Companies House

NOTICE OF ILLEGIBLE PAGES

Companies House regrets that documents in this company's record have pages which are illegible.

The poor quality has been noted, but unfortunately steps taken to improve them were unsuccessful.

Companies House would like to apologise for any inconvenience this may cause

Johnson

Group Cleaners PLC

Annual Report 1989

It's right   It's ready   It's Guaranteed

GROUP PHILOSOPHY

Johnson Group Cleaners PLC stands as the market leader in the drycleaning industry on both sides of the Atlantic and is gaining market share in textile rental services in the United Kingdom. This has been achieved by adhering to a clear management strategy. Part of this strategy is to expand both organically and by selective acquisition of profitable well managed businesses and this has led to a consistent improvement in turnover and profit margins.

The Group also believes in operating through an effective decentralised management structure and this has been attained by ensuring clear communication and by placing a strong emphasis on the results to be achieved at a local level.

Through following these beliefs it has been possible to bring together largely autonomous companies into a highly efficient and profitable Group.

In addition, there is a firm commitment to continually improving standards of customer service, and the introduction at the beginning of 1989 of the statement "It's Right, It's Ready, It's Guaranteed" is a testimony to that undertaking.

Equally the company is committed to treating its customers, employees, shareholders and suppliers fairly, and to encouraging the development of people from within the organisation, thereby utilising their skills which have been gained from years of experience derived from working in the industry.

By pursuing these principles, Johnson Group Cleaners has been able to develop its business successfully on both sides of the Atlantic.

YEAR IN BRIEF

	1989	1988
	£000	£000
Turnover	141,091	124,334
Profit before taxation	21,340	17,943
Taxation	7,058	6,412
Profit after taxation	14,282	11,531
Retained earnings	8,447	8,156
Earnings per Ordinary share		
Including property: basic	69·67p	57·37p
fully diluted	65·60p	55·47p
Excluding property: basic	57·59p	52·69p
fully diluted	55·30p	51·37p
Dividends per Ordinary share	25·7p	23·1p

DIRECTORS AND ADVISERS

DIRECTORS

Terence Michael Greer	CHAIRMAN
Richard Guy Frederick Zerny	MANAGING — UK
James Randall Wahl, BBA	MANAGING — USA
James Ingham Staley Fox	
Arthur Chirnside Winspear, M Com	NON-EXECUTIVE
Michael Alan Sutton, BA, FCA	
John Nicholas Geoffrey Mason, FRICS	

SECRETARY AND FINANCIAL CONTROLLER

Yvonne May Monaghan, BSc, ACA

REGISTERED OFFICE

Mildmay Road
Bootle
Merseyside L20 5EW

PRINCIPAL BANKERS

Barclays Bank PLC
4 Water Street
Liverpool L69 2DU

MERCHANT BANKERS

S. G. Warburg & Co. Ltd
Corporate Finance Division
2 Finsbury Avenue
London EC2M 2PA

SOLICITORS

Alsop Wilkinson
India Buildings
Liverpool L2 0NH

AUDITORS

Coopers & Lybrand Deloitte
Richmond House
1 Rumford Place
Liverpool L3 9QS

STOCKBROKERS

Cazenove & Co.
12 Tokenhouse Yard
London EC2R 7AM

REGISTRARS AND TRANSFER OFFICE

Barclays Bank PLC
Registration Department
Octagon House
Gadbrook Park
Northwich
Cheshire CW9 7RD

CHAIRMAN'S STATEMENT

Equally central to our philosophy is the desire to obtain most of our future middle and senior management from within the Group. So many of our people have been in the drycleaning and textile rental industries for most of their working lives, and the sheer wealth of their expertise and experience is one of our key strengths.

Our strategy for the future will continue to be to identify potential future managers on both sides of the Atlantic, train them and move them forward into senior positions.

EXPANSION

It will also be our strategy to continue to grow both organically and through the selective acquisition of profitable, well-managed businesses. Both in the UK and USA we are looking to acquire textile rental businesses as well as purchasing drycleaning businesses with competent managements who want to stay with us.

Our expansion will be handled intelligently — by committing ourselves to what we know and do best.

Although we are the largest drycleaner in the USA, we only hold an estimated 2% market share. The opportunities for expansion have yet to be exploited. A number of acquisitions are currently being actively pursued.

Each acquisition we make will continue to follow the successful tried and tested formula — non-hostile and, wherever appropriate, involving existing management.

Since the year end we have purchased Mr Todd Your Cleaner, a 29 outlet drycleaning chain based in Cleveland, Ohio

FUTURE POLICY

We have re-affirmed the Group's policy for the future.

We will maintain individual trading company names, together with a high degree of autonomy for local management both in the UK and USA.

We have streamlined the management approach, taking steps to speed up local decision-making. Investment in the latest computer technology is helping managers to react quickly to rapidly changing circumstances and to provide a high standard of service to customers.

We are committed to maintaining our headquarters in Liverpool, both for historical and good practical reasons.

We are aware of our responsibilities on all matters relating to the environment, and have set up a working party to advise the Board and operating companies of all environmental issues and to recommend necessary actions where appropriate.

We are alive to the enormous demographic changes taking place in the 1990s. We intend to exploit the marketing elements of those changes. For example, the 45-54 year age group is destined to grow by nearly 20% by the mid-1990s. The spending power of this most affluent group is set to increase during the decade.

We will be investing in more new drycleaning shops in out-of-town shopping centres in the UK, where we can provide a one hour service.

We shall be reinforcing our customer care programme to meet the growing demands of discerning customers.

We are pleased to introduce a revised discount scheme which is available to all shareholders holding 200 or more Ordinary shares. A discount card, giving 25% off all drycleaning orders, is enclosed for use by eligible shareholders. We hope that this will be of benefit to you.

The 1990s offer great opportunities for our business. We will exploit them to the full to the benefit of shareholders, customers and employees alike.

Terry Crae.

26th April 1990

Trading – UK

Drycleaning

JOHNSONS

SMITHS

CROCKATT CLEANING

PULLARS

BOLLOM

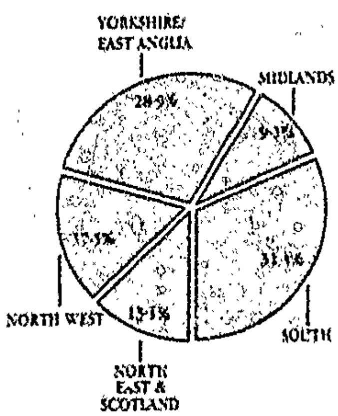
HARTONCLEAN

HARRIS CLEAN

ZERNYS

KNEELS

UK DRYCLEANING TURNOVER BY GEOGRAPHICAL AREA



Our drycleaning operations took full advantage of buoyant trading conditions in the first five months of the year. Coupled with a strong performance in the textile rental operations from all companies, the result was record half-year profits in the UK.

However, then came the long hot summer, and this depressed drycleaning, reducing volume considerably as people discarded drycleanable clothes for more casual, lighter weight and washable fabrics. Consequently, the third quarter's margins were severely affected and drycleaning volume did not start to pick up until the end of September. Aggressive marketing recouped some of the lost summer business but high interest rates were by now affecting the levels of consumer spending.

Throughout the year, all our companies continued to exploit opportunities for growth in the UK marketplace. More one hour pre-payment units were opened in out of town shopping centres and we continue to look upon this as a growth area. More such openings are in the pipeline for 1990. We also pursued our policy of joint venture partnerships with shoe repairing and photo-processing operators and these will continue to feature in future new shops and in more existing outlets.

Mr Richard Zerny
Managing Director – UK

At the start of 1989, we introduced our corporate strategy statement, "It's Right, It's Ready, It's Guaranteed". This statement promises our customers that they will receive a first class, quality service; and it also reminds our employees, at every level, that our very existence depends upon the provision of that service. We display this promise in every branch and in all our textile rental plants.

Harris clean
suedes and leathers
Foto
Services

Trading – UK

Textile rental

FACTORIES

JOHNSONS – *LIVERPOOL*
– *CREWE*

CROCKATT CLEANING – *LEEDS*

PULLARS – *PERTH*

BOLLOM – *BRIGHTON*
– *BRISTOL*
– *TREFOREST*

HARTONCLEAN – *NEWCASTLE*

HARRIS CLEAN – *BIRMINGHAM*

ZERNYS – *HULL*

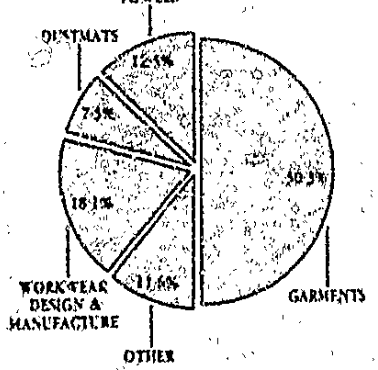
KNEELS – *EXETER*

HAYES – *LETCHWORTH*

JOHNSON MICRONCLEAN LIMITED
– *CLEANROOM OPERATIONS*

APPARELMASTER DESIGN LIMITED
– *WORKWEAR DESIGN & MANUFACTURE COMPANY*

UK RENTAL TURNOVER BY ACTIVITY



1989 saw continued improvement in our textile rental operations with a high level of customer retention and good growth from new business, the end result being the best ever in terms of profit margin and return on investment. This part of our organisation was strengthened in April 1989 by the acquisition of Cheshire Workwear Rentals, a specialist rental company providing 'On Premises Distribution' service in the North Midlands and North West, based in Crewe.

The Brighton plant of Bollom Limited underwent extensive reorganisation and modernisation, greatly improving efficiency and customer service. Furthermore, we disposed of our flatwork and linen hire service in Devon and Cornwall. This was in accordance with our policy of concentrating textile rental operations on workwear, towels, dust mats and industrial wiping cloths, and in this particular case, it released much needed factory space for Kneels to expand these profitable services.

Late in the year the textile rental business of Johnson Brothers, based in Liverpool, was awarded the Quality Certificate BS 5750 by the British Standards Institute, thereby leading the way for the other operating companies to follow suit in 1990 and 1991.

Also during this eventful year, each operating company established a tele-sales and marketing department enabling information and data to be captured to assist in the acquisition of new business. At the same time, we set about the task of completely updating our textile rental computer systems and this work continues in 1990.

Having entered a new decade, the UK businesses are in good shape to produce profitable growth and we are totally committed to providing quality and service to drycleaning and textile rental customers alike.

Richard Lang


Bollom
To Deposit Soiled
SUPPORT
SERVICE USE
To Collect Clean

Trading – USA

TUCHMAN – *INDIANA*

CAPITOL VARSITY – *OHIO*

CAMELOT – *MINNESOTA*
– *NORTH DAKOTA*

GARRETT – *GEORGIA*
– *SOUTH CAROLINA*

AL PHILLIPS – *NEVADA*

COLEMAN YOUNG – *SOUTH CAROLINA*

DODGE/COMET – *TENNESSEE*

PRIDE/BEST – *KANSAS*
– *OKLAHOMA*
– *MISSOURI*

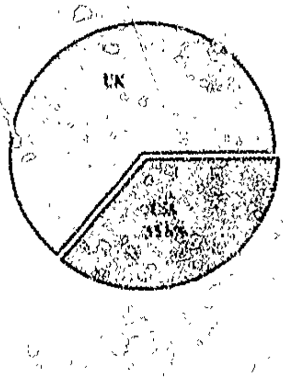
DRYCLEAN USA – *FLORIDA*

MR. TODD – *OHIO*

APPARELMASTER – *KANSAS*
– *OHIO*

INSTY PRINTS – *TENNESSEE*

USA PERCENTAGE OF GROUP TURNOVER



Business activities in the United States in 1989 can best be described as eventful. A year planned for assimilating our largest US acquisition ever, Miami-based Dryclean USA, was rudely disrupted by Hurricanes Hugo and Iris and the San Francisco earthquake.

The year started satisfactorily; Dryclean USA results were particularly encouraging. However, in September Hugo swept over the US south eastern seaboard, the first Class A hurricane ever to hit the US mainland. Inhabitants left and tourists avoided the entire area.

Our business was disrupted for two months, and this at the beginning of our important September to December season. Nearly 20 of our stores were damaged and customers' clothes were strewn over wide areas.

As if that were not enough, the earthquake then hit the US west coast and Iris moved up from the Gulf of Mexico. Both incidents again discouraged tourists from visiting, further disrupting business.

Despite these unfortunate Acts of God, Johnson Group, Inc. made an extraordinarily good recovery and ended the year on an upbeat note.

Certain of our activities during the year are also particularly worthy of note.

DRYCLEAN USA Substantially reduced costs and increased efficiencies by centralising purchasing, communications and data processing and by reducing its number of accounting personnel by about one-half.

PRIDE CLEANERS Impressive turnover and profit improvement were achieved in our Kansas City, Wichita and Oklahoma City markets following implementation of aggressive new advertising and middle management changes in Wichita and Oklahoma City.

COLEMAN YOUNG ENTERPRISES Despite suffering the brunt of Hurricane Hugo, damaged stores were fully operational within two weeks and profit for the year was reasonable in the circumstances.

TUCHMAN CLEANERS Opened two new drycleaning plants with on-premise shirt laundries, activated a receiving office to a processing plant, and remodelled two established high turnover plants.

CAPITOL VARSITY Saw the retirement of its long time former owner and the merger of its management and accounting with Tuchman Cleaners.

AL PHILLIPS THE CLEANER Celebrated their 25th anniversary in drycleaning in Las Vegas, and successfully diversified a segment of their business to process hotel uniforms — now accounting for $1m

Mr James Wahl
Managing Director–USA

annual turnover. Four new drycleaning plants are planned for 1990 in this booming marketplace.

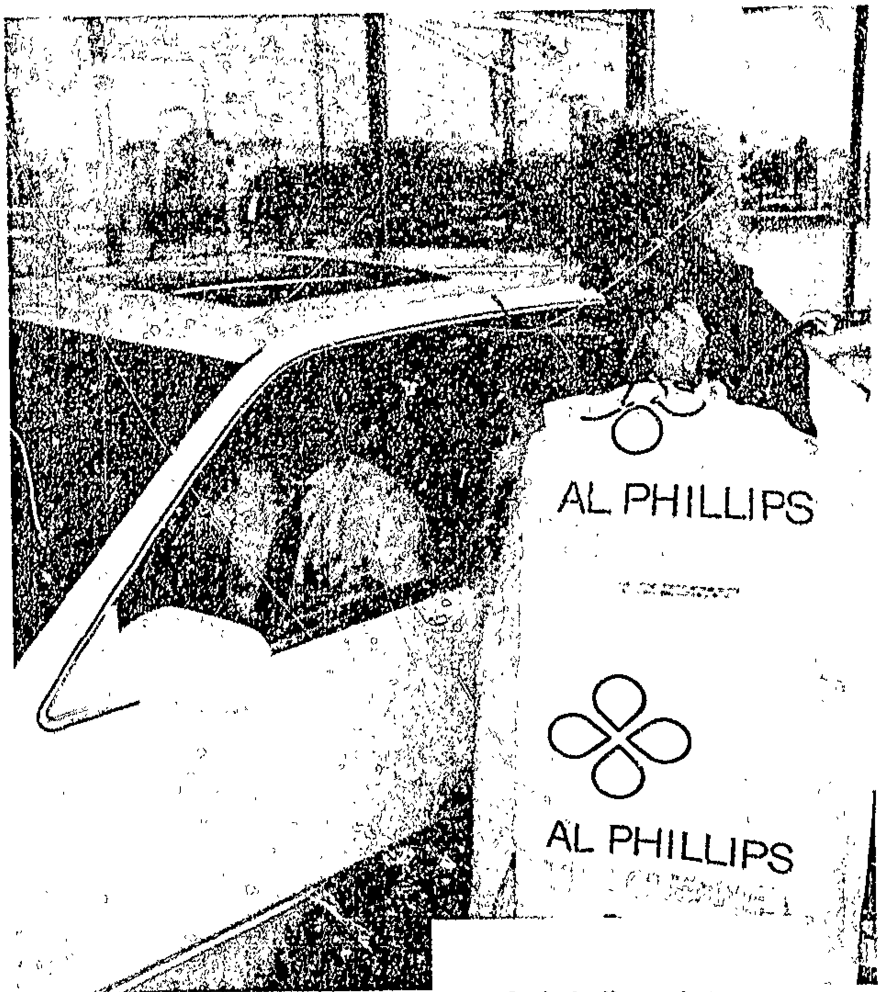
DODGE CLEANERS Continued its aggressive growth in Nashville's Grand Ole Opry land, about doubling its size since acquisition in 1986. An acquisition in early 1990 has again nearly doubled its store count.

INSTY-PRINTS Dodge's sister division continued to produce as one of Johnson's more profitable enterprises in the US, justifying the purchase of a large format two-colour printing press to provide a broader range of services

GARRETT DRY CLEANING Also in Hugo's path, 'weathered' the storm best of all. Although year-round residents and tourists were conspicuous by their absence during Hugo's threat, business was back to normal by mid-October.

APPARELMASTER Our workwear rental franchising company moved to a much larger building in 1989, providing significantly increased production capacity Apparelmaster now is capable of offering state-of-the-art service for the Group's own workwear rental businesses and franchisee customers

We also looked toward other challenges during the year Changing demographics have affected our business strategy Service and convenience have become the overriding demand of today's customers Dual income and one parent families have extended our daily service hours and even to Sunday openings in some areas



Service Las Vegas style at an Al Phillips' drive-thru store.

We continue to be optimistic about our existing companies and personnel. We believe we are well positioned to take advantage of new opportunities. Growth through selective acquisitions continues to be the strategy that promises steady turnover and profit increases for the 1990's

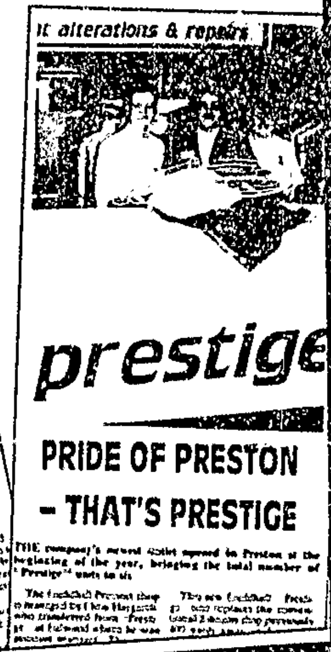
Jim Wahl

People who care

Throughout the year Johnson Group people have been involved in a number of activities, geared either to helping their company or to improving the quality of life in the community.

Here are just some of the highlights.

Conference focuses firmly on teamwork



prestige

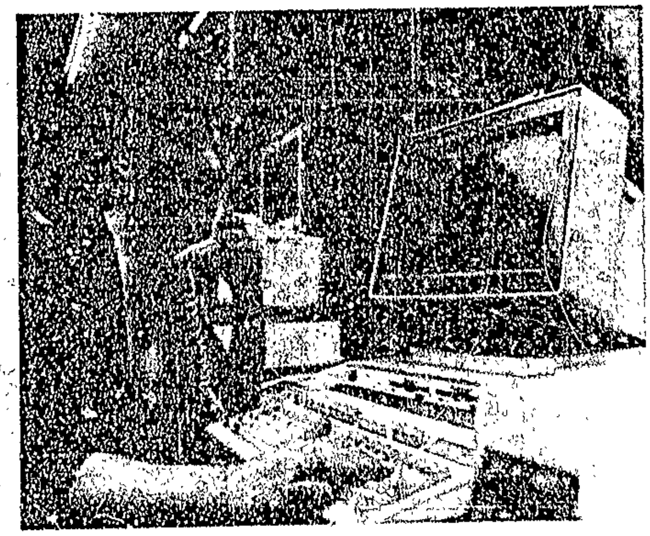
PRIDE OF PRESTON – THAT'S PRESTIGE

GUILD PRESENTATION

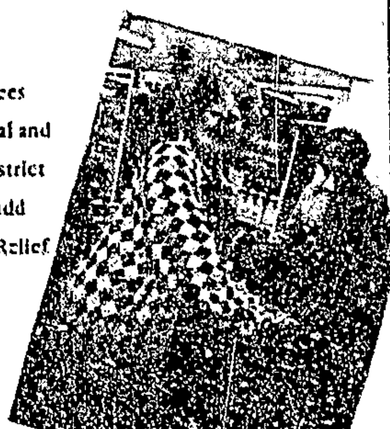
THE annual Guild presentation evening was held at the Auctioneers Restaurant, Bingley house, on 18th October and attended by 95 staff and guests from both Smiths and Crocketts. Among those attending were Dennis Middleton and other Directors of both companies, Sharon Reid, Thomas Danby College and Wendy Trowbridge, Castle College Sheffield.

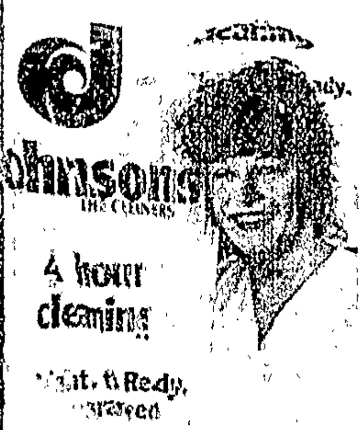
The address and presentations were made by Geoff Yates in his role as President of the Guild of Cleaners and Launderers and announcements were made by Ian Batie, Chairman of the National Council of the Guild. The vote of thanks was given by Dennis Middleton.

Telemarketing helps Apparelmaster's sales representatives to achieve better results. The computer is used to store all relevant information about existing and prospective customers and helps us to provide a more efficient service to the customer and to identify sales opportunities in advance.



Johnson Group employees actively support national and local charity events. District manager Mrs Valerie Budd raised £200 on Comic Relief Day by visiting 9 of her branches in costume selling raffle tickets.





Miss Sally Tidbury, manager, pictured on the cover of this report, is one of over 5,600 staff throughout the UK who are committed to the corporate strategy of "It's right, It's ready, It's guaranteed."

EDUCATION FOR INDUSTRY

Whether in the Works, Offices or Branches, Crockatts have always emphasised the value of training and education. Now the two have been combined in a new scheme in which Crockatts and Schools in South Leeds are participating.

INDUSTRY/EDUCATION LINKS

In July 1988, the Manpower Services Commission launched a new initiative aimed at creating more job opportunities for school leavers in inner cities. It has become known as the "Compact Scheme." The Scheme involves the development of a partnership between Groups of Employers in an area, and the Local Schools and Colleges. The Scheme's objectives are:-

(a) To improve the quality of the future workforce
(b) To give young people in education a more effective chance of work
(c) To improve the urban environment

The sort of criteria laid down by employers for young people aged over 14 attending the Schools involved in the Compact are attendance, punctuality, social skills, completion of a core curriculum to a set standard, and work experience.

Employers in turn, have agreed, that every youngster who achieves these standards will either be taken directly into employment with further training, or be given priority when next recruiting.

Crockatts have joined one of the first Compacts to be got under way i.e. for the Leeds South/South East area, which includes the inner city electoral wards of Holbeck, Beeston, Middleton, Hunslet and Richmond Hill. The five schools involved are Corpus Christi, Cross Green, Matthew Murray, Middleton Park and Cockburn.

The links between business and education are always important, but become even more so over the next few years, as there will be approximately 25% fewer school leavers entering the job market in the next five years. In contrast demand for young employees is increasing steadily and unless companies work closely with Schools, the source of their future workforce, they are likely to face increasing recruitment difficulties and skill shortages.

Mr B. I. Walker, Director and Rental General Manager at the Leeds Works has been appointed as an Industry Representative on the Leeds Compact Governing Council.

RENTAL GENERAL MANAGER BRIAN WALKER SHOWING A GROUP FROM CROSS GREEN SCHOOL ROUND THE LEEDS WORKS.

Y.T.S.

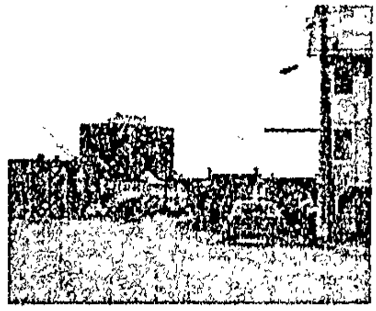
ON Monday 11th September fourteen Y.T.S delegates from Smiths and Crockatts, accompanied by David Aspin, Northern Area Manager, and Stuart Barker, Crystal Peaks Manager, set out for a five day residential experience at Bendrigg Lodge in the Lake District.

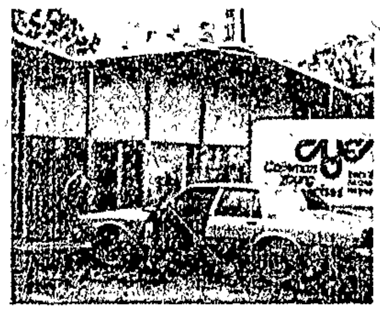
Over the five day period the course contents included team leadership, orienteering, caving, gorge walking, climbing, abseiling, canoeing, and raft making.

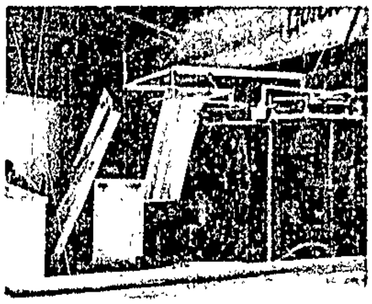
The working day started at 8.30 am for breakfast. Delegates were then given a packed lunch, evening meal at 6.00 pm and carried on working up to 10.30 pm

Among the problems encountered was to make a raft out of 8 barrels, 6 planks and 3 lengths of rope and to get all team members across the reservoir in 45 minutes! (See picture top right)

We are assured that everyone worked very hard, and all enjoyed their outdoor experience







Havoc — by courtesy of Hurricane Hugo, South Carolina, September 1989
All our stores opened again within two weeks of the disaster.
Top Yachts in the main street.
Centre Boarded up window, 'Quick as a Wink' store.
Bottom Wrecked Coleman Young store.

DIRECTORS' REPORT

The Directors submit for consideration their annual report, together with the Group financial statements for the 52 weeks ended 30th December 1989.

ACTIVITIES AND BUSINESS REVIEW

The Johnson Group is principally engaged in the provision of drycleaning and associated services, workwear and towel rental, and garment design and manufacture. The Group offers a nationwide service in the UK and has similar activities in the United States of America. A review of the development of the Group's business is given on pages 4 to 11.

RESULTS AND DIVIDENDS

The Group profit for the year after taxation was £14·282 million. From this amount the Directors recommend the following appropriations:

	£000
Cumulative preference shares at 6·3p per share	30
Convertible preference shares at 7·5p per share	864
Ordinary shares at 25·7p per share	4,941
	5,835

leaving £8·447 million as retained earnings for the year to be added to the reserves of the Group as shown in note 23 on page 32.

TANGIBLE FIXED ASSETS

Details of movements in tangible fixed assets during the year are shown in note 15 on page 28. A valuation of the total UK property portfolio was carried out at 30th December 1989. The valuation was carried out on an open market basis (as defined in the guidance notes D1 on the valuation of assets issued by the Royal Institute of Chartered Surveyors) by Mr J. N. G Mason, FRICS, the Managing Director of Johnson Group Cleaners Properties PLC which is the property holding company of the Group. The valuation, which has not been incorporated into the financial statements, results in a surplus over book value of £7·299 million. If realised this would be subject to capital gains tax at 35%.

DIRECTORS

A list of Directors of the Company is shown on page 3. They all held office throughout the year together with Mr D. M. Fowler and Mr P. Bolfom who also held office until their retirement on 30th April 1989 and 30th September 1989 respectively.

In accordance with the Articles of Association Mr J. N. G. Mason retires by rotation and being eligible, offers himself for re-election.

Mr Mason's service contract expires on 31st March 1995.

None of the Directors had a beneficial interest in any contract to which the Company or any of its subsidiaries were a party during the year.

NON-EXECUTIVE DIRECTOR

Mr Arthur Winspear was appointed a Non-Executive Director of the Company in January 1984. Mr Winspear was formerly a Director of S. G. Warburg & Co. Ltd., the Company's Merchant Bankers, and has an intimate knowledge of the Johnson Group Cleaners' business, having advised the Company for almost 20 years.

DIRECTORS' INTERESTS

The interests of the Directors of the Company and their families in the shares of the Company at the commencement and close of the financial year were as follows:

	30th December 1989			31st December 1988		
	ORDINARY SHARES OF 25p EACH	6·3% PREFERENCE SHARES OF £1 EACH	PREFERENCE SHARES OF 10p EACH*	ORDINARY SHARES OF 25p EACH	6·3% PREFERENCE SHARES OF £1 EACH	PREFERENCE SHARES OF 10p EACH*
T. M. Greer	**7,419**	**100**	**4,000**	7,419	100	4,000
R. G. F. Zerny	**29,477**	**100**	**1,000**	30,827	100	1,000
J. R. Wahl	**571**	**100**	**–**	571	100	–
J. I. S. Fox	**14,756**	**100**	**–**	14,756	100	–
A. C. Winspear	**571**	**100**	**–**	571	100	–
M. A. Sutton	**1,571**	**100**	**942**	1,571	100	942
J. N. G. Mason	**2,445**	**100**	**–**	2,445	100	–
AS TRUSTEES:						
T. M. Greer, R. G. F. Zerny, M. A. Sutton & another	**348,212**	**4,708**	**–**	–		–
M. A. Sutton & others	**–**	**–**	**–**	348,212	4,708	–
J. I. S. Fox & another	**–**	**500**	**–**	–	500	–

*(7·5p (net) Convertible cumulative redeemable preference shares of 10p each)

The following options over Ordinary shares of 25p each have been granted to Directors under one or more of the Company's share option schemes

	30th December 1989	31st December 1988
T. M. Greer	**34,733**	19,667
R. G. F. Zerny	**25,145**	19,667
J. I. S. Fox	**25,145**	19,667
M. A. Sutton	**27,329**	21,440
J. N. G. Mason	**25,145**	19,667

There have been no changes in Directors' interests during the period 30th December 1989 to 31st March 1990 other than a sale of 850 Ordinary shares by Mr J. I. S. Fox on 18th January 1990.

SUBSTANTIAL INTERESTS IN THE COMPANY'S SHARE CAPITAL

At 31st March 1990 the Company had been advised of the following substantial interests in the Company's share capital:

	ORDINARY SHARES OF 25p EACH	6·3% PREFERENCE SHARES OF £1 EACH
Barclays Bank PLC (non-beneficial)	**8·4%**	**24·4%**
Prudential Corporation PLC	**6·2%**	**–**
Courtaulds CIF Nominees Ltd	**6·2%**	**–**
Scottish Amicable Investment Managers Ltd	**7·1%**	**–**
Provincial Insurance plc	**–**	**37·4%**

EMPLOYMENT OF DISABLED PERSONS

The Group endeavours to employ disabled persons where the requirements of the job are such that the duties can be effectively covered by a disabled person. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues and the appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of a person who does not suffer from a disability.

EMPLOYEE INVOLVEMENT

The Group is firmly committed to the principle of employee involvement and provides staff with information on matters of concern to them through newsletters and annual employee reports.

CHARITABLE AND POLITICAL DONATIONS

The contributions by the Group to charitable causes during the year were £17,000. No donations for political purposes were made during the year.

AUDITORS

Our auditors Deloitte Haskins & Sells are in the process of merging their practice with Coopers & Lybrand. In the meantime they have adopted Coopers & Lybrand Deloitte as their business name and have signed their audit report in that name. A resolution to reappoint Coopers & Lybrand Deloitte as the Company's auditors will be proposed at the annual general meeting.

COMPANY STATUS

The close company provisions of the Income and Corporation Taxes Act 1988 did not apply to the Company during the year and there has been no change in this respect since the end of the financial year.

SPECIAL BUSINESS AT THE ANNUAL GENERAL MEETING

Shareholders will see from the notice of the 1990 annual general meeting set out on pages 37 to 40 that they are asked to consider and, if thought fit, pass a number of resolutions as special business, further details of which are as follows:

RESOLUTION 5: Authority to allot shares —
At last year's annual general meeting the Directors were given general authority for one year to allot the authorised but unissued Ordinary share capital of the Company. It is proposed that this general authority be renewed for a further year. The maximum amount for which the authority is sought is up to £2,342,327.

RESOLUTION 6: Disapplication of pre-emption rights —
It is proposed to ask shareholders to renew the power granted to Directors at last year's annual general meeting to allot Ordinary shares for cash within certain limits otherwise than pro rata to Ordinary shareholders. If approved, this proposal would empower the Directors to allot shares for cash provided that, except in a rights issue, the new shares did not exceed 5% of the issued Ordinary share capital.

RESOLUTION 7: Amendment to Articles of Association –
The Stock Exchange has reviewed the sanctions which may be imposed by listed companies under their Articles of Association for non-compliance with Notices under Section 212 of the Companies Act 1985. The Board considers it to be in the best interest of the Company to have such sanctions available and Resolution 7, if approved, would amend the Articles accordingly.

By order of the Board

Yvonne M. Monaghan
SECRETARY
26th April 1990

Registered in England under Company Number 523335

AUDITORS' REPORT

TO THE MEMBERS OF JOHNSON GROUP CLEANERS PLC

We have audited the financial statements on pages 15 to 33 in accordance with auditing standards

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group at 30th December 1989 and of the profit and source and application of funds of the Group for the 52 weeks then ended and have been properly prepared in accordance with the Companies Act 1985.

Coopers & Lybrand Deloitte

Coopers & Lybrand Deloitte
CHARTERED ACCOUNTANTS

Liverpool
26th April 1990

CONSOLIDATED PROFIT AND LOSS ACCOUNT

30th DECEMBER 1989

Note		1989 £000	1988 £000
9	TURNOVER	141,091	124,334
	Cost of sales	103,612	90,094
	Gross profit	37,479	34,240
3	Other operating expenses	17,064	15,427
4	OPERATING PROFIT	20,415	18,813
	Surplus on sales of properties	2,821	987
8	Net interest payable	(1,896)	(1,857)
9	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	21,340	17,943
10	Taxation	7,058	6,412
	PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	14,282	11,531
11	Extraordinary item	—	1,573
		14,282	13,104
12	Dividends	5,835	4,948
23	RETAINED EARNINGS	8,447	8,156

Note	EARNINGS PER ORDINARY SHARE:		1989	1988
13	Including properties:	basic	69·67p	57·37p
		fully diluted	65·60p	55·47p
	Excluding properties:	basic	57·59p	52·69p
		fully diluted	55·30p	51·37p

A statement showing the movement on [illegible] shown on page 32.

BALANCE SHEETS

30th DECEMBER 1989

Note		GROUP 1989 £000	GROUP 1988 £000	PARENT COMPANY 1989 £000	PARENT COMPANY 1988 £000
	FIXED ASSETS				
15	Tangible assets	70,638	68,311	–	–
17	Investments	622	450	53,080	51,452
		71,260	68,761	53,080	51,452
	CURRENT ASSETS				
	Stocks of textile rental items	9,774	8,707	–	–
	Stocks of materials and stores	4,130	3,834	–	–
18	Debtors	14,809	13,831	16,206	21,304
	Cash at bank and in hand	4,659	2,097	–	–
		33,372	28,469	16,206	21,304
	PREPAYMENTS AND ACCRUED INCOME				
19	Advance corporation tax	1,348	1,311	1,348	1,311
	CURRENT LIABILITIES				
20	CREDITORS: amounts falling due within one year	27,488	27,991	10,150	9,402
	NET CURRENT ASSETS	7,232	1,789	7,404	13,213
	TOTAL ASSETS LESS CURRENT LIABILITIES	78,492	70,550	60,484	64,665
20	CREDITORS: amounts falling due after more than one year	18,418	15,378	33,637	38,150
21	PROVISIONS FOR LIABILITIES AND CHARGES	1,712	1,633	–	–
	NET ASSETS	58,362	53,539	26,847	26,515
	CAPITAL AND RESERVES				
22	Called-up share capital	6,431	6,426	6,431	6,426
23	Share premium account	96	–	96	–
23	Revaluation reserve	21,193	23,169	–	–
23	Other reserves	678	(715)	14,769	14,769
23	Profit and loss account	29,964	24,659	5,551	5,320
	SHAREHOLDERS' FUNDS	58,362	53,539	26,847	26,515

The financial statements on pages 18 to 33 were approved by the Board of Directors on 21st March 1990 and signed on its behalf by:

T. M. Greer

M. A. Sutton
DIRECTORS

Y. M. Monaghan
SECRETARY

MOVEMENT IN FUNDS

Statement of source and application of Group funds during the 52 weeks ended 30th December 1989

	1989 £000	1988 £000
SOURCE OF FUNDS		
Profit from ordinary activities before taxation	21,340	17,943
Goodwill on minor trading acquisitions	—	(579)
Exchange differences	463	(6)
	21,803	17,358
Adjustment for items not involving movement in funds:		
Loss on sale of plant	140	145
Surplus on sales of properties	(2,821)	(987)
Profit retained in associates	(172)	(71)
Pension contribution provision	555	524
Depreciation of tangible fixed assets	5,911	5,725
Depreciation of textile rental items	5,272	4,821
FUNDS GENERATED FROM OPERATIONS	30,688	27,515
FUNDS FROM OTHER SOURCES		
Proceeds of tangible fixed asset realisations	5,652	4,154
Loans received	6,439	750
Proceeds of shares issued	101	11,525
TOTAL SOURCE OF FUNDS	42,880	43,944
APPLICATION OF FUNDS		
Purchase of tangible fixed assets	10,852	8,705
Net additions of textile rental items	6,041	5,787
Loans repaid	2,758	1,868
Dividends paid	5,726	3,778
Taxation paid	9,339	5,689
Purchase of businesses (see opposite)	3,917	21,745
TOTAL APPLICATION OF FUNDS	38,633	47,570
Movement in working capital (see opposite)	992	676
	39,625	48,246
Movement in net liquid funds:		
Increase/(decrease) in bank and cash balances	3,255	(4,302)
	42,880	43,944

	1989 £000	1988 £000
1 MOVEMENT IN WORKING CAPITAL		
consists of:		
Increase in stocks	258	641
Increase in debtors	787	2,242
(Increase) in creditors	(53)	(2,207)
	992	676

	CHESHIRE WORKWEAR RENTALS LTD £000	DRYCLEAN USA, INC. £000	OTHER MINOR BUSINESSES £000	1989 TOTAL £000	1988 £000
2 ANALYSIS OF THE PURCHASE OF BUSINESSES					
Net assets acquired:					
Tangible fixed assets	353	–	301	654	3,747
Textile rental stocks	298	–	–	298	–
Goodwill	1,187	618	1,337	3,142	14,981
Cash	(88)	–	–	(88)	3,433
Debtors	187	–	4	191	1,092
Loans	–	–	–	–	(270)
Creditors	(225)	–	–	(225)	(1,457)
Deferred taxation	(42)	–	–	(42)	–
Corporation tax	(51)	–	–	(51)	–
Stocks	9	–	29	38	219
	1,628	618	1,671	3,917	21,745
Consideration discharged:					
Shares issued	–	–	–	–	11,525
Cash	1,628	618	1,671	3,917	10,220
	1,628	618	1,671	3,917	21,745

The above figures in respect of tangible assets and liabilities represent the value at which they were recorded in the books of the acquired businesses and were considered to be recorded at fair values. The goodwill in respect of Dryclean USA, Inc. represents deferred consideration paid in accordance with the acquisition agreement dated 16th May 1988.

STATEMENT OF ACCOUNTING POLICIES

a) BASIS OF ACCOUNTING

The historical cost convention, modified to include the revaluation of certain properties, has been used throughout on a basis consistent with prior years.

b) CONSOLIDATED FINANCIAL STATEMENTS

The financial statements consolidate the results of Johnson Group Cleaners PLC and of its subsidiary companies, of which the principal ones are listed on pages 35 and 36.

The accounting periods of subsidiary companies are co-terminous with those of the Parent Company and results of subsidiaries acquired are included from the effective date of acquisition. Goodwill arising on consolidation is written off against reserves.

Associated companies are treated as fixed asset investments and represent companies which are not subsidiaries where the Group's interest in equity capital is long term and is 20% or greater. The Group's share of profit of associated companies is included in operating profit.

c) PURCHASED GOODWILL

Goodwill in the Parent Company arising on the acquisition of subsidiary companies is stated within investment in subsidiaries at cost unless there has been a permanent diminution in value.

Goodwill arising on minor trading acquisitions by subsidiary companies is written off against reserves.

d) OVERSEAS SUBSIDIARIES

United Kingdom accounting policies have been applied to overseas subsidiaries on consolidation. Assets and liabilities are translated on the basis of exchange rates ruling at the balance sheet date and earnings at the average rate for the year (see note 2). The resulting exchange differences are included as a movement in reserves.

e) TURNOVER

Turnover represents the invoiced value of goods and services supplied exclusive of VAT.

f) PENSION COSTS

The cost of providing retirement pensions and related benefits is charged to the profit and loss account over the periods benefiting from the employees' services. The regular pension cost is determined in accordance with advice from an independent Actuary and is a substantially level percentage of the current and expected future pensionable payroll. The difference between the charge to the profit and loss account and the contributions paid to the schemes is shown as an asset or liability in the balance sheet. Variations from the regular cost are spread over the average expected remaining service lives of current employees.

g) EXTRAORDINARY ITEMS

Extraordinary items comprise items which are considered to arise outside the ordinary activities of the Group.

h) TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost or valuation less depreciation which is calculated to write off these assets, by equal annual instalments, over their estimated useful lives. The estimated life of plant and fixtures is five to fifteen years and of vehicles five years. Short leaseholds are amortised over the terms of the leases

Depreciation is not provided on either freehold or long leasehold buildings in view of the Group's high standards of maintenance, the expected average useful life of these premises and their estimated residual values. The Directors therefore consider that there is no requirement to depreciate these assets.

i) LEASED ASSETS

Operating leases
Annual rentals in respect of operating leases are charged to the profit and loss account on a straight-line basis over the lease term.

Finance leases
Where assets are financed by leasing arrangements which give rights approximating to ownership, the assets are treated as if they had been purchased outright. The outstanding leasing commitments are shown as obligations to the lessor.

j) STOCKS

Stocks of textile rental items, which principally comprise workwear garments, cabinet towels and dust mats in stock and circulation, are valued at cost less depreciation calculated on a straight line basis over the estimated life of the items in circulation.

Stocks of materials and stores are valued at the lower of cost and net realisable value. Cost is stated on a first in first out basis.

k) DEFERRED TAXATION

Deferred taxation is provided under the liability method. Timing differences are accounted for to the extent that it is probable that a liability will crystallise.

NOTES ON THE FINANCIAL STATEMENTS

		1989	1988
1	As permitted by Section 228(7) of the Companies Act 1985 the profit and loss account of the holding company is not presented with these financial statements.		
2	**RATES OF EXCHANGE**		
	The following rates of exchange for the United States dollar have been used in these financial statements:		
	Average rate for the year	$1·64	$1·79
	Closing rate	$1·61	$1·81
		£000	£000
3	**OTHER OPERATING EXPENSES**		
	Distribution costs	4,286	3,771
	Administrative expenses	12,778	11,656
		17,064	15,427
4	**OPERATING PROFIT** is stated after charging:		
	Directors' management emoluments	646	498
	Pensions to former Directors	4	4
	Payments to former Directors	60	-
	Depreciation of tangible fixed assets including amortisation of short leasehold properties	5,911	5,725
	Depreciation of textile rental stocks	5,272	4,821
	Auditors' remuneration and expenses	218	177
	Hire of plant and machinery	118	96
	Operating lease payments	8,955	6,063
5	**EMPLOYEES**		
	Staff costs during the year:		
	Wages and salaries	50,935	43,562
	Social security costs	4,399	3,567
	Other pension costs	802	603
		NUMBER	NUMBER
	The average number of persons employed by the Group during the year was:		
	Full time	5,579	5,341
	Part time	2,778	2,652

6 PENSION COSTS

The Group operates pension schemes for a substantial number of employees.

In the UK the assets of the schemes are held in separate trustee administered funds. The schemes are subject to independent actuarial valuations using the Projected Unit Credit method every three years, the latest valuation being as at 5th April 1987. Pension costs are assessed in accordance therewith.

The largest of the schemes is of the defined benefit type. The main long term actuarial assumptions used in the valuation of this scheme were that the annual rate of investment return would be 8% and that annual increases in earnings and pensions would be 6% and 5% respectively.

This valuation showed that the aggregate market value of the scheme's assets was £26,754,000 and that the actuarial value of those assets represented 149% overall of the benefits due to members calculated on the basis of pensionable earnings and service as at the date of the valuation on an ongoing basis. As a result of the actuarial valuation at 5th April 1987 significant enhancements to members' benefits were made and the employer's contributions to the scheme were suspended for the three years to 31st March 1990.

7 REMUNERATION OF DIRECTORS OF PARENT COMPANY

	1989	1988
The following table shows the number of Directors whose duties are discharged mainly or wholly in the United Kingdom in each range of remuneration, excluding pension contributions.		
£10,001-15,000	1	1
£30,001-35,000	1	–
£40,001-45,000	–	2
£45,001-50,000	–	1
£50,001-55,000	1	2
£60,001-65,000	1	1
£70,001-75,000	2	–
£90,001-95,000	–	1
£95,001-100,000	2	–
Remuneration of the former Chairman to 30th September 1989	£97,237	£93,776
Remuneration of the highest paid Director (which included £23,727 as Chairman from 1st October 1989)	£96,629	–

8 NET INTEREST PAYABLE

	£000	£000
On bank loans, overdrafts and other loans		
repayable: within five years not by instalments	1,145	1,223
within five years by instalments	104	220
wholly or partly in more than five years not by instalments	774	178
wholly or partly in more than five years by instalments	30	428
On finance leases: repayable within five years by instalments	10	2
	2,063	2,051
Less: interest receivable	(167)	(194)
	1,896	1,857

		1989 £000	1988 £000
9	**TURNOVER AND PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**		
	(a) The geographical analysis of Group turnover for the year was:		
	UK	90,556	83,960
	USA	50,535	40,374
		141,091	124,334

	Turnover 1989 £000	Turnover 1988 £000	Profit before taxation 1989 £000	Profit before taxation 1988 £000
(b) The Group's activities comprise:				
Drycleaning	102,757	89,504	13,605	13,050
Textile rental	38,334	34,830	6,810	5,763
	141,091	124,334	20,415	18,813
Surplus on sales of properties			2,821	987
Net interest payable			(1,896)	(1,857)
Profit on ordinary activities before taxation			21,340	17,943

		1989 £000	1988 £000
10	**TAXATION**		
	UK corporation tax charged at 35% (1988: 35%)	5,911	5,657
	US federal taxation	1,455	1,096
	Adjustments to provisions in prior years	210	59
	Release from deferred taxation	(518)	(400)
		7,058	6,412
11	**EXTRAORDINARY ITEM**		
	Surplus on sale of property development	–	2,044
	UK corporation tax	–	(471)
		–	1,573

	1989 £000	1988 £000
12 DIVIDENDS		
£1 Preference shares at 6·3p per share	30	30
10p Convertible preference shares at 7·5p per share	864	481
Ordinary shares at 25·7p (1988: 23·1p) per share	4,941	4,437
	5,835	4,948

	1989 £000	1988 £000
13 EARNINGS PER ORDINARY SHARE		
Profit on ordinary activities after taxation	14,282	11,531
Less dividend on £1 Preference shares	(30)	(30)
Less dividend on 10p Convertible preference shares	(864)	(481)
	13,388	11,020
Number of Ordinary shares	19,215,412	19,210,624
Earnings per Ordinary share: basic	69·67p	57·37p
fully diluted	65·60p	55·47p

Basic earnings per share is calculated using the average number of shares ranking for dividend during the year, weighted on a time basis. Fully diluted earnings per share is calculated on the basis that all Convertible preference shares and options outstanding (see note 22) at 30th December 1989 had been converted or exercised on the first day of the period and the proceeds invested in 2½% Consolidated Stock.

14 PRIOR YEAR ADJUSTMENT

During the year the Group changed its accounting policy regarding the treatment of pension costs to comply with the provisions of UK SSAP24 and now recognises the cost of providing pensions on a systematic basis over the periods benefiting from the employees' services. Consequently the Group charged pension costs of £933,000 to reserves. £524,000 of this balance arose in 1988 and the corresponding profit and loss results and balance sheet figures have been restated. (See note 6.)

15 TANGIBLE FIXED ASSETS

	PROPERTIES FREEHOLD £000	LONG LEASEHOLD £000	SHORT LEASEHOLD £000	PLANT FIXTURES TRANSPORT £000	TOTAL £000
COST OR VALUATION					
At 31st December 1988	34,047	1,551	5,250	54,203	95,051
Additions	3,702	6	407	6,737	10,852
Assets acquired	200	–	35	419	654
Disposals	(4,303)	(164)	(27)	(2,758)	(7,252)
Exchange rate adjustment	100	–	491	1,740	2,331
At 30th December 1989	33,746	1,393	6,156	60,341	101,636
DEPRECIATION					
At 31st December 1988	–	–	1,794	24,946	26,740
Charge for year	–	–	566	5,345	5,911
On disposals	–	–	(25)	(2,228)	(2,253)
Exchange rate adjustment	–	–	145	455	600
At 30th December 1989	–	–	2,480	28,518	30,998
NET BOOK VALUE 1989	33,746	1,393	3,676	31,823	70,638
NET BOOK VALUE 1988	34,047	1,551	3,456	29,257	68,311

The net book value of tangible fixed assets includes £105,000 (1988: nil) of assets held under finance leases

16 PROPERTIES AT VALUATION

The cost of properties is detailed as follows:	PROPERTIES FREEHOLD £000	LONG LEASEHOLD £000	SHORT LEASEHOLD £000
Properties at cost	5,525	14	6,129
Properties at valuation in: 1987	27,340	1,379	–
Other years	881	–	27
	33,746	1,393	6,156

Potential taxation on any capital gains, which would arise if properties were realised at the valuation above, has not been reflected in these financial statements. (See note 21).

If properties had not been revalued they would have been included at a cost of £20,383,000 (1988: £17,210,000).

17 FIXED ASSET INVESTMENTS

At 30th December 1989 the Group held 25·6% of the total of 627,292 £1 ordinary shares in issue of Cleaning Tokens Ltd, and 20% of the total of 30,000 £1 ordinary shares in issue of Micronclean Ltd. These companies are therefore treated as associates.

Cleaning Tokens Ltd operates in the UK and supplies employers with cleaning services, occupational and safety footwear and working clothing, through a well established voucher system.

Micronclean Ltd provides specialist garment cleaning to hospitals and high technology industries throughout the UK.

The Group's share of the profit of Cleaning Tokens Ltd and Micronclean Ltd has been consolidated within operating profit.

	ASSOCIATED COMPANIES £000
GROUP	
At 31st December 1988	450
Profit retained in associates	172
At 30th December 1989	622
Share of net assets	496
Premium paid	126
	622

	SUBSIDIARIES £000	ASSOCIATES £000	TOTAL £000
PARENT COMPANY			
Cost at 31st December 1988	51,232	220	51,452
Purchase of Cheshire Workwear Rentals Ltd	1,628	-	1,628
Cost at 30th December 1989	52,860	220	53,080

Particulars of principal subsidiaries are shown on pages 35 and 36.

18 DEBTORS

	GROUP 1989 £000	GROUP 1988 £000	PARENT COMPANY 1989 £000	PARENT COMPANY 1988 £000
Amounts falling due within one year:				
Trade debtors	9,605	9,783	–	–
Amounts owed by Group Companies	–	–	15,182	20,003
Other debtors	1,587	1,235	6	–
Prepayments and accrued income	3,028	2,304	–	–
	14,220	13,322	15,188	20,003
Amounts falling due after more than one year:				
Amounts owed by Group Companies	–	–	1,018	1,301
Other debtors	589	509	–	–
	14,809	13,831	16,206	21,304

		GROUP 1989 £000	PARENT COMPANY 1989 £000
19	ADVANCE CORPORATION TAX		
	At 31st December 1988	1,311	1,311
	On dividends for the year	1,832	1,832
	Set against Corporation tax liability	(1,795)	(1,795)
	At 30th December 1989	1,348	1,348

		GROUP 1989 £000	GROUP 1988 £000	PARENT COMPANY 1989 £000	PARENT COMPANY 1988 £000
20	CREDITORS				
	Amounts falling due within one year:				
	Current instalments due on loans	1,921	913	1,250	–
	Bank Overdraft	92	697	2,488	2,960
	Trade creditors	3,761	4,578	–	–
	Amounts owed to Group Companies	–	–	511	251
	Dividends payable	4,043	3,934	4,043	3,934
	Other creditors	433	1,341	62	804
	Obligations under finance leases	23	–	–	–
	Advance corporation tax	1,796	1,453	1,796	1,453
	Corporation tax	5,516	7,067	–	–
	Other taxation and social security	3,815	3,752	–	–
	Accruals	6,068	4,256	–	–
		27,488	27,991	10,150	9,402
	Amounts falling due after more than one year:				
	Bank loans at variable interest rates				
	– Repayable not by instalments within five years	12,831	3,750	5,750	3,750
	– Repayable by instalments within five years: (1988: £0·55m guaranteed by Johnson Group Cleaners PLC)	6	1,326	–	–
	– Repayable not by instalments in more than five years	5,250	9,565	5,250	6,250
	– Repayable by instalments in more than five years: US notes in equal instalments	248	271	–	–
		18,335	14,912	11,000	10,000
	Corporation tax	–	406	–	–
	Obligations under finance leases	83	–	–	–
	Amounts due to Group Companies	–	–	22,637	28,150
		18,418	15,378	33,637	38,150
	Bank loans are repayable as follows:				
	Between one and two years	51	4,657	–	3,750
	Between two and five years	12,988	603	5,750	–
	In five years or more	5,296	9,652	5,250	6,250
		18,335	14,912	11,000	10,000

The above bank loans repayable in more than five years incur interest at rates varying between 8% and 15·5%.

	1989 £000	1988 £000

21 PROVISIONS FOR LIABILITIES AND CHARGES

	1989 £000	1988 £000
The provision comprises:		
Deferred taxation	224	700
Pension contribution provision	1,488	933
	1,712	1,633

a) Deferred taxation	
At 31st December 1988	700
Balance acquired	42
Release for year	(518)
At 30th December 1989	224

b) Pension contribution provision	
At 31st December 1988	933
Charged to profit and loss account (note 6)	555
At 30th December 1989	1,488

c) Potential liability for deferred taxation

The total potential liability for deferred taxation, including the amounts for which provision has been made, is as follows:

	1989 £000	1988 £000
Tax effect of timing differences due to:		
Excess of tax allowances over depreciation at the expected rates of taxation	6,899	6,629
Capital gains rolled over under S115 Capital Gains Tax Act 1979 and tax effect of timing differences on revaluation of land and buildings	3,165	4,098
Less asset in respect of pension contribution provision	(521)	(327)
	9,543	10,400

Figures for 1988 have been restated to reflect changes in accounting policy and tax legislation.

22 CALLED-UP SHARE CAPITAL

	Authorised 1989 £000	Authorised 1988 £000	Allotted, called-up and fully-paid 1989 £000	Allotted, called-up and fully-paid 1988 £000
6·3% Cumulative preference shares of £1 each	600	600	471	471
7·5p (net) Convertible cumulative redeemable preference shares of 10p each	1,153	1,153	1,153	1,153
Ordinary shares of 25p each	7,150	7,150	4,807	4,802
	8,903	8,903	6,431	6,426

The 7·5p (net) Convertible cumulative redeemable preference shares may be converted into Ordinary shares on the basis of 19·417 Ordinary shares for 100 Convertible preference shares on the 31st May of each year, for the years 1991 to 2003 inclusive. If they are not converted, the Convertible preference shares may be redeemed at £1 per share at the option of Johnson at any time from 31st May 2004 and in any event will be redeemed at £1 per share on 31st May 2008.

The increase in share capital and share premium (see note 23) arises from the exercise of options over 19,031 Ordinary shares pursuant to the rules of the Johnson Group share option schemes.

CALLED-UP SHARE CAPITAL CONTINUED

The following options in respect of Ordinary shares of 25p each granted pursuant to the Johnson Group savings related share option scheme and Johnson Group 1987 executive share option scheme were outstanding at 30th December 1989.

	DATE OPTIONS GRANTED	NUMBER OF SHARES	DATE EXERCISABLE	PRICE PER SHARE
Savings related	3rd July 1987	188,303	3rd July 1992	406p
Savings related	3rd July 1987	79,529	3rd July 1994	406p
Executive	3rd September 1987	228,991	3rd September 1990	531p
Executive	8th April 1988	133,657	8th April 1991	451p
Savings related	20th April 1988	35,495	20th April 1993	406p
Savings related	20th April 1988	13,646	20th April 1995	406p
Executive	7th April 1989	74,161	7th April 1992	606p
Savings related	20th April 1989	37,432	20th April 1994	546p
Savings related	20th April 1989	17,873	20th April 1996	546p

Options granted under the savings related scheme and executive scheme are normally exercisable within 6 months or 7 years respectively from the date shown above.

23 RESERVES

	SHARE PREMIUM ACCOUNT £000	REVALUATION RESERVE £000	OTHER RESERVES EXCHANGE RESERVE £000	OTHER RESERVES MERGER RESERVE £000	PROFIT AND LOSS ACCOUNT £000
GROUP					
As previously reported at 31st December 1988	–	23,169	(2,266)	1,551	25,592
Prior year adjustment	–	–	–	–	(933)
As restated	–	23,169	(2,266)	1,551	24,659
Retained profit for year	–	–	–	–	8,447
Exchange movement	–	52	1,393	–	–
Revaluation surplus realised	–	(2,028)	–	–	–
Premium on allotment during year	96	–	–	–	–
Goodwill on acquisitions	–	–	–	–	(3,142)
At 30th December 1989	96	21,193	(873)	1,551	29,964

	SHARE PREMIUM £000	OTHER RESERVES CAPITAL RESERVE £000	OTHER RESERVES MERGER RESERVE £000	PROFIT AND LOSS ACCOUNT £000
PARENT COMPANY				
At 31st December 1988	–	11,256	3,513	5,320
Retained profit for year	–	–	–	231
Premium on allotment during year	96	–	–	–
At 30th December 1989	96	11,256	3,513	5,551

At 30th December 1989 the distributable reserves of the Group amounted to £29,964,000 and of the Company to £5,551,000.

	1989 £000	1988 £000
24 FUTURE COMMITMENTS OF SUBSIDIARY COMPANIES		
CAPITAL—		
Estimated amount of capital expenditure:		
Contracted but not provided for	1,461	1,727
Authorised by the Directors but not contracted for	1,510	416
REVENUE—		
Subsidiary companies have commitments under operating leases to make payments in the following year as set out below:		
Land and buildings:		
Operating leases which expire:		
Within one year	623	497
In two to five years	2,837	2,668
Over five years	4,308	5,101
	7,768	8,266
Plant and machinery:		
Operating leases which expire:		
Within one year	246	8
In two to five years	755	614
Over five years	35	–
	1,036	622

25 CONTINGENT LIABILITIES

At 30th December 1989 there were no contingent liabilities other than those arising from the ordinary course of business on which no material losses are expected to arise.

FIVE YEAR RECORD

	1989	1988	1987	1986	1985
	£000	£000	£000	£000	£000
Turnover	**141,061**	124,334	101,805	90,259	89,594
Profit before taxation	**21,340**	17,943	11,204	8,820	7,784
Tangible fixed assets	**70,638**	68,311	64,685	58,560	58,568
Capital employed	**78,492**	70,550	71,511	68,042	69,648
Net assets	**58,362**	53,539	51,363	46,098	42,214
	%	%	%	%	%
RETURN OF PROFIT BEFORE TAXATION ON:					
Turnover	**15·12**	14·43	11·00	9·77	8·69
Capital employed	**27·19**	25·43	15·67	12·96	11·18
Net assets	**36·56**	33·51	21·81	19·13	18·44
ORDINARY SHARES:					
Dividend per share	**25·7p**	23·1p	18·6p	16·1p	14·3p
Basic earnings per share	**69·67p**	57·37p	36·83p	30·59p	26·31p
STATISTICS AT DECEMBER					
Employees:					
Full time	**5,509**	5,370	4,458	4,383	3,991
Part time	**2,816**	2,646	2,640	2,496	2,443
	8,325	8,016	7,098	6,879	6,434

Notes a) Figures for 1988 and 1987 have been restated to reflect the prior year adjustment in respect of a change in the accounting policy for pension costs.

b) Properties were revalued in 1987.

PARTICULARS OF PRINCIPAL SUBSIDIARIES

UK PROPERTY HOLDING COMPANY
Johnson Group Cleaners Properties PLC
T. M. Greer CHAIRMAN
J. N. G. Mason, FRICS MANAGING DIRECTOR
R. G. F. Zerny, J. I. S. Fox,
M. A. Sutton, BA, FCA

UK MANAGEMENT SERVICES COMPANY
Johnson Group Management Services Limited
T. M. Greer CHAIRMAN
R. G. F. Zerny MANAGING DIRECTOR
M. A. Sutton, BA, FCA, Miss A. F. Smith,
K. Ineson, G. L. Gotts, MSc,
D. A. Hargreaves, M. R. Barnsley,
Mrs Y. M. Monaghan, BSc, ACA

USA HOLDING COMPANY
Johnson Group, Inc., Nevada**
T. M. Greer CHAIRMAN
J. R. Wahl, BBA PRESIDENT
M. A. Sutton, BA, FCA, H. E. Katterjohn,
M. Shapiro, J. P. Barry, E. J. Schwartz,
C. L. Young Jr.

USA MANAGEMENT SERVICES COMPANY
Johnson Group Management, Inc., Ohio**
J. R. Wahl CHAIRMAN AND PRESIDENT
T. M. Greer, M. J. Nocito, CPA,
Mrs D. H. Moore, CPA

UK OPERATING COMPANIES

NORTH WESTERN
Johnson Brothers (Cleaners) Limited
R. G. F. Zerny CHAIRMAN
D. Bryant MANAGING DIRECTOR
T. M. Greer, B. Greenwell

EASTERN
Jas. Smith & Sons (Cleaners) Limited
R. G. F. Zerny CHAIRMAN
Mrs J. Fairlie MANAGING DIRECTOR
T. M. Greer, F. D. Middleton, ATI, A. K. Walker,
T. J. Staines

John Crockatt Limited
R. G. F. Zerny CHAIRMAN
F. D. Middleton, ATI, MANAGING DIRECTOR
T. M. Greer, B. L. Walker, Mrs M. Crawford

SCOTTISH
J. Pullar & Sons Limited*
R. G. F. Zerny CHAIRMAN
S. McNivan MANAGING DIRECTOR
T. M. Greer

SOUTHERN
Bollom Limited
R. G. F. Zerny CHAIRMAN
J. I. S. Fox JOINT MANAGING DIRECTOR
A. S. Linegar JOINT MANAGING DIRECTOR
T. M. Greer, J. N. G. Mason, T. J. Maskell
C. Sander

NORTH EASTERN
Hartonclean Limited
R. G. F. Zerny CHAIRMAN
M. Bird MANAGING DIRECTOR
T. M. Greer, A. J. Teale

MIDLANDS
Joseph Harris Limited
R. G. F. Zerny CHAIRMAN
P. M. Robinson MANAGING DIRECTOR
T. M. Greer, J. Brierley, R. J. D. Bayliss

HUMBERSIDE
Zernys Limited
R. G. F. Zerny CHAIRMAN
E. V. Turton MANAGING DIRECTOR
T. M. Greer, P. M. Robinson, C. Braithwaite,
D. R. Munt

The Group holds 100 per cent of the equity share capital of all the above companies. Non trading subsidiaries of the Group which are all wholly owned have not been noted above.

*This company is registered in Scotland

**These companies are incorporated in the United States of America

All the remaining companies are registered in England

SOUTH WESTERN
Kneels Limited
R. G. F. Zerny CHAIRMAN
M. J. Hempsall MANAGING DIRECTOR
T. M. Greer

LONDON
James Hayes & Sons Limited
R. G. F. Zerny CHAIRMAN
P. M. Undery MANAGING DIRECTOR
T. M. Greer

CLEANROOM OPERATIONS
Johnson Microclean Limited
R. G. F. Zerny CHAIRMAN
P. M. Robinson MANAGING DIRECTOR
T. M. Greer, S. McNiven

WORKWEAR MANUFACTURING COMPANY
Apparelmaster Design Limited
T. M. Greer CHAIRMAN
D. L. Atkins MANAGING DIRECTOR
R. G. F. Zerny, R. Harris, FCA, D. Matley

USA OPERATING COMPANIES

Apparelmaster Inc., Ohio**
J. R. Wahl CHAIRMAN
Mrs E. R. Remle PRESIDENT
T. M. Greer, Mrs R. M. Ripberger,
W. W. Williams

Tuchman Cleaners, Inc., Indiana**
J. R. Wahl CHAIRMAN
J. N. Dunn PRESIDENT
T. M. Greer, H. E. Katterjohn

Capitol Varsity, Inc., Ohio**
J. R. Wahl CHAIRMAN
J. N. Dunn PRESIDENT
T. M. Greer, H. E. Katterjohn

Garrett Dry Cleaning, Inc., South Carolina**
J. R. Wahl CHAIRMAN
T. R. Garrett PRESIDENT
T. M. Greer, Mrs M. C. Garrett

Al Phillips The Cleaner, Inc., Nevada*
J. R. Wahl CHAIRMAN
P. Shapiro PRESIDENT
T. M. Greer, M. Shapiro

Coleman Young Enterprises, Inc., South Carolina**
J. R. Wahl CHAIRMAN
C. L. Young Jr. PRESIDENT
T. M. Greer

Dodge Cleaners, Inc., Tennessee**
J. R. Wahl CHAIRMAN
B. B. Begley PRESIDENT
T. M. Greer, B. J. Begley, J. A. Herbert Jr.,
J. P. Barry

Pride Cleaners, Inc., Kansas**
J. R. Wahl CHAIRMAN
J. P. Barry PRESIDENT
T. M. Greer

Camelot Cleaners, Inc., North Dakota**
J. R. Wahl CHAIRMAN
J. N. Dunn PRESIDENT
T. M. Greer, R. Ries

Nashville Insty Prints, Inc., Tennessee**
J. R. Wahl CHAIRMAN
B. B. Begley PRESIDENT
T. M. Greer, B. J. Begley, J. A. Herbert Jr.,
J. P. Barry

Dryclean-USA., Inc., Delaware**
J. R. Wahl CHAIRMAN
E. J. Schwartz PRESIDENT
T. M. Greer, W. K. Steiner, K. E. Noga

MT Cleaners Corp., Ohio**
J. R. Wahl CHAIRMAN
E. J. Schwartz PRESIDENT
T. M. Greer, R. Rubinstein

NOTICE OF MEETING

The annual general meeting of the shareholders of Johnson Group Cleaners PLC will be held on Wednesday, 23rd May 1990 at the Atlantic Tower Hotel, Chapel Street, Liverpool L3 9RE at 11.30 a.m.

The business of the meeting will be:

ORDINARY BUSINESS

1 To receive and adopt the financial statements for the 52 weeks ended 30th December 1989 and the reports of the Directors and the Auditors.

2 To confirm the payment of interim dividends.

3 To re-elect Mr J. N. G. Mason as a Director.

4 To re-appoint Coopers & Lybrand Deloitte as Auditors to the Company and authorise the Directors to fix their remuneration.

SPECIAL BUSINESS

5 To consider and, if thought fit, pass the following resolution as an Ordinary Resolution — that for the purposes of Section 80 of the Companies Act 1985, the Directors of the Company be and they are hereby generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (as defined for the purposes of the said Section 80) provided that:

(a) the aggregate of the nominal amount of such securities where they are shares, and, where such securities are not shares the nominal amount of the shares in respect of which such securities confer the right to convert or subscribe, shall not exceed £2,342,327; and

(b) this authority shall expire on the date of the next annual general meeting of the Company after the passing of this Resolution save that the Company may before such expiry make any offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors of the Company may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred hereby had not expired and any previous authority under Section 80 of the Companies Act 1985 shall henceforth cease to have effect.

6 To consider and, if thought fit, pass the following resolution as a Special Resolution — that subject to the passing of the Ordinary Resolution set out above the Directors of the Company be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 to allot equity securities (as defined for the purposes of the said Section) pursuant to the authority conferred by the previous Resolution as if Section 89(1) of that Act did not apply to any such allotment provided that this power shall be limited:

(a) to the allotment of equity securities in connection with a rights issue in favour of holders of Ordinary shares in the capital of the Company and of 7·5p (net) Convertible cumulative redeemable preference shares in the capital of the Company where the equity securities respectively attributable to the interests of all holders of Ordinary shares in the capital of the Company are proportionate (as nearly as may be) to the respective numbers of shares held by them and to the interests of holders of 7·5p (net) Convertible cumulative redeemable preference shares in the capital of the Company are in accordance with the entitlements of such holders pursuant to the special rights and restrictions attached to such shares provided that in both cases the Directors of the Company may make such arrangements in respect of overseas holders and in respect of fractional entitlements as they consider necessary or convenient; and

(b) to the allotment (otherwise than pursuant to sub paragraph (a) above) of equity securities having, in the case of relevant shares (as defined for the purposes of Section 89 of the Companies Act 1985), a nominal amount or in the case of other equity securities giving the right to subscribe for or convert into relevant shares having a nominal amount not exceeding in aggregate £240,383 (5% of the issued Ordinary share capital).

The authority contained in this Resolution shall expire on the date of the next annual general meeting of the Company after the passing of this Resolution save that the Company may before such expiry make any offer or agreement which would or might require equity securities to be allotted after such expiry and the Directors of the Company may allot equity securities in pursuance of such offer or agreement as if the power conferred hereby had not expired.

7 To consider and, if thought fit, pass the following resolution as a Special Resolution —
that the Articles of Association of the Company are altered by the deletion of paragraphs (2) to (8) of Article 76 and the insertion in substitution thereof of the following:

"76 Disclosure of Interests

(2) The provisions of Section 212 of the Companies Act 1985 ("Section 212") shall be deemed to be incorporated into these Articles and accordingly to apply as between the Company and each member. If a notice is given under Section 212 ("a Section 212 notice") to a person appearing to be interested in any shares a copy shall at the same time be given to the member holding those shares but the accidental omission to do so or the non-receipt by the member shall not prejudice the operation of the following provisions of this Article 76.

The following provisions of this Article 76 shall be without prejudice to the provisions of Section 216 of the Companies Act 1985 and in particular the Company shall be entitled to apply to the court under Section 216 (1) of the Companies Act 1985 whether or not these provisions apply or have been applied.

(3) If a member or any person appearing to be interested in any shares held by a member has been duly served with a Section 212 notice and is in default for the relevant period (as defined in paragraph (11) below) from such service in supplying to the Company the information thereby required, the provisions of paragraphs (4) and (5) below shall apply. The restrictions imposed by those paragraphs in relation to any shares shall continue (unless the Directors determine otherwise under paragraph (7) below) until a relevant event occurs in relation to those shares and shall lapse when it does so. For this purpose, a "relevant event" is either of the following:

the default is remedied; and

the shares are registered in the name of the purchaser or offeror (or that of his nominee) pursuant to an arm's length transfer (as defined in paragraph (9) below).

Any dividends withheld pursuant to paragraph (5) (ii) below shall be paid to the member as soon as practicable after the Directors determine that the restriction in paragraph 5 (ii) shall cease to apply or, if no such determination is made, after the restrictions contained in paragraph (5) below lapse.

(4) If the member has a holding of less than 0·25% of any class of shares, then, subject to paragraph (8) below and unless the Directors otherwise determine under paragraph (7) below, the member shall not be entitled in respect of the shares held by him (whether or not referred to in the Section 212 notice) to be present or to vote at a general meeting or at any separate meeting of the holders of any class of shares either personally or by proxy or upon any poll, or to exercise any other right conferred by membership in relation to meetings of the Company.

(5) If the member has a holding of at least 0·25% of any class of shares, then, subject to paragraph (8) below and unless the Directors otherwise determine, the member shall not be entitled in respect of the shares held by him (whether or not referred to in the Section 212 notice):

(i) to be present at or to vote at a general meeting or at any separate meeting of the holders of any class of shares either personally or by proxy or upon any poll, or to exercise any other right conferred by membership in relation to meetings of the Company; or
(ii) to receive any dividend payable in respect of such shares; or
(iii) to transfer or agree to transfer any of such shares or any rights therein.

(6) Shares issued in right of any shares which are for the time being subject to particular restrictions shall on issue become subject to the same restrictions whilst held by the member holding such shares as those shares in right of which they are issued. For this purpose, shares which the Company procures to be offered to members pro rata (or pro rata ignoring fractional entitlements and shares not offered to certain members by reason of legal or practical problems associated with offering shares outside the United Kingdom) shall be treated as shares issued in right of those shares.

(7) The Directors may, at any time before a relevant event occurs, at their discretion, determine either that one or more of the restrictions in paragraphs (4) and (5) above shall cease to apply (whereupon they shall cease to so apply) or to suspend in whole or in part the imposition of any of the restrictions either permanently or for a given period. Notice of any such determination, specifying the restriction which has ceased to apply or been suspended, and in the case of suspension, the period of suspension, shall be given by the Company to the relevant member as soon as practicable thereafter.

(8) The restrictions in paragraphs (4) and (5) above shall be without prejudice to the right of either the member holding the shares concerned or if different, the beneficial owner of those shares to effect or agree to sell under an arm's length transfer some or all of those shares.

(9) For the purpose of this Article 76, an "arm's length" transfer in relation to any shares is a transfer pursuant to:
(i) a sale of those shares on a recognised investment exchange (as defined in the Financial Services Act 1986) or on any stock exchange outside the United Kingdom on which the shares are normally traded; or
(ii) a takeover offer for the Company (as defined in Section 14 of the Company Securities (Insider Dealing) Act 1985 which relates to those shares.

(10) For the purposes of this Article 76, the Company shall be entitled to treat any person as appearing to be interested in any shares if
(i) the member holding such shares or any person who is or who may be interested in such shares either fails to respond to a Section 212 notice or has given to the Company a notification pursuant to a Section 212 notice which in the opinion of the Directors fails to establish the identities of those interested in the shares and if (after taking into account the said notification and any other relevant notification pursuant to a Section 212 notice) the Company knows or has reasonable cause to believe that the person in question is or may be interested in the shares; or
(ii) that person (not being the member) is interested in those shares for the purposes of Section 212.

(11) For the purposes of this Article 76, the "relevant period" shall be, in a case falling within paragraph (4) above, 28 days and, in a case falling within paragraph (5) above, 14 days."

The holders of the 6·3 per cent Preference shares and the Ordinary shares are entitled to attend and vote at this meeting. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him and such proxy need not be a member.

By order of the Board
Y.M. Monaghan
Yvonne M. Monaghan
SECRETARY
Mildmay Road, Bootle
Merseyside L20 5EW

26th April 1990

NOTES

1 A form of proxy is enclosed. Completion of the form does not preclude a member from subsequently attending and voting at the meeting.

2 In accordance with the requirements of The Stock Exchange there will be available for inspection at the Registered Office of the Company during normal business hours on any weekday (Saturday and public holidays excepted) from the date of this Notice until the date of the meeting and at the place of the meeting for fifteen minutes prior to and during the meeting:

(i) The Register of Directors' Interests kept by the Company under Section 325 of the Companies Act 1985.

(ii) Copies of all service contracts for periods in excess of one year between the Directors and the Company.

3 Explanation of Special Business.

(a) At the annual general meeting held on 24th May 1989 the Directors were empowered to allot shares and, in certain circumstances, to allot shares for cash otherwise than pro rata to existing shareholdings.

Resolutions 5 and 6 seek approval for the extension of such authority.

The renewal of the authority to allot shares in the Company will enable your Board to take full advantage of any business or financing opportunities which may arise in the future. Your Board also consider it desirable that the Company should, in certain circumstances, have the ability to issue shares for cash other than on a pro rata basis. Your Directors consider the passing of these Resolutions to be in the best interest of Johnson and its shareholders and accordingly recommend that you vote in favour of both Resolutions as they intend to do in respect of their own shareholdings.

(b) In May 1989 The Stock Exchange reviewed the sanctions which a Company may impose under its Articles of Association if on receipt of a notice issued under Section 212 of the Companies Act 1985, a shareholder fails to respond to or give adequate information regarding the beneficial owner of the shares held in their name.

Resolution 7 seeks approval for a change in the Articles of Association to allow for the imposition of sanctions in appropriate circumstances.