 charge in the Income Statement (2019: £109,000 credit).

The Company has estimated that £2,100,000 of the Company's net deferred income tax liability will be realised within the next 12 months. This is management's current best estimate and may not reflect the actual outcome in the next 12 months.

21 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 £3,183,000 (2019: £3,202,000).

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 (2019: £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.

Johnsons Textile Services Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2020

21 POST-EMPLOYMENT BENEFIT OBLIGATIONS (continued)

The table below sets the total position of JGDBS as at 31 December 2020 and 31 December 2019:

	2020 £m	2019 £m
Present value of funded obligations	(240.5)	(227.6)
Fair value of scheme assets	226.7	221.3
Net defined benefit pension obligations	<u>(13.8)</u>	<u>(6.3)</u>
Post-retirement healthcare obligations	(1.1)	(1.0)
Net post-employment benefit obligations	<u>(14.9)</u>	<u>(7.3)</u>

Further disclosure in relation to the JGDBS can be found in the Johnson Service Group PLC annual report, which is publicly available, on pages 149 to 152.

22 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.

23 CONTINGENT ASSETS

During the year the Company has made claims against an insurance policy in relation to a fire and a flood at two workwear processing plants. £4,400,000 of claims have been recognised within the Income Statement during the year. £2,442,000 of this income has been recognised in exceptional items as it relates to capital items and £1,958,000 is included within operating profit offsetting against an equal value of associated business interruption costs.

Work is ongoing with the insurers such that the claims will likely be finalised in 2021. The insurance proceeds relating to capital items expected to be received during 2021 are between £7,005,000 and £7,963,000. Further proceeds are likely to be received in relation to business interruption costs in line with expenditure as it is incurred.

24 SHARE-BASED PAYMENTS

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

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

Executive Schemes

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

Johnsons Textile Services Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2020

24 SHARE-BASED PAYMENTS (continued)

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 2020, 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 £189,000 (2019: £147,000) in relation to equity-settled share based payment transactions.

25 SHARE CAPITAL

Issued and fully paid	Number of shares	2020 £000	Number of shares	2019 £000
Ordinary shares of 100p each	131,563,000	131,563	131,563,000	131,563

26 BUSINESS COMBINATIONS AND DISCONTINUED OPERATIONS

ACQUISITIONS

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.

Since acquisition to 31 December 2020, Fresh Linen has generated a loss of £2,531,000 on revenue of £2,905,000. Had the business been acquired at the start of the year, it is estimated that a loss of £4,006,000 would have been generated on revenue of £6,753,000.

Johnsons Textile Services Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2020

26 BUSINESS COMBINATIONS AND DISCONTINUED OPERATIONS (continued)

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.

PRIOR YEAR ACQUISITION

In the prior year, on 31 March 2019, the Company acquired the trade and assets of a subsidiary of Johnson Service Group PLC. The business assets and liabilities of South West Laundry Ltd (SWL) were acquired for £12,590,000. This has been accounted for as a business combination.

South West Laundry Limited prepares accounts under FRS 102. A right of use asset and lease liability were 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:

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

Johnsons Textile Services Limited
Notes to the Financial Statements (continued)
For the year ended 31 December 2020

26 BUSINESS COMBINATIONS AND DISCONTINUED OPERATIONS (continued)

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

DISCONTINUED OPERATIONS

Discontinued operations relate to Johnson Hospitality Services which ceased trading in 2006. Transactions in 2020 and 2019 consist of Group loan interest payable.

	2020	2019
	£000	£000
Interest	(827)	(891)
Loss before taxation	(827)	(891)
Taxation credit	157	169
Loss for the year	(670)	(722)

27 FINANCIAL COMMITMENTS

Capital expenditure

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

	2020	2019
	£000	£000
Capitalised software	76	820
Property, plant and equipment	10,261	10,312

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.