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Johnson Service Group PLC
04 March 2025

4 March 2025
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Johnson Service Group PLC

('JSG' or 'the Group')

Preliminary Results for the Year Ended 31 December 2024

Strong FY24 performance and well placed for continued progress and margin improvement in FY25

Intention to launch a further share buyback programme

FINANCIAL HIGHLIGHTS

	2024	2023	% increase
Adjusted results			
Revenue	**£513.4m**	£465.3m	10.3%
Adjusted operating profit[1]	**£62.3m**	£50.5m	23.4%
Adjusted operating profit margin[1]	**12.1%**	10.9%	n/a
Adjusted EBITDA margin[1]	**29.7%**	28.3%	n/a
Adjusted profit before taxation[2]	**£54.8m**	£44.5m	23.1%
Adjusted diluted earnings per share[3]	**10.1p**	7.8p	29.5%
Statutory results			
Operating profit	**£54.7m**	£43.6m	25.5%
Profit before taxation	**£47.2m**	£37.6m	25.5%
Diluted earnings per share	**8.4p**	6.4p	31.3%
Dividend	**4.0p**	2.8p	42.9%

Notes

1 'Adjusted EBITDA' refers to operating profit before amortisation of intangible assets (excluding software amortisation) and exceptional items (defined as 'adjusted operating profit') plus the depreciation charge for property, plant and equipment, textile rental items and right of use assets, plus software amortisation.

2 'Adjusted profit before taxation' refers to adjusted operating profit less total finance costs.

3 'Adjusted diluted earnings per share' refers to earnings per share calculated on adjusted profit after taxation.

- Organic revenue in HORECA increased 5.6%; stable revenue in Workwear.
- Revenue for the Hotel, Restaurant and Catering ('HORECA') division increased by 15.0% to £371.2 million (2023: £322.7 million) whilst adjusted EBITDA increased by 23.2% to £110.5 million (2023: £89.7 million), giving an increased margin of 29.8% (2023: 27.8%).
- Revenue within Workwear was in line with the prior year at £142.2 million (2023: £142.6 million) whilst adjusted EBITDA increased to £49.4 million (2023: £48.6 million) with an increased margin of 34.7% (2023: 34.1%).
- £20.6 million acquisition of Empire Linen Services Limited ('Empire') with a further £44.6 million of capital investment across the estate; balance sheet remains strong with capacity for further investment.
- Committed revolving credit facility of £120.0 million to August 2027.

OPERATIONAL HIGHLIGHTS

- HORECA volumes continued to improve with increased number of hotel rooms now being serviced.
- New HORECA site in Crawley is now processing, with encouraging new sales activity to help build throughput.
- Workwear customer retention levels were 93% (2023: 91%) whilst recent new sales will have a positive impact later into 2025.
- Although less volatile than in recent years, energy costs remained elevated but are continuing to reduce as a percentage of revenue.
- Price increases and other actions implemented throughout 2024 to help offset cost inflation.

▪ Third Sustainability Report published in July 2024.
▪ Carbon, water and plastic reduction targets set for 2025.

OUTLOOK

▪ Further share buyback planned, based on currently available resources, to return up to a further £30.0 million to Shareholders over the next 12 months, with an initial £15.0 million tranche to be launched shortly.
▪ Adjusted operating profit margin improvement on track for target of at least 14.0% in 2026.
▪ The Board remains confident about delivering another year of progress and an improving margin in 2025.
▪ The Board has been considering a move to the Main Market and will issue a further update in due course following engagement with our largest Shareholders.

Peter Egan, Chief Executive Officer of Johnson Service Group, commented:

"We are delighted to report that our HORECA business delivered increased volumes during the year, whilst Workwear customer retention rates continued to increase.

In line with our inorganic growth strategy, we continue to seek out and acquire earnings enhancing businesses which complement our existing geographic coverage. We also continue to invest in our estate to drive production efficiencies, organic growth and support our high levels of customer service.

Our scale, expertise and operational excellence mean that we are well placed to capitalise on opportunities and, accordingly, the Board remains confident about delivering another year of progress in 2025."

SELL-SIDE ANALYSTS' MEETING

A presentation for sell-side analysts will be held today at 09:00 at Camarco's (APCO) offices (Villiers House, 40 The Strand, London, WC2 5RW), details of which will be distributed by Camarco. A copy of the presentation and recording of the meeting will be available on the Group's website (www.jsg.com) following the meeting.

BASIS OF PREPARATION

Throughout this statement, and consistent with prior years, a number of alternative performance measures ('APMs') are used to describe the Group's performance. APMs are not recognised under UK-adopted international accounting standards. Whilst the Board uses APMs to manage and assess the performance of the Group, and believes they are representative of ongoing trading, facilitate meaningful year on year comparisons and hence provide useful information to stakeholders, it is cognisant that they do have limitations and should not be regarded as a complete picture of the Group's financial performance. APMs, which include adjusted operating profit, adjusted profit before taxation, adjusted EBITDA, adjusted EPS and net debt excluding IFRS 16 lease liabilities, are defined within note 1 (Basis of Preparation) and are reconciled to statutory reporting measures in notes 2, 5, 8 and 17.

ENQUIRIES

Johnson Service Group PLC
Peter Egan, CEO
Yvonne Monaghan, CFO
Tel: 020 3757 4992/4981 (on the day)
Tel: 01928 704 600 (thereafter)

Investec Investment Banking (NOMAD)
David Flin
Carlton Nelson
Virginia Bull
Tel: 020 7597 5970

Camarco (Financial PR)
Ginny Pulbrook
Letaba Rimell

Tel: 020 3757 4992/4981

CHIEF EXECUTIVE'S OPERATING REVIEW

FINANCIAL OVERVIEW

Financial Results

Total revenue for the year to 31 December 2024 increased by 10.3% to £513.4 million (2023: £465.3 million). Organic revenue in HORECA increased 5.6% over 2023, reflecting price increases implemented throughout the year alongside increased volumes, with stable revenue in Workwear.

Cost pressures remain, particularly in relation to energy and labour. Energy remains a significantly higher cost than has been experienced historically and, accordingly, we have continued to proactively fix prices for the coming months to obtain and manage some degree of certainty over the cost of supply.

Adjusted operating profit margin improved by 120 basis points to 12.1% (2023: 10.9%), reflecting a reduction in energy costs to 8.8% of revenue (2023: 10.0% of revenue) and an increase in labour costs to 44.6% of revenue (2023: 44.0% of revenue), with both remaining at an elevated level compared to 2019. As we continue to focus on the recovery of these costs, through increasing volumes, efficiencies and price increases, the Board remains of the opinion that an overall adjusted operating margin for the Group of at least 14.0% will be achieved in 2026.

Adjusted EBITDA increased by 16.0% to £152.6 million (2023: £131.5 million) giving an increased margin of 29.7% (2023: 28.3%). As expected, we saw this improve from the 28.3% achieved in the first half of the year. Adjusted operating profit was £62.3 million (2023: £50.5 million), an increase of 23.4%, whilst adjusted profit before taxation increased by 23.1% to £54.8 million (2023: £44.5 million).

The exceptional charge of £0.4 million (2023: £1.6 million) represents £1.4 million of costs in relation to business acquisition activity, partially offset by £1.0 million of property related credits.

Statutory operating profit increased to £54.7 million (2023: £43.6 million) whilst statutory profit before taxation, after amortisation of intangible assets (excluding software amortisation) of £7.2 million (2023: £5.3 million) and the exceptional items referred to above, increased to £47.2 million (2023: £37.6 million).

Adjusted diluted earnings per share increased by 29.5% to 10.1 pence (2023: 7.8 pence).

Dividend Reflecting Confidence in the Future

An interim dividend of 1.3 pence (2023: 0.9 pence) per share was declared at the time of announcing our interim results. We are pleased to recommend a final dividend of 2.7 pence per share, taking the full year dividend to 4.0 pence (2023: 2.8 pence) per share. Dividend cover was 2.5 times and in line with our commitment to reduce from the historic level of 3.0 times.

Acquisition of Empire

In line with our capital allocation policy, the Group has continued to seek out and acquire businesses which complement our existing geographic coverage and are earnings enhancing. In September 2024, we completed the acquisition of Empire Linen Services Limited ('Empire') which predominantly services luxury hotels in London and the South East.

We will continue to assess future acquisition opportunities having regard to satisfying our margin and ROCE targets.

Share Buyback Programme

In the period September 2022 to November 2023, the Group undertook two share buyback programmes which returned over £35.0 million to Shareholders. Even after spending £44.6 million on capital investments during the year, together with the £20.6 million acquisition of Empire, the Group continues to have significant headroom under its committed facilities and leverage of less than one times. Accordingly, the Board is pleased to confirm that it intends to shortly commence a further share buyback programme for up to a maximum consideration of £30.0 million, excluding expenses. The Board will further actively review its options once this programme is completed. Further details are set out within the Financial Review.

OPERATIONAL REVIEW

Our Businesses
The Group provides textile rental and related services throughout the UK and Republic of Ireland.

Within our Hotel, Restaurant and Catering ('HORECA') division, 'Johnsons Hotel Linen', our high-volume linen business, primarily serves group and independent large hotel customers, 'Johnsons Hotel, Restaurant and Catering Linen' provides premium linen services to restaurant, hospitality and corporate event customers whilst 'Johnsons Luxury Linen', which comprises of Empire, acquired in September 2024, and Regency, acquired in February 2023, provides bespoke linen predominantly to four and five-star luxury hotels. Also, within HORECA, 'Johnsons Ireland' serves both hospitality and healthcare customers. Our Workwear division comprises solely of 'Johnsons Workwear', which predominantly provides workwear rental, protective wear and laundry services to UK corporates across all industry sectors.

The year has seen further significant investment across the business, both in terms of improving existing sites and the completion of our new facility in Crawley to support future growth in HORECA, together with expanding our services into London and the South East through acquisition and the updating of our commercial vehicle fleet.

Price increase and renewal discussions have been challenging during 2024 as we have sought to offset the cost pressures faced by the business. We remain focused on delivering excellent service which is commensurate with our pricing levels as we move into 2025.

Energy Cost Management
Energy costs (comprising gas, electricity and fuel) have remained elevated throughout the year and continue to be so, albeit were less volatile than experienced during recent years. Costs for 2024 represented 8.8% of revenue, a reduction from 10.0% of revenue in 2023 but significantly higher than in 2019 where the cost was 6.2% of revenue.

For many years, our policy in the UK has been to fix energy prices on a rolling basis, building a position so that the upcoming months are largely fixed. This provides certainty but also means that costs do not immediately reflect falls, or increases, in spot prices. We have continued this policy of proactively fixing energy prices and, as at the end of February 2025, we had fixed 73% of our anticipated core electricity usage and 73% of our anticipated core gas usage for the first half of 2025 and 58% and 60%, respectively, for the second half of 2025. In addition, we have hedged 77% of our anticipated diesel requirement across 2025. Looking further ahead, we currently have, based on our anticipated core usage, 45% electricity, 29% gas and 17% diesel at fixed prices for 2026, with reducing amounts into 2027, and will continue to lock in prices as opportunities allow.

Labour
Labour remains the biggest cost of our operations. In the year to 31 December 2024, labour as a percentage of revenue was 44.6%, compared to 44.7% in the six months to 30 June 2024, 44.0% in the year to 31 December 2023 and 43.0% in the year to 31 December 2019. We note that further improvements are challenged by increasing labour rates and the significant increase in tax on UK employers from April 2025. The annualised impact of the forthcoming increase in employer national insurance contributions in the UK is expected to amount to some £6.0 million, which we will seek to mitigate and manage through operational efficiencies and other measures.

HORECA Division
An independent study, commissioned by the Group in 2023, estimated the total addressable market for commercial laundry services to the HORECA segment in Great Britain at that time to be £1.3 billion. A subsequent independent study, commissioned by the Group in 2024, estimated the total addressable market for commercial laundry services to the HORECA and healthcare segments on the island of Ireland at that time to be €0.4 billion.

The total revenue for the HORECA division increased by 15.0% to £371.2 million (2023: £322.7 million). Volumes have continued to increase throughout the year and the division now incorporates the acquisition completed during 2024. On an organic basis, revenue increased by 5.6%, benefitting from strong customer retention, higher volumes and price increases implemented across the division in order to help offset the continuing level of cost inflation experienced. Following significant investment, in terms of improving existing sites, a new build to support future growth and an acquisition in London, the division is well placed to expand further.

Adjusted EBITDA for the year increased by 23.2% to £110.5 million (2023: £89.7 million) with an improved margin of 29.8% (2023: 27.8%). The adjusted EBITDA margin in the second half of the year was 31.5%, compared to 27.8% in the first half. Adjusted operating profit was £49.4 million (2023: £36.0 million).

Johnsons Hotel Linen

Volumes within Johnsons Hotel Linen were in line with our expectations and were particularly strong in July, with the last week resulting in the highest volume ever delivered by the business. Installations of new business continue to be efficient and well organised, often with very short lead times due to actions of incumbent suppliers and reinforcing our determination to rise above, and provide solutions to, customers' challenges and remain easy to do business with.

A consistent service, on time and in full, was maintained throughout 2024. Our externally facilitated customer satisfaction survey resulted in the highest score since surveys began, reaching an impressive 89%. Scores in all categories increased year on year, with excellent feedback relating to our internal and external service personnel and partnership approach. A programme of proactive customer service telephone contact undertaken by our service personnel has resulted in excess of 1,500 calls a month, once again receiving positive feedback from our customers. Our internal and external service teams continue to build strong relationships with all customers and we have recently secured the five-year renewal of the division's largest customer, which is testament to our reputation for delivering excellent service levels.

Investment continued across the Johnsons Hotel Linen estate. Spend of some £3.0 million on upgrading our second unit in Bourne will uplift both production efficiencies within the unit and overall site capacity by around 30%, whilst the installation of a sortation system in Cardiff, a dryer shuttle in Chester and drying equipment in Edinburgh will each reduce carbon emissions, increase capacity and improve production efficiency. An internally developed dynamic production data capture system has also been installed at all sites, further improving overall operating efficiency. We continue to work on further innovation to improve site performance, labour and energy efficiencies, carbon footprint and overall customer experience.

In addition, our fleet of double-decker trailer and tractor units was extended, primarily due to the opening of a temporary depot in Enfield, London, which has since been relocated to a permanent site in South Mimms, Hertfordshire. The depot operates in conjunction with our Bourne site to service the London area. All commercial vehicles which operate from our Bourne site have converted to HVO (Hydrotreated Vegetable Oil) as part of our sustainability plans.

Johnsons Hotel, Restaurant and Catering Linen

Johnsons Hotel, Restaurant and Catering Linen has continued to make progress in 2024. New sales were strong and, as well as achieving above-target independent sales across the whole of the UK, we have continued to win and install some multi-site group business, largely because of our reputation for reliability, flexibility and great service delivery. The integration across all of our sites from us agreeing to transfer and perform contracts previously operated by a chefs' wear provider, with effect from 1 July 2024, is progressing well and has added annual revenue of some £4.5 million to the business. Our service and quality levels have remained high as reflected in our annual customer survey results where an improved overall score of 88 was achieved, with several sites achieving a world class score of over 90.

Our brand-new Crawley site, representing an overall capital investment of some £16.0 million, is now operational and the transfer of customers from other sites is underway. Reduced laundry miles, lower energy usage, higher productivity levels, industry leading water recycling and plastic free packaging are just some of the environmental benefits that Crawley will deliver, making it one of the most sustainable and energy efficient laundries of scale in the UK. Recent activities to raise the profile of the new site have resulted in encouraging new sales activity to help build throughput.

Investment in our other sites has also continued, with replacement boilers, continuous batch washers, ironers and garment finishing equipment being installed across several of our sites. Additional operating space was also created in Hayle, Cornwall, through the installation of a mezzanine floor in the sorting and packing area. All new investments have a pre-requisite to reduce carbon emissions against our 2030 targets as well as helping to manage increased volumes and improve production efficiency.

Johnsons Luxury Linen

Following the acquisition of Empire in 2024, Johnsons Luxury Linen is now managed by one Managing Director, with a General Manager at each site. This ensures best practice is shared between the sites and will allow us to assess the future benefit of expanding the use of the RFID technology which is already in use at Empire. A Key Account Director role has been established to enhance customer relationship management and pursue future sales opportunities in the growing luxury hotel sector.

Since the acquisition of Empire, the focus has been to ensure the team continues to deliver the high levels of service that its customers are accustomed to, with customer retention being paramount and successfully achieved, whilst collaboratively sharing best practice across the enlarged Group. Employee welfare facilities at the Tottenham site have also been improved as we welcome those employees into the

Johnson family.

The £1.4 million investment in our Corsham site, which increased processing capacity there by almost 20%, was completed in the first half of 2024 and the planned efficiency gains are now being realised.

Johnsons Ireland

2024 was the first full year for our Johnsons Ireland business. With some 560 employees and processing sites both north and south of the border, Johnsons Ireland comprises Johnsons Celtic Linen and Johnsons Belfast. Over the coming months, we will roll-out the branding further in terms of vehicle livery, website and stationery.

Overall trading levels have remained high, with the addition of almost 600 new rooms in hospitality being partially offset by softer demand in certain locations. Whilst we have seen some price competition, our focus is to continue to deliver long-term high service levels to our customers with easy channels of communication and access to our team. Within healthcare, volumes continue to increase with existing customers facing challenges around influenza outbreaks and the growing demand for more clinics and day procedures.

Similar to the UK, increasing labour costs remain a challenge following the 6.3% increase in minimum wage and the increase in Pay-Related Social Insurance ('PRSI'), both of which were effective on 1 January 2025, and we are working to further improve efficiencies, driven by both capital investment and process changes, as part of our overall mitigation plan.

Capital investment continues across all sites, with new offices, canteen and welfare facilities for employees now completed in Belfast, creating a bright airy space, which was welcomed by all our team members. A £6.3 million investment across our Wexford and Naas sites is currently underway. In Wexford, capacity within the healthcare unit has been increased by some 10% to service the growing demand from healthcare customers in Ireland, with associated production efficiencies also increasing by around 10%. Additionally, the new washer extractors will improve water and energy usage and are consistent with our focus on delivering the HSE's climate action strategy. We have turned our focus onto developing the hospitality unit in the first quarter of 2025. In Naas, we commenced a major investment plan in the final quarter of 2024. The investment will upgrade the water and chemical system and install new washer extractors and a dryer. This is the first stage of a nine-month plan, which will result in a highly energy efficient site and a 40% increase in capacity.

Workwear Division

Revenue for the Workwear division was in line with the prior year at £142.2 million (2023: £142.6 million). Adjusted EBITDA was £49.4 million (2023: £48.6 million) with an increased margin of 34.7% (2023: 34.1%). Adjusted operating profit was £20.3 million (2023: £21.4 million), the year-on-year reduction largely reflective of additional rental stock depreciation incurred in respect of new customer installations and existing customer renewals.

The collective efforts of all departments have played a crucial role in driving an improvement in customer retention. Every team, from sales and service to operations and support functions, worked collaboratively to strengthen existing partnerships and deliver a consistent service that meets, and often exceeds, customer expectations. This has resulted in a customer retention rate of 93% (2023: 91%), a positive trend year-on-year.

The externally facilitated satisfaction survey for existing customers saw us achieve a result of 86% whilst the new customer satisfaction survey achieved an excellent 88.7% score. These scores highlight the value and trust both long-standing and new customers place in our services. This achievement is evidence of our reputation for delivering excellent service levels and contributed to securing the renewal of the division's largest customer during the year.

Our sales teams have confidence in the ability of the business to deliver excellent service and focus on this when participating in tenders and new opportunities and had a successful year in acquiring new business sales. New-to-rental customers represented 25% of our total new sales in the period. We have started 2025 with some positive momentum, although acknowledge that new business wins take time to impact revenue.

A new customer facing website was launched in January 2025. Key improvements include enhanced interaction to optimise lead capture and drive new sales, the integration of marketing campaigns and search engine optimisation tools to boost visibility, with real-time analytics for insights into web performance and campaign success.

We continued to drive our capital investment programme throughout the year, reflecting our commitment to innovation, sustainability and operational excellence. Our Manchester site completed the £4.0 million implementation of a new automated production facility, uplifting its capacity by some 45%. Combined with a replacement programme of equipment across the estate, the new energy-efficient machinery reduces our environmental impact and facilitates improved operating practices.

The lease at our Lancaster premises is nearing its end, ahead of the planned redevelopment of the site by the Landlord. The additional capacity created at our Manchester site has allowed for the transfer of customers from the smaller Lancaster site. The work transfer is underway and we are assisting our employees during this time of change.

We remain committed to sustainability and integrating environmentally responsible practices into every aspect of our operations. A notable achievement during the year was the replacement of single use plastic bags with a new reusable and processable hamper bag for the delivery of our industrial garments.

SUSTAINABILITY

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

In July 2024, we published our third Sustainability Report, which set out the progress we have made and the targets we have set ourselves.

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

Further details of our achievements during 2024 and our targets for 2025, ongoing initiatives and actions for the future will be set out within the Group's 2024 Annual Report.

EMPLOYEES

We place great importance on the contribution that each of our employees make to the success of the Group. Our employees are key in our ability to deliver customer service levels which exceed our customers' expectations. The Board would like to thank them for their support and hard work during 2024.

Ensuring employees achieve their full potential remains a key focus of the Group. Providing a range of training, education, apprenticeship and development programmes for employees allows them to take advantage of career progression opportunities within the Group and helps to build a workforce for the future.

Our commitment to employee engagement, fostering a positive work environment and improving employee wellbeing has continued throughout the year. Numerous initiatives have been rolled out during the year and we were delighted that the results from the latest employee engagement surveys showed a positive trend and an overall improvement on the previous year. Volunteering to support local charities is encouraged and each of our sites are focused on building relationships to strengthen community involvement. The strong employee engagement and satisfaction scores have given us a more stable workforce and helped us achieve improved productivity and quality service for our customers.

BOARD CHANGES

As previously announced, the Board resolved to appoint Kirsty Homer as Chair of the Remuneration Committee and designated Non-Executive Director for Workforce Engagement in succession to Nick Gregg, with effect from 1 November 2024. Nick retired from the Board on 31 December 2024, having served nine years as an independent Non-Executive Director. The Board would like to thank Nick for his significant input and unwavering support during his time with the Group.

FORTHCOMING INVESTOR ACTIVITIES

We are committed to clearly communicating our strategy and activities to our stakeholders, in order that they receive a balanced and complete view of our performance. A recording of the sell-side analysts' meeting, which will be held today at 09:00, will be made available on the Group's website (www.jsg.com) following the conclusion of the meeting. Furthermore, the Board currently anticipates that a site-based investor event, to update the market on the future growth and financial plans for the Group, will be held in the first half of 2025. Further details will be announced in due course.

CONSIDERATION OF MAIN MARKET LISTING

The Board has been considering a move to the Main Market and will issue a further update in due course following engagement with our largest Shareholders.

OUTLOOK

OUTLOOK

We enter 2025 with a strong and well invested business which, as we have previously demonstrated during challenging times, is resilient and well placed to mitigate and manage the potential economic challenges that may arise in 2025 through operational efficiencies and other measures. Our scale, expertise and operational excellence mean that we are well placed to capitalise on appropriate opportunities.

The impact of the announced tax increases on the business and their subsequent impact on customer behaviour remains difficult to predict. We have a resilient business model to help mitigate these challenges and to address inflationary pressures which continue to impact the business. We have continued to fix a proportion of our future energy costs and improve the efficiency of our sites to help offset and stabilise our cost base and we are continuing to engage with our customers regarding the pricing of our services as we advance through 2025. New sales across the business are a focus, particularly in the regions where we are adding capacity.

We have started 2025 positively. We are continuing to focus on expanding the Group through targeted investment in our existing sites, a focus on achieving operational efficiency at Crawley and identifying further earnings enhancing acquisition opportunities. We have a strong balance sheet with available capital to support these plans and, in accordance with our stated capital allocation policy, intend to launch a share buyback programme, based on currently available resources, for up to £30.0 million over the next 12 months, with an initial £15.0 million tranche to be launched shortly.

Given the encouraging start to the year, the Board remains confident about delivering another year of progress in 2025 and future growth in the Group's performance over the medium term.

Peter Egan
Chief Executive Officer
3 March 2025

FINANCIAL REVIEW

FINANCIAL RESULTS

Total revenue for the year to 31 December 2024 increased to £513.4 million (2023: £465.3 million).

Adjusted EBITDA was £152.6 million (2023: £131.5 million) giving an improved margin of 29.7% (2023: 28.3%) and, in-line with management expectations, improving from the 28.3% margin achieved in the first half of 2024.

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

	2024			2023		
	Revenue £m	Adjusted EBITDA £m	Margin %	Revenue £m	Adjusted EBITDA £m	Margin %
HORECA	371.2	110.5	29.8	322.7	89.7	27.8
Workwear	142.2	49.4	34.7	142.6	48.6	34.1
Central Costs	-	(7.3)	-	-	(6.8)	-
Group	**513.4**	**152.6**	**29.7**	**465.3**	**131.5**	**28.3**

Statutory operating profit was £54.7 million (2023: £43.6 million) whilst adjusted operating profit was £62.3 million (2023: £50.5 million).

The total finance cost was £7.5 million (2023: £6.0 million) and included £5.2 million (2023: £3.4 million) of bank interest, £2.3 million (2023: £2.1 million) of interest in respect of IFRS 16 lease liabilities and in 2023 only, £0.5 million in respect of notional interest on pension liabilities.

The exceptional charge of £0.4 million (2023: £1.6 million) represents £1.4 million of costs in relation to business acquisition activity, partially offset by £1.0 million of property related credits.

Adjusted profit before taxation was £54.8 million (2023: £44.5 million). Statutory profit before taxation, after amortisation of intangible assets (excluding software amortisation) of £7.2 million (2023: £5.3 million) and the exceptional charge outlined above, was £47.2 million (2023: £37.6 million).

Adjusted diluted earnings per share increased by 29.5% to 10.1 pence (2023: 7.8 pence).

FINANCING

Bank debt at the end of the year was £68.6 million (December 2023: £61.7 million) reflecting the improved trading performance, offset by significant capital investment across our estate and the acquisition of Empire. Including IFRS 16 liabilities, net debt at December 2024 was £115.6 million (December 2023: £104.9 million).

The Group remains well funded, with access to a committed revolving credit facility of £120.0 million which matures in August 2027. The terms of the facility provide an option to increase the facility by up to a further £15.0 million, with bank consent. The available facility is in excess of our anticipated borrowings and provides sufficient liquidity for current commitments.

Bank covenants comprise gearing and interest cover tests. Gearing, for bank purposes, is calculated as adjusted EBITDA compared to total net debt, including IFRS 16 liabilities. The agreed covenant is for the ratio to be not more than three times and the ratio at 31 December 2024 was 0.7 times. Interest cover compares adjusted operating profit to total interest cost, with a minimum covenant ratio of four times. Our current scenario planning provides significant headroom against the covenants.

Interest payable on bank borrowings is based upon SONIA or, in the case of Euro denominated borrowings, EURIBOR, plus a margin, linked to our gearing covenant, which ranges from 1.45% to 2.45%. The current margin is 1.45%.

RETURN ON CAPITAL EMPLOYED ('ROCE')

ROCE, calculated as rolling 12-month adjusted operating profit divided by the average of opening and closing Shareholders' equity, net debt and post-employment benefit obligations for the same 12-month period, increased to 15.5% (2023: 13.9%).

INVESTMENT APPRAISAL

Prior to undertaking any major investment, be it a significant capital project or an acquisition opportunity, the Board, as part of its evaluation of the investment opportunity with reference to the factors set out in Section 172(1) of the Companies Act 2006, diligently assesses the associated strategic opportunities available to the Group together with the cost, return, risk and reward of each project before deciding whether or not to proceed. Relevant financial considerations include discounted cash payback, ROCE, projected EBIT and impact on margin.

Following the acquisitions of Regency and Celtic Linen in 2023, and with the benefit of a full year's trading of each throughout 2024, the Board considered the extent to which the original hurdle rates, as agreed at the time of approving each acquisition, have been met. In each case, it was determined that they continue to trade at least in line with the Board's original expectations and that each remained a successful acquisition for the Group.

TAXATION

The tax rate on adjusted profit before taxation was 23.2% (2023: 25.8%). The rate is below the headline corporation tax rate in the UK of 25.0% due to the combined effect of expenses not deductible for taxation, prior year over provisions and the impact of the lower tax rate of 12.5% in the Republic of Ireland (ROI).

Corporation tax paid in the year amounted to £2.7 million (2023: £1.6 million) and it is anticipated that tax payable in 2025 will remain lower than the 2025 tax charge due to the availability of capital allowances and brought forward tax losses.

DIVIDEND

The Board declared an interim dividend of 1.3 pence (2023: 0.9 pence) per share in September 2024. The proposed final dividend of 2.7 pence (2023: 1.9 pence) per share brings the total dividend for 2024 to 4.0 pence (2023: 2.8 pence) per share.

The final dividend, if approved by Shareholders, will be paid on 9 May 2025 to Shareholders on the register at close of business on 11 April 2025. The ex-dividend date is 10 April 2025. Dividend cover, based on adjusted EPS, was 2.5 times (2023: 2.75 times).

CASH FLOW

Free cash flow in the year (calculated as net cash generated from operating activities, less net spend on textile rental items, less the capital element of leases) was £74.6 million compared to £55.2 million in 2023. Of this, we invested £44.6 million (2023: £31.1 million) in the purchase of property, plant and equipment and software, as we proactively invest in the business to increase capacity and efficiency equipment and software, as we proactively invest in the business to increase capacity and efficiency across the estate.

Free cash flow in 2024 reflected a normal level of net working capital with an outflow of £0.9 million (2023: £0.3 million).

INVESTMENT IN TEXTILE RENTAL ITEMS

Spend on textile rental items amounted to £63.2 million (2023: £61.9 million). The increase reflects the growth of the Group, both organically and through acquisition. We have long term relationships with our garment and linen suppliers and we continue to work collaboratively to ensure continuity of supply of quality products at the best price.

CAPITAL INVESTMENT AND ACQUISITIONS

We have continued to invest in plant and equipment, spending £44.6 million in the year. The spend includes £9.0 million in respect of the new Crawley site, with a further £0.4 million of final payments expected to be made in 2025. We are continuing with our programme of investing in our sites to expand capacity, increase water and energy efficiencies and improve employee welfare facilities.

The £20.6 million acquisition of Empire in September 2024 was a further step in expanding our range of services to four and five-star luxury hotel customers and adds to the service already provided by Regency which was acquired in early 2023.

DEFINED BENEFIT PENSION SCHEME

On an IAS 19 basis, the Scheme surplus as at 31 December 2024 was £3.8 million (2023: £nil). Scheme assets had reduced by £12.7 million, to £132.7 million, after paying out benefits of £9.8 million during the year whilst Scheme liabilities had reduced by £16.5 million to £128.9 million. The improved position reflects in part, the impact of an increase in corporate bond yields and actual short-term inflation being lower than assumed, offset by lower than expected asset returns following a change in the investment strategy to implement an increased hedge target.

As a result of the surplus at December 2024, the estimated net notional interest credit in 2025 will be £0.2 million (2024: £nil).

The triennial actuarial valuation of the Scheme, as at 30 September 2022, showed a small surplus on the Technical Provisions basis. In order to reduce the value of risk of the Scheme, a 75% target for the interest rate and inflation hedge ratios has been in place and, following a review, the target is to be increased to 85% in the coming months. The Scheme's asset allocation remains under constant review to ensure it aligns with the medium-term objective of a buy-out of Scheme liabilities.

In view of the Scheme surplus shown at the valuation date, we have agreed with the Trustee to cease deficit recovery contributions to the Scheme at least until the results of the next valuation as at 30 September 2025.

CAPITAL STRUCTURE AND SHARE BUYBACK PROGRAMME

The Group maintains a strong Balance Sheet. The increase in net assets to £306.9 million (2023: £279.1 million) is reflective of the post-tax earnings retained by the Group to fund our capital allocation policy.

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

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

The Group has undertaken two recent share buyback programmes which, in the period September 2022 to November 2023, utilised cash of £35.5 million, of which £29.9 million was utilised in the 12 months ended 31 December 2023. In addition, we have opened a new site and completed the acquisitions of Regency and Celtic Linen in 2023 and Empire in 2024.

The Group continues to have significant headroom under its committed facilities and leverage of less than one times. As a result, the Board announces that it intends to undertake further share buybacks over the next 12 months in order to return up to a further £30.0 million, based on currently available resources, to Shareholders. In order to reflect the cash generation profile of the Group, this will be by way of an initial £15.0 million tranche with a second £15.0 million tranche anticipated to follow later in the year. The Board will further actively review its options once this programme is completed.

GOING CONCERN

GOING CONCERN
After considering the monthly cash flow projections, the stress tests and the facilities available to the Group and Company, the Directors concluded that there was a reasonable expectation that the Group and Company have adequate resources for their operational needs, will remain in compliance with the financial covenants set out in the bank facility agreement and will continue in operation for at least the period to 30 June 2026. Accordingly, and having reassessed the principal risks and uncertainties, the Directors considered that it was appropriate to adopt the going concern basis in preparing the Group and Company financial statements.

KEY PERFORMANCE INDICATORS ('KPIs')
The main KPIs used as part of the assessment of performance of the Group, and of each segment, are growth in revenue, adjusted EBITDA margin, adjusted operating profit and adjusted diluted earnings per share. ROCE is also used as part of the assessment of performance of the Group. Non-financial KPIs, as referred to within the Chief Executive's Operating Review, include our employee and customer survey results and customer retention statistics.

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

Yvonne Monaghan
Chief Financial Officer
3 March 2025

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Revenue	**2**	**513.4**	465.3
Impairment loss on trade receivables		**(1.2)**	(1.7)
All other costs		**(457.5)**	(420.0)
Operating profit	**2**	**54.7**	43.6
Operating profit before amortisation of intangible assets (excluding software amortisation) and exceptional items	**2**	**62.3**	50.5
Amortisation of intangible assets (excluding software amortisation)		**(7.2)**	(5.3)
Exceptional items	**3**	**(0.4)**	(1.6)
Operating profit	**2**	**54.7**	43.6
Finance cost	**4**	**(7.5)**	(6.0)
Profit before taxation		**47.2**	37.6
Taxation charge	**6**	**(11.7)**	(10.4)
Profit for the year from continuing operations		**35.5**	27.2
Profit for the year from discontinued operations		**0.1**	0.1
Profit for the year attributable to equity holders		**35.6**	27.3

EARNINGS PER SHARE	**8**		
Basic earnings per share			
- From continuing operations		**8.5p**	6.4p
- From discontinued operations		**-**	-
From total operations		**8.5p**	6.4p
Diluted earnings per share			
- From continuing operations		**8.4p**	6.4p
- From discontinued operations		**-**	-
From total operations		**8.4p**	6.4p

See note 8 for further details of adjusted basic earnings per share and adjusted diluted earnings per share.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Profit for the year		**35.6**	27.3
Items that will not be subsequently reclassified to profit or loss			
Remeasurement and experience gains on post-employment benefits	**16**	**3.8**	8.8
Taxation in respect of remeasurement and experience gains		**(0.9)**	(2.2)
Items that may be subsequently reclassified to profit or loss			
Cash flow hedges (net of taxation) - fair value losses		**(0.1)**	(0.5)
- transfers to administrative expenses		**0.5**	0.4
Net gain/(loss) on hedge of a net investment		**1.1**	(0.3)
Exchange differences on translation of foreign operations		**(1.2)**	0.3
Total other comprehensive income for the year		**3.2**	6.5
Total comprehensive income for the year		**38.8**	33.8

CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share Capital £m	Share Premium £m	Merger Reserve £m	Capital Redemption Reserve £m	Hedge Reserve £m	Retained Earnings £m	Total Equity £m
Balance at 31 December 2022	43.9	16.8	1.6	1.2	(0.5)	221.6	284.6
Profit for the year	-	-	-	-	-	27.3	27.3
Other comprehensive (loss) / income	-	-	-	-	(0.1)	6.6	6.5
Total comprehensive (loss) / income for the year	-	-	-	-	(0.1)	33.9	33.8
Share options (value of employee services)	-	-	-	-	-	1.0	1.0
Share buybacks	(2.5)	-	-	2.5	-	(29.8)	(29.8)
Deferred tax on share options	-	-	-	-	-	0.1	0.1
Dividend paid	-	-	-	-	-	(10.6)	(10.6)
Transactions with Shareholders recognised directly in Shareholders' equity	(2.5)	-	-	2.5	-	(39.3)	(39.3)
Balance at 31 December 2023	41.4	16.8	1.6	3.7	(0.6)	216.2	279.1
Profit for the year	**-**	**-**	**-**	**-**	**-**	**35.6**	**35.6**
Other comprehensive income	**-**	**-**	**-**	**-**	**0.4**	**2.8**	**3.2**
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**0.4**	**38.4**	**38.8**
Share options (value of employee services)	**-**	**-**	**-**	**-**	**-**	**1.5**	**1.5**
Deferred tax on share options	**-**	**-**	**-**	**-**	**-**	**0.2**	**0.2**
Issue of share capital	**0.1**	**0.5**	**-**	**-**	**-**	**-**	**0.6**
Dividend paid	**-**	**-**	**-**	**-**	**-**	**(13.3)**	**(13.3)**
Transactions with Shareholders recognised directly in Shareholders' equity	**0.1**	**0.5**	**-**	**-**	**-**	**(11.6)**	**(11.0)**
Balance at 31 December 2024	**41.5**	**17.3**	**1.6**	**3.7**	**(0.2)**	**243.0**	**306.9**

The Group has an Employee Benefit Trust (EBT) to administer share plans and to acquire shares, using funds contributed by the Group, to meet commitments to employee share schemes. At 31 December 2024 the EBT held 9,024 shares (2023: 9,024).

CONSOLIDATED BALANCE SHEET

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2024 £m	As at 31 December 2023 £m
Assets			
Non-current assets			
Goodwill	**9**	**153.6**	144.4
Intangible assets	**10**	**29.0**	19.1
Property, plant and equipment	**11**	**160.0**	134.5
Right of use assets	**12**	**43.0**	40.0
Textile rental items	**13**	**73.4**	71.9
Trade and other receivables		**0.5**	0.4
Post-employment benefits	**16**	**3.8**	-
		463.3	410.3
Current assets			
Inventories		**2.3**	1.9
Trade and other receivables		**82.4**	83.3
Reimbursement assets		**2.6**	3.9
Cash and cash equivalents		**11.5**	9.6
Assets classified as held for sale		**0.2**	-
		99.0	98.7
Liabilities			
Current liabilities			
Trade and other payables		**94.3**	92.8
Borrowings	**14**	**8.9**	8.3
Current income tax liabilities		**0.7**	0.5
Lease liabilities	**15**	**6.2**	5.5
Derivative financial liabilities		**0.3**	0.6
Provisions		**3.2**	4.9
		113.6	112.6
Non-current liabilities			
Post-employment benefit obligations	**16**	**0.3**	0.3
Deferred income tax liabilities		**28.9**	15.0
Trade and other payables		**0.2**	0.3
Borrowings	**14**	**71.2**	63.0
Lease liabilities	**15**	**40.8**	37.7
Derivative financial liabilities		**-**	0.2
Provisions		**0.4**	0.8
		141.8	117.3
Net assets		**306.9**	279.1
Equity			
Capital and reserves attributable to the company's shareholders			
Share capital	**19**	**41.5**	41.4
Share premium		**17.3**	16.8
Merger reserve		**1.6**	1.6
Capital redemption reserve		**3.7**	3.7
Hedge reserve		**(0.2)**	(0.6)
Retained earnings		**243.0**	216.2
Total equity		**306.9**	279.1

The notes on pages 22 to 37 form an integral part of these condensed consolidated financial statements. The condensed consolidated financial statements on pages 18 to 37 were approved by the Board of Directors on 3 March 2025 and signed on its behalf by:

Yvonne Monaghan

Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	Year ended 31 December 2024 £m	Year ended 31 December 2023 £m
Cash flows from operating activities			

Profit for the year		**35.6**	27.3
Adjustments for:			
Taxation charge	**6**	**11.7**	10.4
Total finance cost	**4**	**7.5**	6.0
Depreciation		**89.6**	80.6
Amortisation	**10**	**7.9**	5.7
Profit on disposal of property, plant and equipment		**-**	(0.1)
(Increase) / decrease in inventories		**(0.4)**	0.4
Increase in trade and other receivables		**(2.5)**	(10.2)
Increase in trade and other payables		**2.0**	9.5
Deficit recovery payments in respect of post-employment benefit obligations		**-**	(1.6)
Share-based payments		**1.5**	1.0
Decrease in provisions		**(0.9)**	(0.3)
Cash generated from operations		**152.0**	128.7
Interest paid		**(7.5)**	(5.7)
Taxation paid		**(2.7)**	(1.6)
Net cash generated from operating activities		**141.8**	121.4
Cash flows from investing activities			
Acquisition of businesses (net of cash acquired)	**20**	**(19.6)**	(29.7)
Purchase of other intangible assets		**(6.0)**	-
Purchase of property, plant and equipment		**(44.5)**	(31.1)
Purchase of software		**(0.1)**	-
Proceeds from sale of property, plant and equipment		**0.3**	0.2
Purchase of textile rental items		**(63.2)**	(61.9)
Proceeds received in respect of special charges	**13**	**2.3**	3.3
Interest received		**0.1**	-
Net cash used in investing activities		**(130.7)**	(119.2)
Cash flows from financing activities			
Proceeds from borrowings		**56.7**	100.6
Repayment of borrowings		**(47.2)**	(54.6)
Capital element of leases		**(6.3)**	(7.6)
Share buyback	**19**	**-**	(29.9)
Proceeds from issue of share capital		**0.6**	-
Dividends paid to company shareholders	**7**	**(13.3)**	(10.6)
Net cash used in financing activities		**(9.5)**	(2.1)
Net increase in cash and cash equivalents		**1.6**	0.1
Cash and cash equivalents at beginning of the year		0.9	0.8
Effect of exchange rate fluctuations on cash held		**(0.3)**	-
Cash and cash equivalents at end of the year	**17**	**2.2**	0.9

Cash and cash equivalents comprise:		
Cash	**11.5**	9.6
Overdraft	**(9.3)**	(8.7)
Cash and cash equivalents at end of the year	**2.2**	0.9

NOTES TO THE PRELIMINARY ANNOUNCEMENT

1 BASIS OF PREPARATION

Basis of Preparation

Johnson Service Group PLC (the 'Company') and its subsidiaries (together 'the Group') provide textile rental and related services across the United Kingdom ('UK') and Republic of Ireland ('ROI').

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

The financial information contained within this Preliminary Announcement has been prepared on a going concern basis in accordance with UK-adopted international accounting standards, using accounting policies consistent with those set out in the 2023 Annual Report.

The financial information set out within this Preliminary Announcement does not constitute the Group's statutory accounts for the years ended 31 December 2024 or 31 December 2023 within the meaning of Section 434 of the Companies Act 2006 but is derived from those accounts.

Statutory accounts for 2023 have been delivered to the Registrar of Companies and those for 2024 will be delivered as soon as practicable, but not later than 30 April 2025. The auditor has reported on those accounts; the reports were unqualified and as practicable, but not later than 30 April 2025. The auditor has reported on those accounts; the reports were unqualified and did not contain a statement under Section 498(2) or (3) of the Companies Act 2006.

Going Concern

Background and Summary

After careful assessment, the Directors have adopted the going concern basis in preparing these financial statements. The process and key judgments in coming to this conclusion are set out below.

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

Going Concern Assessment

Cash Flows, Covenants and Stress Testing

For the purposes of the going concern assessment, the Directors have prepared monthly cash flow projections for the period to 30 June 2026 (the assessment period). The Directors consider this to be a reasonable period for the going concern assessment as it enables them to consider the potential impact of macroeconomic and geopolitical factors over an extended period. The cash flow projections show that the Group has significant headroom against its committed facilities and can meet its financial covenant obligations.

The Group has also performed a reverse stress test against the base monthly cash flow projections referred to above in order to determine the performance level that would result in a reduction in headroom against its committed facilities to nil or a breach of its covenants. Headroom on the Group's committed facilities would reduce to nil in the event that adjusted operating profit reduced to approximately 60% of 2024 levels. The Directors do not consider this scenario to be plausible.

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

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

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

Liquidity

The Group has access to a committed Revolving Credit Facility of £120.0 million (the 'Facility') which matures in August 2027. The terms of the Facility provide an option to increase the Facility by up to a further £15.0 million, with bank consent. The available Facility is in excess of our anticipated borrowings and provides sufficient liquidity for current commitments.

Going Concern Statement

After considering the monthly cash flow projections, the stress tests and the facilities available to the Group and Company, the Directors have a reasonable expectation that the Group and Company have adequate resources for their operational needs, will remain in compliance with the financial covenants set out in the bank facility agreement and will continue in operation for at least the period to 30 June 2026. Accordingly, and having reassessed the principal risks and uncertainties, the Directors considered it appropriate to adopt the going concern basis in preparing the Group and Company financial statements.

1 BASIS OF PREPARATION (continued)

Forward Looking Statements

Certain statements in these condensed consolidated financial statements constitute forward-looking statements. Any statement in this document that is not a statement of historical fact including, without limitation, those regarding the Group's future expectations, operations, financial performance, financial condition and business is a forward-looking statement. Such forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially. These risks and uncertainties include, among other factors, changing economic, financial, business or other market conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in these condensed consolidated financial statements. As a result, you are cautioned not to place reliance on such forward-looking statements. Nothing in this document should be construed as a profit forecast.

Alternative Performance Measures (APMs)

Throughout this Preliminary Announcement, and consistent with prior years, we refer to a number of APMs. APMs are used by the Group to provide further clarity and transparency of the Group's financial performance. The APMs are used internally by management to monitor business performance, budgeting and forecasting, and for determining Directors' remuneration and that of other management throughout the business. The APMs, which are not recognised under UK-adopted international accounting standards, are:

- 'adjusted operating profit', which refers to operating profit before amortisation of intangible assets (excluding software amortisation) and exceptional items;
- 'adjusted profit before and after taxation', which refers to adjusted operating profit less total finance cost;
- 'adjusted EBITDA', which refers to adjusted operating profit plus the depreciation charge for property, plant and equipment, textile rental items and right of use assets, plus software amortisation;
- 'adjusted EPS', which refers to EPS calculated based on adjusted profit after taxation; and
- 'net debt excluding IFRS 16 lease liabilities'.

The Board considers that the above APMs, all of which exclude the effects of non-recurring items or non-operating events, provide useful information for stakeholders on the underlying trends and performance of the Group and facilitate meaningful year on year comparisons.

Limitations of APMs

The Board is cognisant that APMs do have limitations and should not be regarded as a complete picture of the Group's financial performance. Limitations of APMs may include, inter alia:

- similarly named measures may not be comparable across companies;
- profit-related APMs may exclude significant, sometimes recurring, business transactions (e.g. restructuring charges and acquisition-related costs) that impact financial performance and cash flows; and
- adjusted operating profit, adjusted profit before and after taxation, adjusted EBITDA and adjusted EPS all exclude the amortisation of intangibles acquired in business combinations, but do not similarly exclude the related revenue.

Reconciliation of APMs to Statutory Performance Measures

Reconciliations between the above APMs and statutory performance measures are reconciled within this Preliminary Announcement as follows:

- Adjusted operating profit - note 2
- Adjusted profit before and after taxation - note 5
- Adjusted EBITDA - note 5
- Adjusted EPS - note 8
- Net debt excluding IFRS 16 lease liabilities- note 17

2 SEGMENT ANALYSIS

Segment information is presented based on the Group's management and internal reporting structure as at 31 December 2024.

The chief operating decision-maker (CODM) has been identified as the Executive Directors. The CODM reviews the Group's internal reporting in order to assess performance and allocate resources. The CODM determines the operating segments based on these reports and on the internal reporting structure.

For reporting purposes, the CODM considered the aggregation criteria set out within IFRS 8, 'Operating Segments', which allows for two or more operating segments to be combined as a single reporting segment if:

1) aggregation provides financial statement users with information that allows them to evaluate the business and the environment in which it operates; and
2) they have similar economic characteristics (for example, where similar long-term average gross margins would be expected) and are similar in each of the following respects:
   - the nature of the products and services;
   - the nature of the production processes;
   - the type or class of customer for their products and services;
   - the methods used to distribute their products or provide their services; and

- the methods used to distribute their products or provide their services; and
- the nature of the regulatory environment (i.e. banking, insurance or public utilities), if applicable.

The CODM deems it appropriate to present two reporting segments (in addition to 'Discontinued Operations' and 'All Other Segments'), being:

1) Hotel, Restaurant and Catering Linen ('HORECA'): comprising of our Johnsons Hotel Linen, Johnsons Hotel, Restaurant and Catering Linen, Johnsons Luxury Linen (which includes the newly acquired Empire business) and Johnsons Ireland businesses each of which are a separate operating segment; and
2) Workwear: comprising of our Johnsons Workwear business only.

The CODMs rationale for aggregating the Johnsons Hotel Linen, Johnsons Hotel, Restaurant and Catering Linen, Johnsons Luxury Linen and Johnsons Ireland operating segments into a single reporting segment is set out below:

- the gross margins of each operating segment are within a similar range, with the long-term average margin expected to further align;
- the nature of the customers, products and production processes of each operating segment are very similar;
- the nature of the regulatory environment is the same due to the similar nature of products, processes and customers involved; and
- distribution is via exactly the same method across each operating segment.

The CODM assesses the performance of the reporting segments based on a measure of operating profit, both including and excluding the effects of non-recurring items from the reporting segments, such as restructuring costs and impairments when the impairment is the result of an isolated, non-recurring or non-operating event. Interest income and expenditure are not included in the result for each reporting segment that is reviewed by the CODM. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis, for example rental income received by Johnson Group Properties PLC (the property holding company of the Group) is credited back, where appropriate, to the paying company for the purpose of segmental reporting. There have been no changes in measurement methods used compared to the prior year.

Other information provided to the CODM is measured in a manner consistent with that in the financial statements. Segment assets exclude deferred income tax assets, post-employment benefits, derivative financial assets, current income tax assets and cash and cash equivalents, all of which are managed on a central basis. Segment liabilities include lease liabilities but exclude current income tax liabilities, bank borrowings, derivative financial liabilities, post-employment benefits and deferred income tax liabilities, all of which are managed on a central basis. These balances are part of the reconciliation to total assets and liabilities.

Exceptional items have been included within the appropriate reporting segment as shown on pages 25 to 26.

2 SEGMENT ANALYSIS (continued)

Year ended 31 December 2024	HORECA	Workwear	All Other Segments	Total
	£m	£m	£m	£m
Revenue				
Rendering of services	**371.0**	**139.0**	**-**	**510.0**
Sale of goods	**0.2**	**3.2**	**-**	**3.4**
Total revenue	**371.2**	**142.2**	**-**	**513.4**
Cost of Sales	(222.6)	(85.2)	-	(307.8)
Distribution costs	(61.5)	(20.2)	-	(81.7)
Administrative costs	(37.7)	(16.5)	(7.4)	(61.6)
Operating profit / (loss) before amortisation of intangible assets (excluding software amortisation) and exceptional items	**49.4**	**20.3**	**(7.4)**	**62.3**
Amortisation of intangible assets (excluding software amortisation)	(6.8)	(0.4)	-	(7.2)
Exceptional items	(0.4)	-	-	(0.4)
Operating profit / (loss)	**42.2**	**19.9**	**(7.4)**	**54.7**
Total finance cost				(7.5)
Profit before taxation				**47.2**
Taxation charge				(11.7)
Profit for the year from continuing operations				**35.5**
Profit for the year from discontinued operations				**0.1**
Profit for the year attributable to equity holders				**35.6**

All of the above revenues are generated in the United Kingdom, with the exception of £34.1 million generated within the Republic of Ireland.

All Other

		HORECA	Workwear	Segments	Total
		£m	£m	£m	£m
Balance sheet information					
Segment assets		**390.7**	**154.4**	**1.9**	**547.0**
Unallocated assets:	Post-employment benefits				**3.8**
	Cash and cash equivalents				**11.5**
Total assets					**562.3**
Segment liabilities		**(102.2)**	**(39.2)**	**(3.7)**	**(145.1)**
Unallocated liabilities:	Bank borrowings				**(80.1)**
	Derivative financial liabilities				**(0.3)**
	Post-employment benefit obligations				**(0.3)**
	Current income tax liabilities				**(0.7)**
	Deferred income tax liabilities				**(28.9)**
Total liabilities					**(255.4)**
Other information					
Non-current asset additions					
- Property, plant and equipment		**37.9**	**10.1**	**-**	**48.0**
- Right of use assets (including reassessment / modification)		**4.7**	**2.5**	**0.1**	**7.3**
- Textile rental items		**38.9**	**24.0**	**-**	**62.9**
- Capitalised software		**0.1**	**-**	**-**	**0.1**
- Customer contracts		**6.0**	**-**	**-**	**6.0**
Depreciation and amortisation expense					
- Property, plant and equipment		**16.8**	**5.7**	**-**	**22.5**
- Right of use assets		**4.5**	**2.4**	**0.1**	**7.0**
- Textile rental items		**39.5**	**20.6**	**-**	**60.1**
- Capitalised software		**0.3**	**0.4**	**-**	**0.7**
- Customer contracts		**6.8**	**0.4**	**-**	**7.2**

With the exception of non-current assets of £11.6 million which were located in the Republic of Ireland, all non-current assets of the Group reside in the Group's country of domicile, the United Kingdom.

2 SEGMENT ANALYSIS (continued)

Year ended 31 December 2023	HORECA	Workwear	All Other Segments	Total
	£m	£m	£m	£m
Revenue				
Rendering of services	322.6	138.9	-	461.5
Sale of goods	0.1	3.7	-	3.8
Total revenue	**322.7**	**142.6**	**-**	**465.3**
Cost of Sales	(202.7)	(83.7)	-	(286.4)
Distribution costs	(52.0)	(20.4)	-	(72.4)
Administrative costs	(32.0)	(17.1)	(6.9)	(56.0)
Operating profit / (loss) before amortisation of intangible assets (excluding software amortisation) and exceptional items	**36.0**	**21.4**	**(6.9)**	**50.5**
Amortisation of intangible assets (excluding software amortisation)	(4.9)	(0.4)	-	(5.3)
Exceptional items	(1.6)	-	-	(1.6)
Operating profit / (loss)	**29.5**	**21.0**	**(6.9)**	**43.6**
Total finance cost				(6.0)
Profit before taxation				**37.6**
Taxation charge				(10.4)
Profit for the year from continuing operations				**27.2**
Profit for the year from discontinued operations				**0.1**
Profit for the year attributable to equity holders				**27.3**

All of the above revenues are generated in the United Kingdom, with the exception of £11.0 million generated within the Republic of Ireland.

		HORECA	Workwear	All Other Segments	Total
		£m	£m	£m	£m
Balance sheet information					
Segment assets		345.9	152.1	1.4	499.4
Unallocated assets:	Cash and cash equivalents				9.6
Total assets					**509.0**
Segment liabilities		(95.2)	(43.5)	(3.3)	(142.0)
Unallocated liabilities:	Bank borrowings				(71.3)
	Derivative financial liabilities				(0.8)
	Post-employment benefit obligations				(0.3)
	Current income tax liabilities				(0.5)
	Deferred income tax liabilities				(15.0)
Total liabilities					[illegible]

Total liabilities				(229.9)

Other information				
Non-current asset additions				
- Property, plant and equipment	20.8	6.1	-	26.9
- Right of use assets (including reassessment / modifications)	10.6	2.7	0.1	13.4
- Textile rental items	37.5	23.5	-	61.0
Depreciation and amortisation expense				
- Property, plant and equipment	15.1	5.9	-	21.0
- Right of use assets	4.0	2.5	0.1	6.6
- Textile rental items	34.5	18.5	-	53.0
- Capitalised software	0.1	0.3	-	0.4
- Customer contracts	4.9	0.4	-	5.3

With the exception of non-current assets of £11.3 million which were located in the Republic of Ireland, all non-current assets of the Group reside in the Group's country of domicile, the United Kingdom.

3 EXCEPTIONAL ITEMS

	2024 **£m**	2023 £m
Costs in relation to business acquisition activity	**(1.4)**	(1.6)
Property related credits	**1.0**	-
Total exceptional items	**(0.4)**	(1.6)

The exceptional items shown above are all included in administrative expenses.

Current year exceptional items

Costs in relation to business acquisition activity

During the year, professional fees of £0.4 million were incurred relating to the acquisition of Empire. Further information relating to the acquisition is provided in note 20. A further £1.0 million was incurred in respect of other business acquisition related activities.

Property related credits

During the year, £0.6 million of income has been recognised in respect of a non-returnable deposit received relating to the potential sale of a freehold site in Exeter, which was previously destroyed by a fire in 2020. In addition, a £0.4 million provision relating to the same site was released as it is no longer required.

Prior year exceptional items

In the year ended 31 December 2023, professional fees of £1.4 million were incurred relating to the acquisitions of Regency and Celtic Linen, of which £1.2 million were paid in the year. A further £0.2 million was incurred and paid in respect of other business acquisition related activities.

4 FINANCE COST

	2024 **£m**	2023 £m
Interest payable on bank loans and overdrafts	**4.8**	3.1
Amortisation of bank facility fees	**0.4**	0.3
Finance costs on lease liabilities relating to IFRS 16 (note 15)	**2.3**	2.1
Notional interest on post-employment benefits (note 16)	**-**	0.5
Total finance cost	**7.5**	6.0

5 ALTERNATIVE PERFORMANCE MEASURES (APMs)

Throughout this Preliminary Announcement, we refer to a number of APMs. A reconciliation of certain of the APMs, to the relevant statutory performance measure, is shown below. Other reconciliations can be found in notes 2, 8 and 17.

Adjusted profit before and after taxation	**2024** **£m**	2023 £m
Profit before taxation	**47.2**	37.6
Amortisation of intangible assets (excluding software amortisation)	**7.2**	5.3

Amortisation of intangible assets (excluding software amortisation)	**7.2**	5.3
Exceptional items	**0.4**	1.6
Adjusted profit before taxation	**54.8**	44.5
Taxation thereon	**(12.7)**	(11.5)
Adjusted profit after taxation	**42.1**	33.0

Adjusted EBITDA	**2024**	2023
	£m	£m
Operating profit before amortisation of intangible assets (excluding software amortisation) and exceptional items	**62.3**	50.5
Software amortisation	**0.7**	0.4
Property, plant and equipment depreciation	**22.5**	21.0
Right of use asset depreciation	**7.0**	6.6
Textile rental items depreciation	**60.1**	53.0
Adjusted EBITDA	**152.6**	131.5

6 TAXATION

	2024	2023
	£m	£m
Current tax		
UK corporation tax charge for the year	**2.5**	1.7
Adjustment in relation to previous years	**(0.3)**	-
Current tax charge for the year	**2.2**	1.7
Deferred tax		
Origination and reversal of temporary differences	**10.1**	8.4
Adjustment in relation to previous years	**(0.6)**	0.3
Deferred tax charge for the year	**9.5**	8.7
Total charge for taxation included in the Consolidated Income Statement for continuing operations	**11.7**	10.4

The tax charge for the year is lower than (2023: higher than) the effective rate of Corporation Tax in the UK of 25% (2023: 23.5%). A reconciliation is provided below:

	2024	2023
	£m	£m
Profit before taxation	**47.2**	37.6
Profit before taxation multiplied by the effective rate of Corporation Tax in the UK	**11.8**	8.8
Factors affecting taxation charge for the year:		
Non-taxable income	**(0.3)**	-
Tax effect of expenses not deductible for tax purposes	**1.2**	0.8
Current year impact of super-deduction	**-**	(0.3)
Difference in current and deferred taxation rates	**0.1**	0.9
Tax rate differential on non-UK profits	**(0.2)**	(0.1)
Adjustments in relation to previous years	**(0.9)**	0.3
Total charge for taxation included in the Consolidated Income Statement	**11.7**	10.4

Taxation in relation to the amortisation of intangible assets (excluding software amortisation) has decreased the charge for taxation on continuing operations by £1.1 million (2023: £1.0 million). Taxation in relation to exceptional items has increased the charge for taxation on continuing operations by £0.1 million (2023: £0.1 million).

Deferred income tax balances at the balance sheet date have been measured at the tax rate expected to be applicable at the date the deferred income tax assets and liabilities are realised. Management has performed an assessment, for all material deferred income tax assets and liabilities, to determine the period over which the deferred assets and liabilities are forecast to be realised, which has resulted in an average deferred income tax rate of 25.0% (2023: 25.0%).

Deferred tax balances in relation to balances held in the Republic of Ireland have been recognised at 12.5%, in line with the prevailing rate of tax in 2024 (2023: 12.5%).

During the year, a deferred taxation charge of £1.0 million (2023: £2.2 million) has been recognised in Other Comprehensive Income in relation to post-employment benefits.

7 DIVIDENDS

	2024	2023
Dividend per share		
Final dividend	**2.70p**	1.90p
Interim dividend	**1.30p**	0.90p

Shareholders' funds committed	**2024** **£m**	2023 £m
Final dividend	**11.2**	7.9
Interim dividend	**5.4**	3.8

The Directors propose the payment of a final dividend in respect of the year ended 31 December 2024 of 2.7 pence per share. This will utilise Shareholders' funds of £11.2 million and will be paid, subject to Shareholder approval, on 9 May 2025 to Shareholders on the register of members on 11 April 2025. However, given the Board's intention to shortly commence a share buyback programme, the actual distribution is ultimately expected to be less than the amount stated above. In accordance with IAS 10 there is no payable recognised at 31 December 2024 in respect of this proposed dividend. The trustee of the EBT has waived the entitlement to receive dividends on the Ordinary shares held by the trust.

8 EARNINGS PER SHARE

	2024 **£m**	2023 £m
Profit for the financial year from continuing operations attributable to Shareholders	**35.5**	27.2
Amortisation of intangible assets from continuing operations (net of taxation)	**6.1**	4.3
Exceptional costs from continuing operations (net of taxation)	**0.5**	1.5
Adjusted profit from continuing operations attributable to Shareholders	**42.1**	33.0
Profit from discontinued operations attributable to Shareholders	**0.1**	0.1
Total adjusted profit from all operations attributable to Shareholders	**42.2**	33.1

	No. of shares	No. of shares
Weighted average number of Ordinary shares	**414,500,856**	424,327,473
Potentially dilutive Ordinary shares	**3,656,131**	406,218
Diluted number of Ordinary shares	**418,156,987**	424,733,691

Basic earnings per share		
From continuing operations	**8.5p**	6.4p
From discontinuing operations	**-**	-
From total operations	**8.5p**	6.4p
Adjustments for amortisation of intangible assets (continuing)	**1.5p**	1.0p
Adjustment for exceptional items (continuing)	**0.2p**	0.4p
Adjusted basic earnings per share (continuing)	**10.2p**	7.8p
Adjusted basic earnings per share (discontinued)	**-**	-
Adjusted basic earnings per share from total operations	**10.2p**	7.8p
Diluted earnings per share		
From continuing operations	**8.4p**	6.4p
From discontinuing operations	**-**	-
From total operations	**8.4p**	6.4p
Adjustments for amortisation of intangible assets (continuing)	**1.5p**	1.0p
Adjustment for exceptional items (continuing)	**0.2p**	0.4p
Adjusted diluted earnings per share (continuing)	**10.1p**	7.8p
Adjusted diluted earnings per share (discontinued)	**-**	-
Adjusted diluted earnings per share from total operations	**10.1p**	7.8p

Basic earnings per share is calculated using the weighted average number of Ordinary shares in issue during the year, excluding those held by the Employee Benefit Trust, based on the profit for the year attributable to Shareholders. Adjusted earnings per share figures are given to exclude the effects of amortisation of intangible assets (excluding software amortisation) and exceptional items, all net of taxation, and are considered to show the underlying performance of the Group.

For diluted earnings per share, the weighted average number of Ordinary shares in issue is adjusted to assume conversion of all potentially dilutive Ordinary shares. The Company has potentially dilutive Ordinary shares arising from share options granted to employees. Options are dilutive under the SAYE scheme, where the exercise price together with the future IFRS 2 charge of the option is less than the average market price of the Company's Ordinary shares during the year. Options under the LTIP schemes, as defined by IFRS 2, are contingently issuable shares and are therefore only included within the calculation of diluted EPS if the performance conditions, as set out in the Directors' Remuneration Report, are satisfied at the end of the reporting period, irrespective of whether this is the end of the vesting period or not.

Potentially dilutive Ordinary shares are dilutive at the point, from a continuing operations level, when their conversion to Ordinary shares would decrease earnings per share or increase loss per share. Potentially dilutive Ordinary shares have been treated as dilutive in both years, as their inclusion in the diluted earnings per share calculation decreases the earnings per share from continuing operations.

There were no events occurring after the balance sheet date and up until the date of this report that would have changed significantly the number of Ordinary shares or potentially dilutive Ordinary shares outstanding at the balance sheet date if those transactions had occurred before the end of the reporting period.

9 GOODWILL

	2024 £m	2023 £m
Cost		
Brought forward	**145.8**	135.2
Impact of foreign exchange translation	**(0.3)**	0.1
Business combinations (See note 20)	**9.5**	10.5
Carried forward	**155.0**	145.8
Accumulated impairment losses		
Brought forward	1.4	1.4
Losses in the year	**-**	-
Carried forward	**1.4**	1.4
Carrying amount		
Opening	144.4	133.8
Closing	**153.6**	144.4

During the year, the Group acquired 100% of the share capital of Empire Linen Services Limited ('Empire'). On acquisition, goodwill of £9.5 million has been recognised.

In accordance with UK-adopted international accounting standards, goodwill is not amortised but is instead tested annually for impairment, or more frequently if there are indicators that an impairment has arisen, and carried at cost less accumulated impairment losses.

10 INTANGIBLE ASSETS

Capitalised software

	2024 £m	2023 £m
Opening net book value	**1.2**	1.6
Additions	**0.1**	-
Amortisation	**(0.7)**	(0.4)
Closing net book value	**0.6**	1.2

Other intangible assets

	2024 £m	2023 £m
Opening net book value	**17.9**	9.3
Additions	**6.0**	-
Foreign exchange differences	**(0.5)**	0.1
Business combinations (See note 20)	**12.2**	13.8
Amortisation	**(7.2)**	(5.3)
Closing net book value	**28.4**	17.9

Other intangible assets comprise of customer contracts and relationships and brands. During the year to 31 December 2024, the Group recognised £12.2 million in relation to the acquisition of Empire (2023: £13.8 million in relation to Regency and Celtic Linen).

11 PROPERTY, PLANT AND EQUIPMENT

	2024 £m	2023 £m
Opening net book value	**134.5**	119.6
Additions	**48.0**	26.9
Foreign exchange differences	**(0.5)**	-
Business combinations (See note 20)	**0.9**	6.4
Transfers from right of use assets	**0.1**	2.7
Depreciation	**(22.5)**	(21.0)
Disposals	**(0.3)**	(0.1)
Transfers to assets classified as held for sale	**(0.2)**	-
Closing net book value	**160.0**	134.5

CAPITAL COMMITMENTS

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

	2024	2023
	£m	£m
Property, plant and equipment	**15.2**	27.2

12 RIGHT OF USE ASSETS

	2024	2023
	£m	£m
Opening net book value	**40.0**	31.7
Additions	**1.6**	9.7
Business combinations (See note 20)	**2.8**	4.2
Transfers to property, plant and equipment	**(0.1)**	(2.7)
Reassessment / modification of assets previously recognised	**5.7**	3.7
Depreciation	**(7.0)**	(6.6)
Closing net book value	**43.0**	40.0

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

The reassessment / modification of assets relates to rental increases and extensions to lease terms that have been agreed during the year to 31 December 2024 and 31 December 2023 for property and commercial vehicle leases that were in place at the start of the relevant year.

13 TEXTILE RENTAL ITEMS

	2024	2023
	£m	£m
Opening net book value	**71.9**	63.8
Additions	**62.9**	61.0
Foreign exchange differences	**(0.1)**	-
Business combinations (See note 20)	**1.1**	3.4
Depreciation	**(60.1)**	(53.0)
Special charges	**(2.3)**	(3.3)
Closing net book value	**73.4**	71.9

14 BORROWINGS

	2024	2023
	£m	£m
Current		
Overdraft	**9.3**	8.7
Bank loans	**(0.4)**	(0.4)
	8.9	8.3
Non-current		
Bank loans	**71.2**	63.0
	71.2	63.0
	80.1	71.3

The maturity of non-current bank loans is as follows:		
- Between one and two years	**-**	-
- Between two and five years	**71.3**	63.2
- Unamortised issue costs of bank loans	**(0.1)**	(0.2)
	71.2	63.0

The currency of the outstanding bank loans is as follows:

- Sterling	**44.0**	32.0
- Euros	**27.3**	31.2
	71.3	63.2

At 31 December 2024, borrowings were secured and drawn down under a committed facility dated 8 August 2022. The facility comprises a £120.0 million revolving credit facility (including an overdraft) which runs to August 2027 with an option, with bank consent, to increase the facility by up to an additional £15.0 million.

Individual tranches are drawn down, in Sterling or Euros, for periods of up to six months and at SONIA or Euribor rates of interest respectively, prevailing at the time of drawdown, plus the credit adjustment spread and the applicable margin. Maturity of the bank loans is shown as non-current to reflect the current term of the facility. Although the tranches are drawdown for periods of up to six months, in reality the tranches are not repaid in full and therefore it would be misleading to present the bank loans as current. The margin on the facility ranges between 1.45% and 2.45% and was 1.45% at 31 December 2024. Margin is determined on the achievement of leverage ratios.

The secured bank loans are stated net of unamortised issue costs of £0.5 million (2023: £0.6 million) of which £0.4 million is included within current borrowings (2023: £0.4 million) and £0.1 million is included within non-current borrowings (2023: £0.2 million).

The Group has two (2023: three) net overdraft facilities for £5.0 million and £3.0 million with certain of its principal bankers (2023: £5.0 million, £3.0 million and £1.3 million).

15 LEASE LIABILITIES

	2024 £m	2023 £m
Opening liabilities	**43.2**	34.3
New leases recognised	**1.6**	9.5
Business combinations (See note 20)	**2.8**	3.3
Reassessment / modification of leases previously recognised	**5.7**	3.7
Lease payments	**(8.6)**	(9.7)
Finance costs	**2.3**	2.1
Closing liabilities	**47.0**	43.2

Of which are:		
Current lease liabilities	**6.2**	5.5
Non-current lease liabilities	**40.8**	37.7
Closing liabilities	**47.0**	43.2

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

16 POST-EMPLOYMENT BENEFITS

The Group has applied the requirements of IAS 19, 'Employee Benefits' (revised June 2011) to its employee pension schemes and post-retirement healthcare benefits.

The Group operates a defined benefit pension scheme, the Johnson Group Defined Benefit Scheme ('JGDBS'). The JGDBS was closed to future accrual on 31 December 2014. A full actuarial valuation of the JGDBS was carried out as at 30 September 2022 and has been updated to 31 December 2024 by an independent qualified actuary. The updated actuarial valuation at 31 December 2024 showed that the scheme had a surplus of £3.8 million (2023: £nil). During the year, no employer or employee contributions were made (2023: £nil).

The schedule of contributions put in place on 31 October 2023, which superseded all earlier versions, required no further deficit recovery payments. Following discussions with the Trustee of the scheme following the finalisation of the full actuarial valuation, deficit recovery payments ceased. Deficit recovery payments of £nil (2023: £1.6 million) were made to the Scheme during the year.

The gross post-employment benefits and associated deferred income tax asset/(liability) thereon is shown below:

	2024	2023

	£m	£m
Gross post-employment benefits	**3.5**	(0.3)
Deferred income tax (liability) / asset thereon	**(0.9)**	0.1
Net asset / (liability)	**2.6**	(0.2)

The reconciliation of the opening gross post-employment benefits to the closing gross post-employment benefits is shown below:

	2024 £m	2023 £m
Opening gross post-employment benefits	**(0.3)**	(10.2)
Notional interest	**-**	(0.5)
Deficit recovery payments	**-**	1.6
Remeasurement and experience gains	**3.8**	8.8
Closing gross post-employment benefits	**3.5**	(0.3)

17 ANALYSIS OF NET DEBT

Net debt is calculated as total borrowings net of unamortised bank facility fees, less cash and cash equivalents. Non-cash changes represent the effects of the recognition and subsequent amortisation of fees relating to the bank facility, changing maturity profiles, debt acquired as part of an acquisition and the recognition of lease liabilities entered into during the year.

	At 31 December 2023 £m	**Cash Flow £m**	**Non-cash Changes £m**	**Foreign Exchange Adjustments £m**	**At 31 December 2024 £m**
Debt due within one year	0.4	**0.3**	**(0.3)**	**-**	**0.4**
Debt due after more than one year	(63.0)	**(9.5)**	**(0.1)**	**1.4**	**(71.2)**
Lease liabilities (See note 15)	(43.2)	**6.3**	**(10.1)**	**-**	**(47.0)**
Total debt and lease financing	(105.8)	**(2.9)**	**(10.5)**	**1.4**	**(117.8)**
Cash and cash equivalents	0.9	**1.6**	**-**	**(0.3)**	**2.2**
Net debt	(104.9)	**(1.3)**	**(10.5)**	**1.1**	**(115.6)**

	At 31 December 2022 £m	Cash Flow £m	Non-cash Changes £m	Foreign Exchange Adjustments £m	At 31 December 2023 £m
Debt due within one year	0.2	2.0	(1.8)	-	0.4
Debt due after more than one year	(14.7)	(47.6)	(0.3)	(0.4)	(63.0)
Lease liabilities (See note 15)	(34.3)	7.6	(16.5)	-	(43.2)
Total debt and lease financing	(48.8)	(38.0)	(18.6)	(0.4)	(105.8)
Cash and cash equivalents	0.8	0.1	-	-	0.9
Net debt	(48.0)	(37.9)	(18.6)	(0.4)	(104.9)

17 ANALYSIS OF NET DEBT (continued)

The cash and cash equivalents figures are comprised of the following balance sheet amounts:

	2024 £m	2023 £m
Cash (Current assets)	**11.5**	9.6
Overdraft (Borrowings, Current liabilities)	**(9.3)**	(8.7)
	2.2	0.9

Lease liabilities are comprised of the following balance sheet amounts:

	2024 £m	2023 £m
Amounts due within one year (Lease liabilities, Current liabilities)	**(6.2)**	(5.5)
Amounts due after more than one year (Lease liabilities, Non-current liabilities)	**(40.8)**	(37.7)
	(47.0)	(43.2)

18 RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	2024 £m	2023 £m
Increase in cash in the year	**1.6**	0.1
Increase in debt and lease financing	**(2.9)**	(38.0)
Change in net debt resulting from cash flows	**(1.3)**	(37.9)
Debt acquired through business acquisitions	**(2.8)**	(5.1)
Lease liabilities recognised during the period	**(7.3)**	(13.2)
Non-cash movement in unamortised bank facility fees	**(0.4)**	(0.3)
Foreign exchange adjustments	**1.1**	(0.4)
Movement in net debt	**(10.7)**	(56.9)
Opening net debt	(104.9)	(48.0)
Closing net debt	**(115.6)**	(104.9)

19 SHARE CAPITAL

		2024		2023
Issued and Fully Paid	**Shares**	**£m**	Shares	£m
Ordinary shares of 10p each:				
- At start of year	414,415,123	41.4	439,151,346	43.9
- New shares issued	539,644	0.1	-	-
- Share buybacks	-	-	(24,736,223)	(2.5)
At end of year	**414,954,767**	**41.5**	414,415,123	41.4

There were no share buyback programmes running during the year. In respect of the two share buyback programmes which were running during the prior year, 24,619,289 Ordinary shares with a total nominal value of £2,461,929 were bought back by the Company and cancelled for a total consideration including transaction costs of £29.8 million which represented an average price of 121.0p per share. A further 116,934 Ordinary shares, relating to share repurchase activities undertaken at the end of 2022, were also cancelled during 2023. The total shares repurchased across the two share buyback programmes to 31 December 2023 represented 6.9% of the Company's issued share capital outstanding immediately prior to the commencement of the first share buyback programme.

Cash payments in respect of the above transactions were (debited) / credited as follows:

	2024 £m	2023 £m
Share capital	**0.1**	(2.5)
Capital redemption reserve	**-**	2.5
Retained earnings	**-**	(29.9)
	0.1	(29.9)

20 BUSINESS COMBINATIONS

On 2 September 2024, the Group acquired 100% of the share capital of Empire Linen Services Limited, ('Empire'), for a net consideration of £21.2 million (being a gross consideration of £20.6 million on a debt free, cash free basis, and a normalised level of working capital) plus associated fees. Since acquisition, Empire has generated a profit of £0.7 million on revenue of £5.4 million. Had the business been acquired at the start of the period, it is estimated that a profit of £2.2 million would have been generated on revenue of £15.1 million.

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

	Total £m
Intangible assets - Goodwill	**9.5**
Intangible assets - Customer contracts and brands	**12.2**
Property, plant and equipment	**0.9**
Right of use assets	**2.8**
Textile rental items	**1.1**
Trade and other receivables	**2.5**
Cash and cash equivalents	**1.9**
Overdrafts	**(0.5)**
Trade and other payables	**(2.2)**
Lease liabilities	**(2.8)**
Current income tax liability	**(0.6)**
Deferred income tax liability	**(3.6)**
Net consideration	**21.2**

Goodwill represents the deferred income tax arising on the recognition of the customer contracts and customer relationships and brand names plus the expected benefits to the wider Group arising from the acquisition. None of the acquired goodwill is expected to be deductible for tax purposes.

Empire has been included within the HORECA reporting segment and the Luxury Linen group of CGUs.

In the prior year, the Group acquired 100% of the share capital of Regency Laundry Limited ('Regency') and 100% of the share capital of Harkglade Limited, together with its trading subsidiaries Celtic Linen Limited and Millbrook Linen Limited ('Celtic Linen'). Full details are provided in the 2023 Annual Report and Accounts. There have been no subsequent adjustments made to the fair values for any of the prior year acquisitions.

Cash flows from business combinations

The cash flows in relation to business combinations are summarised below:

	2024	**2024**	2023	2023
	£m	**£m**	£m	£m
Net consideration payable	**(21.2)**		(30.5)	
Deferred consideration	**0.2**		-	
Cash acquired	**1.4**		0.8	
Net cash used in investing activities		**(19.6)**		(29.7)

21 CONTINGENT LIABILITIES

The Group operates from a number of sites across the UK and the Republic of Ireland. Some of the sites have operated as laundry sites for many years and historic environmental liabilities may exist. Such liabilities are not expected to give rise to any significant loss.

The Group has granted its Bankers and Trustee of the Pension Scheme (the 'Trustee') security over the assets of the Group. The priority of security is as follows:

- first ranking security for £28.0 million to the Trustee ranking pari passu with up to £155.0 million of bank liabilities; and
- second ranking security for the balance of any remaining liabilities to the Trustee ranking pari passu with any remaining bank liabilities.

During the period of ownership of the Facilities Management division the Company had given guarantees over the performance of contracts entered into by the division. As part of the disposal of the division the purchaser agreed to pursue the release or transfer of obligations under the Parent Company guarantees and this is in process. The Sale and Purchase Agreement contains an indemnity from the purchaser to cover any loss in the event a claim is made prior to release. In the period until release the purchaser is to make a payment to the Company of £0.2 million per annum, reduced pro rata as guarantees are released. Such liabilities are not expected to give rise to any significant loss.

22 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'.

23 PRINCIPAL RISKS AND UNCERTAINTIES

Our Approach to Risk Management

The Board has overall accountability for ensuring that risk is effectively managed across the Group and, on behalf of the Board, the Audit Committee coordinates and reviews the effectiveness of the Group's risk management process. Risks are reviewed by all of our businesses on an ongoing basis and are measured against a defined set of likelihood and impact criteria. This is captured in consistent reporting formats enabling the Audit Committee to review and consolidate risk information and summarise the principal risks and uncertainties facing the Group. Wherever possible, action is taken to mitigate, to an acceptable level, the potential impact of identified principal risks and uncertainties.

The Board formally reviews the most significant risks facing the Group twice a year, or more frequently should new matters arise. Throughout 2024, the overall risk environment remained largely unchanged from that reported within the Group's 2023 Annual Report.

Risk Appetite

The Board interprets appetite for risk as the level of risk that the Group is willing to take in order to meet its strategic goals.

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

Emerging Risks

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

Principal Risks and Uncertainties

The principal risks and uncertainties affecting the Group are summarised below:

- Economic and Political Conditions
- Cost Inflation
- Failure of Strategy
- Recruitment, Retention and Motivation of Employees
- Loss of a Processing Facility
- Competition and Disruption
- Information Technology Failures and Cyber Security
- Pandemic or Other National Crisis
- Health & Safety
- Compliance and Fraud
- Insufficient Processing Capacity
- Customer Sales and Retention
- Climate Change and Energy Costs

Full details of the above risks, together with details on how the Board takes action to mitigate each risk, will be provided in our 2024 Annual Report. These risks and uncertainties do not comprise all of the risks that the Group may face and are not necessarily listed in any order of priority. Additional risks and uncertainties not presently known to the Board, or deemed to be less material, may also have an adverse effect on the Group.

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

24 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 regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have to prepare the Group financial statements in accordance with UK-adopted international accounting standards and have elected to prepare the Parent Company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 101 'Reduced Disclosure Framework'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group for that period.

In preparing the financial statements, the Directors are required to:

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

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Group's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

To the best of our knowledge:

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

The Directors confirm that:

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

25 PRELIMINARY ANNOUNCEMENT

A copy of this Preliminary Announcement is available on request to all Shareholders by post from the Company Secretary, Johnson Service Group PLC, Johnson House, Abbots Park, Monks Way, Preston Brook, Cheshire, WA7 3GH. The announcement can also be accessed on the Internet at www.jsg.com.

The 2024 Annual Report will be made available on the Group's website (www.jsg.com) on or before 24 March 2025.

26 APPROVAL

The Preliminary Announcement was approved by the Board of Directors on 3 March 2025.

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