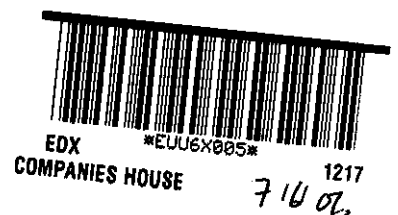


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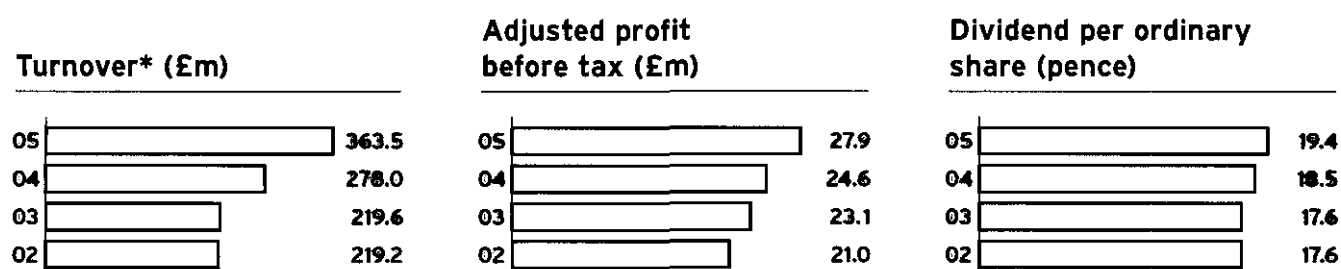
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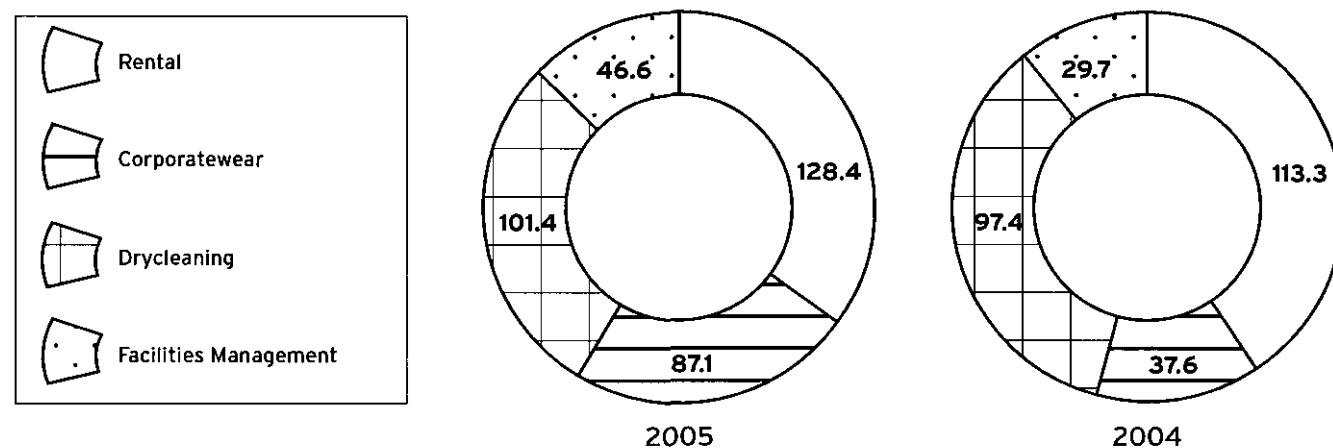
Financial Highlights

	UK GAAP 2005	IFRS 2005	UK GAAP 2004 Restated
Turnover (£m)	431.9	431.9	364.0
Turnover* (£m)	363.5	363.5	278.0
Profit before taxation (£m)	15.7	23.6	15.4
Adjusted profit before taxation (£m)	27.9	28.1	24.6
Adjusted fully diluted earnings per share (pence)	33.6	33.8	30.2
Net debt (£m)	137.0	137.2	74.1
Dividend per share (pence)	19.4	19.4	18.5

* Excluding costs recharged to customers



Contribution to Group turnover* (£m)



The Group

Rental

Johnsons Apparelmaster is the UK leader in the laundering and rental of workwear and Stalbridge Linen Services is Britain's leading supplier of premium linen hire services. Johnson Hospitality Services (JHS) is the market leader in the provision of furniture and catering equipment to the contract catering market.

Corporatewear

Our Corporatewear division consists of six premium brands; Dimensions, DCC, CCM, Yaffy, Boyd Cooper and Wessex, and together they are the largest suppliers of clothing to people at work in the UK.

Drycleaning

Our market leading Drycleaning business operates under the Johnsons Cleaners, Sketchley and Jeeves of Belgravia brands. Alex Reid is the leading supplier of consumables to the drycleaning industry and is the European Master Licence holder for the environmentally preferable GreenEarth® process. Firbimatic UK, a division of Alex Reid, is the market leader in the supply and servicing of drycleaning machinery and ancillary equipment.

Facilities Management

Our Facilities Management division consists of Johnson Workplace Management (JWM), who deliver facilities management services to the commercial office market complemented by SGP Property Services (SGP) who specialise in the provision of property management and maintenance services to the financial, leisure and retail sectors.

Our Mission

Johnson Service Group provides a unique range of support services that allow our corporate clients to focus on their core activities, and enable individual consumers to find the best in textile care.

We operate in two principal areas. Our market leading textile-related services include clothing people at work, renting and laundering workwear garments, drycleaning and providing hospitality equipment. Our facilities management operations provide a comprehensive range of high value services to both commercial and retail clients.

Our aim is to become the integrated service provider of choice in the markets we serve. We intend to deliver sustained and profitable growth within a dynamic culture that allows us to:

- Provide excellent services that exceed the expectations of our customers and offer real value
- Attain the highest possible standards of quality, efficiency and convenience
- Build genuine and mutually beneficial partnerships with our clients, customers and suppliers
- Continue developing, empowering and incentivising our people, and ensure that they are rewarded for results
- Respect our obligations to the community and environment.

JOHNSON
SERVICE GROUP PLC

Johnson Service Group

Corporatewear

Dimensions

The UK's leading managing agency for corporate clothing. Dimensions' market leading design and sourcing provide high service levels to a large number of the UK's major employers. Dimensions has market dominance in the UK retail sector.

DCC

DCC provides both a managing agency for corporate clothing to the UK financial sector as well as a high quality mail order clothing catalogue.

CCM

One of Europe's leading workwear sourcing companies. Delivering innovative supply solutions through global partnerships and bespoke customer managed services.

Yaffy

The UK's leading supplier of high performance technical outerwear to UK police authorities. It holds long term contracts to design or supply this outer wear and body armour carriers to UK police forces.

Boyd Cooper

A leading supplier of uniforms to the health service with 225 years experience and the holder of a Royal Warrant.

Wessex Textiles

The leading provider of ambulance and paramedic uniforms in the UK.

Rental

Johnsons Apparelmaster

The UK's leading workwear rental business, providing a comprehensive clothing portfolio to the workplace, supported by sourcing, supply and aftercare service solutions.

Johnsons Stalbridge

The UK's market leader in the provision of premium linen, catering garments and aftercare support services to the hospitality, food service and corporate entertainment markets.

JHS

The UK's market leader in the hire of catering equipment, hospitality furniture and related items to major sporting and other large, spectator events.

Facilities Management

Workplace Management

This business signifies the Johnson strategic entry into the growing workplace and facilities management market. It manages over 250 locations, covering some 15 million square feet, for a range of blue-chip corporate customers and Government departments.

Workplace Engineering

Workplace Engineering provides hi-tech electrical, engineering and project fit-out services on a planned and reactive basis. It brings together the two recently acquired businesses, Ace (Ascot) and Acame.

SGP

SGP specialises in the provision of property management services to the financial, leisure and retail sectors, including 24/7/365 maintenance help desk, building services, project, asset and health and safety audit services.

Environmental Pest Control

Environmental Pest Control provides pest control services to workplace, retail and leisure markets ranging from rodent and bird flocking control to the environmental management of potential and actual risks to locations throughout the UK.

Drycleaning

Johnsons

Sketchley

Britain's number one drycleaners with a network of conveniently located stores nationwide. Leaders in drycleaning, specialist textile and garment aftercare services.

Jeeves of Belgravia

Jeeves is a respected luxury brand offering a premium quality service to customers including haute-couture houses, a wide range of City and bespoke-service-seeking individuals and is the holder of two Royal Warrants.

Jeeves International - The world franchising arm of the Jeeves brand. It is currently represented in Hong Kong, New York, Jakarta and Istanbul.

Alex Reid

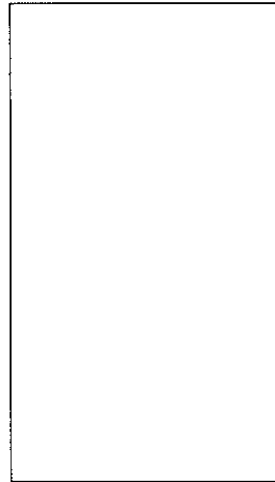
The UK's leading supplier to the clothes care sector, serving a wide range of customers from small independent drycleaners and launderettes to national chains and large industrial laundries.

Firbimatic is the market leader in the supply and servicing of drycleaning machinery.

GreenEarth

Alex Reid are marketing and making available the GreenEarth® process under licence to all UK drycleaning independents and establishing sub licence relationships with distributors across Europe.

Chairman's Statement



I am pleased to report a year of further progress for the Group. Particularly strong performances by our newer Facilities Management and Corporatewear businesses have helped us to

achieve our financial objectives despite the impact on Drycleaning of the weak retail market. We have also managed to stabilise and grow our Apparelmaster garment rental business after several years of industry-wide decline and we continue to see excellent growth from our Stalbridge linen rental business.

Group results

Our results for the year were in line with our expectations. Total turnover grew by 19% to £432 million (2004: £364 million), while turnover, excluding costs recharged to customers in our Facilities Management division, increased by 31% to £364 million (2004: £278 million). Excluding acquisitions and costs recharged to customers, underlying revenue rose by 4%.

The Group interest charge rose to £8.4 million (2004: £5.5 million), reflecting the £86 million expenditure on acquisitions, net of disposals, over the last two years.

As a result of our acquisitions, amortisation of intangible assets increased substantially. We also incurred net exceptional costs of £0.6 million (2004: £2.0 million); these comprised restructuring costs of £4.0 million; a £1.0 million provision for environmental and asbestos remediation work and exceptional income of £4.4 million relating to the gain on the sale of ten retail properties and a textile rental facility. The restructuring expenditure arose as we integrated our acquired businesses and rationalised back office functions. This restructuring has already led to a saving of some £500,000 in 2005 and is expected to yield annual savings of £1.3 million from 2006. In addition, we rationalised the number of premises that Johnson Hospitality Services trades from and incurred additional costs as we integrated the business under the management of Stalbridge Linen Services.

Under UK GAAP, reported profit before taxation rose by 2% to £15.7 million.

The Group has prepared its consolidated financial statements to 31st December 2005 under UK GAAP, supplemented with summary IFRS financial information, rather than under IFRS as previously indicated. This is to comply with the Companies Act 1985 (as amended November 2004) and is a result of the 2005 accounting year commencing on 26th December 2004, i.e. prior to the IFRS adoption date of 1st January 2005.

The only significant difference in the Group profit and loss account is the treatment of amortisation of goodwill and intangibles. Therefore, the adjusted profit (before amortisation, restructuring and environmental costs and exceptional items) under IFRS is nearly identical to that reported under UK GAAP. Summary IFRS information has been included in note 37 of the Financial Statements. To aid comparability with our peers who will be reporting under IFRS, the following numbers used in this commentary are IFRS based unless otherwise stated.

Adjusted profit before taxation rose by 15% to £28.1 million (2004: £24.4 million) and adjusted fully diluted earnings per share by 9% to 33.8 pence (2004: 30.9 pence).

Finances

In July we established a new £200 million five year Revolving Credit Facility with a syndicate of seven banks. This was agreed on more favourable terms than our previous facility, which began to amortise at the end of June 2005.

The Group's net debt at the year end was £137 million (2004: £74 million). This £63 million increase reflected our net cash spend on acquisitions of £56.2 million, continuing capital expenditure and a £3.4 million rise in our working capital. Capital expenditure is expected to continue at a substantial level through 2006, as previously advised, but then decrease substantially as our major IT and building programmes are completed. The interest charge was covered over four times by adjusted operating profit.

Dividend

The Board is recommending an increased final dividend of 15.0 pence per share (2004: 14.3 pence). Together with the interim dividend of 4.4 pence paid in October, this makes a total for the year of 19.4 pence (2004: 18.5 pence), a rise of 5%. It is the Board's intention to continue to pursue a progressive dividend policy while maintaining a prudent level of cover.

Operations

All the business-to-business divisions of the Group performed well during the year, with Corporatewear and Facilities Management making particularly strong progress. In the Rental division, Johnsons Apparelmaster's revenues stabilised after several years of decline; Stalbridge maintained its excellent growth record and Johnson Hospitality Services has begun to benefit from its integration into this successful business. In a poor trading climate for high street retailers in general, the Drycleaning division experienced reductions in both like-for-like sales and profits. The Chief Executive and our divisional Managing Directors provide a fuller commentary on these and other developments in their Review on pages 8 to 19 of this report.

Acquisitions

During the year we made eight acquisitions for a total value of £62.2 million, including deferred consideration. The acquisitions continued our strategy of refocusing the Group towards markets which offer higher growth business-to-business services, with strong recurring revenue streams, hence reducing our exposure to our traditional and more cyclical markets in garment rental and drycleaning.

All the acquisitions are meeting or exceeding our initial expectations.

SGP's Ray Twigg project managing the fit out of a new Carphone Warehouse in Ruislip

Outlook

The Group remains focused on further developing its business-to-business operations which have high levels of recurring revenues and real growth potential.

Our textile offering is comprehensive and unique, while our expanded Facilities Management activities now cover both the commercial and retail sectors. The strong business model we have developed allows us to exploit the cross-selling opportunities that exist within and between our core activities and to deliver sustained growth to the top and bottom line.

With our Corporatewear and Facilities Management businesses performing well in growing markets and with improving conditions in the workwear rental sector we are confident in the future of the Group.

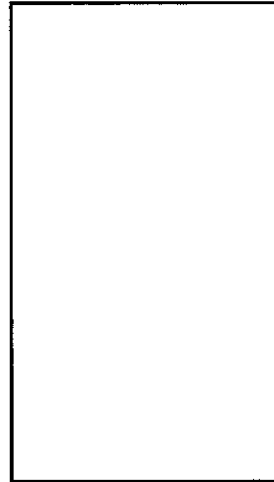
Trading conditions for our retail Drycleaning business remain unpredictable.

Subject to the comments above, we remain well placed to deliver another satisfactory outcome for the year as a whole.

Simon Sherrard
Chairman
13th March 2006

Johnson Hospitality Services supplies Café Spice Namasté, owned by celebrity chef Cyrus Todiwala MBE, with tablewear for events

Chief Executive's Review



Over the last three years we have transformed this long-established laundry and drycleaning company into a modern and balanced support services Group.

The business is now well equipped to meet the challenges and opportunities of the twenty-first century. We have a clear mission and vision for the future, a tight focus on our two core activities, significantly increased exposure to growth markets and a dynamic and supportive corporate culture. We identified clear strategic priorities and have delivered all our objectives to date, while consistently growing turnover. Most importantly, we have built up strong management in depth. This team has significant capability and capacity to deliver profitable growth into the future, as we exploit the undoubted potential of our core skills in both Britain and Europe.

Strategic Overview

In 2005 we continued to build successfully on the foundations laid over the previous two years through our programme of acquisitions and divestment, the strengthening of our management and the process of top-to-bottom cultural change. The Group is firmly committed to focusing on two fundamental components with real growth potential: textile-related services and facilities management. We have again grown in both these sectors through a combination of organic development and acquisition.

Acquisitions

The two principal acquisitions made during the year were in the Corporatewear and Facilities Management divisions. At the start of the financial year we acquired the DCC corporatewear business, focusing primarily on customers in the financial services and leisure sectors, for a maximum consideration of £23.0 million. In October 2005 we bought SGP Property Services, providing white-collar facilities management to the financial services, leisure and retail sectors, for a maximum consideration of £24.8 million. Both businesses extended our service offerings and ideally complemented our established strengths in corporatewear for retailers and facilities management for the commercial office market. Our enlarged business dedicated to clothing people at work has an annualised throughput of well over 10 million garments while our Facilities Management division now provides a greatly expanded range of services to an even larger number of both customers and locations nationally.

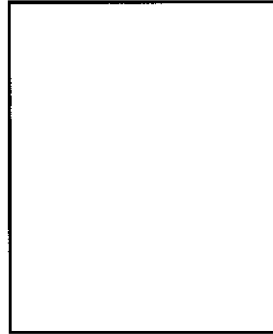
Other, smaller acquisitions made during the year were further bolt-ons to our Corporatewear and Facilities Management divisions and trade and asset purchases designed to strengthen Apparelmaster and Stalbridge while reducing industry overcapacity in their market place.

Investment

During the year we spent £23.2 million on fixed assets to enhance efficiency, introduce new technologies and enlarge our capacity in markets with long-term growth potential. Our largest single project is the £11 million roll-out of an Enterprise Resource Planning system, which is expected to be largely completed by the end of 2006 on budget. This will give us a real competitive advantage by allowing us to increase efficiency, reduce costs and ensure operational best practice across the Group. We have acquired an additional laundry to enable Stalbridge Linen Services to continue its exemplary organic growth, and will this year begin construction of a new facility for the brand in the East Midlands.

We also saw a marked increase in our rental stock expenditure, which rose to £24.8 million (2004: £19.4 million). This increase was due to the high organic growth levels experienced at our linen rental business, Stalbridge, together with the return to growth of our workwear rental operation, Apparelmaster. Another sign of the improvement in Apparelmaster's performance was that receipts from customers who terminated their contracts fell to £3.5 million (2004: £5.1 million) as retention rates improved.

Rental



David Toon
Executive Director
Rental and Corporatewear

The Rental division saw an increase in revenues of 13% (7% excluding acquisitions), consisting of a welcome stabilisation in Johnsons Apparelmaster revenues and continued strong growth from Stalbridge Linen Services. However, adjusted operating profit fell 7% as Johnson Hospitality Services underperformed during the second half of the year with sales down 7%.

Johnsons Apparelmaster

Apparelmaster, the UK leader in the laundering and rental of workwear, has seen several years of sales decline. Following significant management effort we have achieved an improved business performance in 2005, with organic revenues increasing by 2%. Total revenues rose 4% following the acquisition of customer contracts from four small competitors who were exiting the market. This is the first time in several years that we have achieved a stabilising in revenues, as we contracted in tandem with a market that has suffered from the rapid decline in UK manufacturing.

Strategically we have focused on developing our turnover with smaller and medium-sized customers in response to particularly intense price competition for large national accounts. This approach, together with continued investment into our sales force and marketing plans, has resulted in new business sales and our customer retention rates both improving. We have also sustained the rate of investment made over the last two years in the people and infrastructure within the business. This has enabled us to provide a high quality and efficient service to our customers, while maintaining a low cost base. This action, together with the acquisitions, has enabled us to improve the total operating profit margin from 13.3% to 13.9%.

The cleanroom at Apparelmaster's Exeter facility which cleans workwear for the food industry

It is expected that the operating profit margin will be under pressure during 2006 as the cost increases we are experiencing are unlikely to be totally matched by price rises.

In January 2006 Rentokil Initial announced the closure of its UK linen and workwear operations. We are actively marketing to the customers that it is intending to stop servicing with some success. In addition, the processing capacity that will be closing may help the industry achieve greater price stability.

Stalbridge Linen Services and Johnson Hospitality Services (JHS)

Stalbridge again achieved excellent organic revenue growth of 28% in the premium hotel, catering and corporate hospitality sector, where it is the market leader. These remarkable results have been achieved against at best a broadly inert marketplace, which makes the performance even more impressive. Total revenues increased by 46% following the strategic acquisitions of businesses in Winchester and Essex, which increase our geographic coverage. The operating margin decreased from 15.5% to 12.8% as expected, following the acquisitions and the increased investment in operational and management infrastructure required to support future growth. Further expansion is planned in 2006, when we will begin construction of a new state-of-the-art laundry facility in the East Midlands. Business has grown in all parts of the country, supported by innovative marketing that is recognised as the best in the industry, and by successful new product launches. Very high levels of customer retention again complemented an exceptional new business sales performance. Indeed, the company prides itself in its 'no contract' offering, based on our confidence that customers will receive service levels far in excess of those offered elsewhere.

JHS is the market leader in the provision of furniture and catering equipment to the contract catering market. Following a disappointing trading performance during the second half of the year JHS was merged under the Stalbridge management team, though they remain as separate customer-facing brands. This integration was designed to enhance service, maximise cross-selling opportunities and realise operational and distribution efficiencies and cost savings. The new management

team is also working to develop a flexible cost base that more appropriately reflects the seasonal pattern of demand. We also embarked on a rationalisation of the JHS branch network, with three locations closing in 2005 and a further closure planned in the current year, when we will also be relocating the head office to new premises in Buckingham. We have expanded and radically altered the JHS sales function to focus on the business-to-business market, and to ensure that we leverage the strong cross-selling opportunities with Stalbridge. We remain convinced that the combined JHS and Stalbridge offering is a robust business model and we have already seen an improvement in the performance of JHS in 2006.

Stalbridge Linen Services provides table linen
for Nunsmere Hall Hotel near Chester

Corporatewear

Clothing for people at work

The Corporatewear Division saw revenue growth of 132% and adjusted operating profit growth of 178% over the year, largely due to our acquisition activity during 2004 and the start of 2005. Excluding the acquisitions we still saw good organic revenue growth of 10%. The five acquired businesses complemented our existing company, CCM, and achieved our aim of creating the UK's clear market leader in the supply of high quality corporate clothing.

The market for corporatewear is continuing to grow strongly and has significant further potential. Over half the workers in the US wear corporate uniforms. In the UK penetration is under 40%, and on the Continent it is below 20%. As the market leader in Britain and one of the largest suppliers in Europe, we are well placed to benefit from the development potential this affords.

Our strategy is to capitalise on the individual strengths of the various businesses we have acquired, which all have strong brands and close customer relationships built on specialist knowledge of distinct market sectors. This enables us to provide our customers with the focus that they demand. At the same time, we have been able to leverage our Group scale in worldwide sourcing to reduce product costs and improve quality, while enhancing efficiency and service levels through the integration of back office functions. These efficiencies have seen the operating margin of the division increase from 11% to 13%. Management has been unified under a Corporatewear board to ensure that we exploit potential synergies and cross-selling opportunities to the full.

All our brands achieved good organic growth during the year. Dimensions, which is primarily focused on large, blue chip retail customers, has continued to develop its enviable client list, which includes Tesco, Sainsbury's, Waitrose, Marriott hotels, Marks & Spencer and Boots.

DCC mainly serves the financial services sector, where its clients include HSBC, Lloyds TSB and Royal Bank of Scotland. Our workwear brand CCM continued to exceed our expectations, achieving organic revenue growth of 7%.

Dimensions supplies corporatewear for Boots

We have also developed a public services offering with Yaffy, focusing on high quality police outerwear, and Wessex, providing clothing for ambulance staff. These were complemented by the £4.0 million acquisition in April 2005 of Boyd Cooper, a supplier of nurses' uniforms. All these businesses have performed well and are benefiting from being part of a larger organisation.

Across the business we are experiencing good growth that reflects the strength of our customer relationships and the high quality of our newer and more comprehensive catalogue offering. Our skills in design and logistics enable us to provide even the largest corporations with comprehensive management of their clothing brand images. In addition, the substantially increased throughput coupled with our procurement experience is resulting in savings of £3 million per annum in the sourcing of new garments. Many of these savings will be passed onto customers, but together with our other skills they have contributed to a number of notable business gains during the year, such as Group4Securicor, Post Office Counters, Mothercare and Alliance Pharmacy. 2006 has already started strongly with two major pan-European contracts being secured as well as Virgin Atlantic Airways being won as a new customer.

David Toon
Executive Director
Rental and Corporatewear

Wessex provides clothing for
Surrey Ambulance Service NHS Trust

Drycleaning



David Bryant
Executive Director
Drycleaning

Our market-leading retail drycleaning business, which operates under the Johnsons, Sketchley and Jeeves brands, was affected by the general reduction in consumer spending on the high street throughout 2005. Although overall revenue of the division that includes Alex Reid, rose 4% to £101 million, we saw like for like shop sales fall by 2.7% during the year. We took a range of actions to reduce costs, which resulted in the operating margin of the retail business improving from 3.8% in the first half of the year to 7.7% in the second half, without compromising quality.

During the year Johnsons Cleaners opened 13 new concessions within Sainsbury's stores, and four new drive-in sites at Sutton Coldfield, Plymouth, Winchester and St Austell. We also acquired four independent shops and closed 31 underperforming branches, giving us a total of 587 units at the year end. A further 60 branches were converted to the environmentally friendly GreenEarth® cleaning process during the year, extending the technology to 230 locations.

Our Priority Club is continuing to expand, and at the year end reached a total of 520,000 active members. In the final months of the year we began a co-ordinated marketing drive designed to increase customer numbers and the frequency of their visits.

Following a full staff survey and independent consumer research, comprehensive change plans have been developed to raise the profile of our shops and further improve the effectiveness of our marketing. We have also begun trialling a range of innovative services designed to enhance our convenience to customers, including 24-hour drop-off boxes for depositing drycleaning,

A drive-in drycleaning shop in Congleton

and a home and office collection and delivery service. In line with this strategic priority, the focus of our future branch opening plans will be on the acquisition of highly accessible and convenient drive-in sites.

The trading performance of Jeeves of Belgravia, our luxury brand, steadily improved during the year, as we began to see the results of increasing customer recognition of our investment in both technology and people. We are confident that further improvements will be achieved in the current year, when we plan to launch an exciting new brand design.

Alex Reid, our business which is the leading supplier of consumables to the drycleaning industry, performed well in holding revenue and profits steady despite the tough market conditions experienced during the year. In August 2005 we strengthened the business by acquiring Fimbimatic UK, a market leader in the supply and servicing of drycleaning machinery and ancillary equipment. Excellent progress has been made in developing cross-selling opportunities and capitalising on the synergies available.

As the European Master Licence holder, Alex Reid has actively promoted the operational and marketing advantages of the environmentally preferable GreenEarth® cleaning system process to drycleaners across the EU. Although poor market conditions have limited investment by potential customers, sales were encouraging in the latter part of the year.

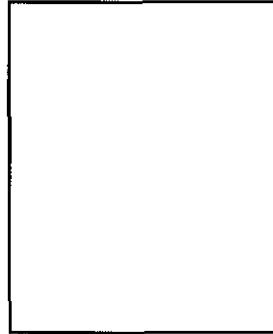
In addition to the trading activities outlined above, the Drycleaning segmental results include £1.8 million (2004: £1.4 million) of profit from the disposal of freehold properties and other non-trading income. A similar income is expected during 2006.

The Drycleaning business benefits from a property portfolio that extends to around 90 freehold sites. If these sites were leasehold and charged at a market rent to the division, the operating profit of the retail business would be approximately £1.6 million (2004: £1.7 million) lower.

David Bryant
Executive Director
Drycleaning

Jeeves of Belgravia provides a home collection
and delivery service in London

Facilities Management



Simon Moate
Executive Director
Facilities Management

Organic revenue growth of 5% was supported by the acquisitions of Acame in January and SGP Property Services (SGP) in October 2005. These helped our Facilities Management division grow total revenues (excluding costs recharged to customers) by 57% and adjusted operating profit by 144%, with the margin moving from 6.1% to 9.4%.

SGP specialises in the provision of property management services to the financial, leisure and retail sectors, ideally complementing Johnson Workplace Management (JWM), our existing facilities management business, which is focused primarily in the commercial office market. Both share the 'white collar' model of facilities management, subcontracting lower-value commodity services. The acquisition gives us significantly enhanced scale in this market, enabling us to offer a more complete service to potential customers.

SGP has met all our expectations since acquisition, and has enjoyed outstanding year-on-year growth. Strong sales progress was achieved both organically with established clients, and through a number of business gains with leading national retailers and financial service companies.

SGP provides a full range of property management services structured into three key profit centres: Technical, Property and Maintenance. Technical comprises building services, project management, health and safety, surveying and construction services and procurement. In Property, we provide asset and investment management, landlord and tenant services, portfolio and property management, retail agency services and advice on rating and service charges.

Workplace Engineering personnel installing network infrastructure

Our Maintenance centre operates a state-of-the-art 24/7/365 helpdesk which handles roughly 750,000 calls each year, and is recognised as the market leader in this sector.

There is already an encouraging new business pipeline with both existing and potential new clients. This is aided by the current retail downturn, which is a positive environment for selling the outsourced services that we offer. Although we will exploit the synergies available in procurement we intend to maintain the distinctive strengths of our two customer-facing brands.

JWM has achieved good organic growth of 5%, with a number of new three-year contracts being recently awarded by existing clients in the pharmaceuticals, electronics and telecoms sectors. We have also gained a number of new clients in both the public and private sectors. At the same time, we have again been successful in reducing costs through the delivery of improved operational efficiencies.

Continuing investment in staff training and development programmes has played a key role in reinforcing our position as the UK's premier provider of outsourced facility management services.

Workplace Engineering is our new brand for the delivery of hi-tech electrical, engineering and project fit-out services. It brings together two recently acquired businesses, Ace (Ascot) and Acame, both of which achieved significant growth in 2005 through a combination of open market tenders and referrals from JWM. Their integration has now been completed, providing further efficiencies and cost savings and enabling us to take full advantage of the continuing opportunities in this buoyant sector.

The continuing development of new management processes, supported by integrated IT solutions, will ensure that we remain at the forefront in delivering leading edge facilities management services to a broadening market place.

Simon Moate
Executive Director
Facilities Management

Workplace Management provides facilities management services to
Enham Alamein - the charity for disabled persons

People and Culture

I would like to thank my colleagues in management and all employees for their contribution to the Group as a whole and for their part in the achievements in the year under review.

We have made good progress towards our strategic objectives of creating a dynamic, empowered culture in which all our people are motivated to exceed our customers' expectations and are properly rewarded for success. This has made an important contribution to meeting our performance targets for the Group over the last year as we seek to ensure that the interests of all our people are aligned with those of our Shareholders as a whole.

The Community and the Environment

We remain totally committed to fulfilling our Corporate Social Responsibility to the environment and the wider community. During the year we were pleased to have this commitment recognised by confirmation of our membership of the FTSE4GOOD Index, and admission to the Kempen/SNS Smaller Europe SRI Index of socially responsible companies.

The Group Environmental Committee has continued to play a critical role in monitoring and mitigating risk across the Group, and in driving improvements to the environmental friendliness of our plants and processes. A particularly important contribution has been made by the continued roll-out of the GreenEarth® cleaning system in our own drycleaning business and across Europe under our Master Licence. This technology replaces traditional chlorinated or hydrocarbon based solvents with a process based on siloxane. This degrades rapidly after use to harmless silica and does not bio-accumulate.

We attach great importance to our written code of business ethics, which sets out clear guidelines for all staff to ensure that the Group meets the highest standards of conduct in business dealings.

GreenEarth® drycleaning is odour free and kinder to the environment

We pay close attention to the standards observed by our major overseas garment suppliers, with whom we have agreed a written code of conduct. Compliance with this is monitored through regular factory visits.

The Group also seeks to fulfil its social responsibilities by supporting good causes. Last year we made charitable donations to Macmillan Cancer Relief, the NSPCC and the RNLI, while the Johnson Group Cleaners Charity has continued to support a range of registered charities targeted at improving the well-being of the sick and underprivileged.

The Future

Over the last three years we have made solid, incremental progress in building a managed services Group that is equipped to deliver sustained growth at both the top and bottom line. We have sold underperforming and volatile businesses, and invested in those with more predictable revenues and genuine growth potential. All of our operations are either clear market leaders or in positions of real strength. Management capabilities have been greatly enhanced, including the recruitment of a number of senior people with experience of markets outside the UK. Our excellent team has been supported by the roll-out of state-of-the-art IT systems, while our people have been empowered, motivated and rewarded for their successes. Together these actions give us a real competitive edge.

I am confident that Johnson Service Group has the right combination of material, intellectual and cultural resources to continue delivering our proven strategy and to generate value for Shareholders.

Stuart Graham
Chief Executive
13th March 2006

Financial Review

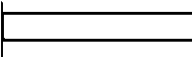
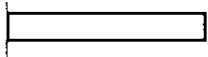
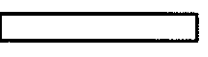
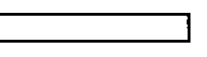
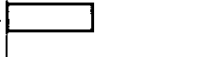
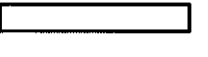
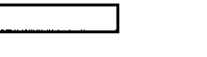
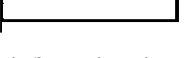
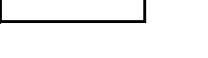


Acquisition activity continued into 2005 with eight acquisitions being completed. We have arranged a new debt facility, at a lower margin, under a five year agreement. Capital investment in new

plant and in IT systems has reduced cash generation in the short term but it is expected that capital expenditure will return to more normal levels in 2007.

Apparelmaster's Gold Standard workwear cleaning facility in Letchworth

Divisional Turnover*

Rental (£m)	Corporatewear (£m)	Drycleaning (£m)	Facilities Management (£m)
05  128.4	05  87.1	05  101.4	05  46.6
04  113.3	04  37.6	04  97.4	04  29.7
03  114.4	03  26.3	03  74.2	03  4.7

* Excluding costs recharged to customers.

Reporting

The annual report for 2005 presents the results in accordance with UK GAAP, in order to comply with current legislation. As the majority of UK listed companies will be reporting under IFRS for 2005, summary IFRS information is provided in note 37.

There is little difference in the adjusted profit before taxation between UK GAAP and IFRS, following the adoption of FRS 17 (Retirement Benefits) and FRS 20 (Share-based Payment) which have the same impact on profit under both GAAP and IFRS. The effects of adopting the two new standards are detailed in note 2.

Results

The segmental analysis in note 10, which on the new basis does not allocate central overheads across the four divisions, clearly shows our success in repositioning the Group into stronger and expanding markets. The method of presenting the segmental analysis has been changed so that the divisional performance is clearer.

The Rental division now accounts for 35% of Group revenue (excluding costs recharged to customers) (2004: 41%). Within this division we have achieved a stabilisation of revenue from our garment rental business whilst enjoying continued double digit growth from Stalbridge, our premium linen rental business. The divisional adjusted operating margin before central overhead fell from 14.5% to 11.8% due to continued pressure on the cost base in our garment rental business and a disappointing result from Johnson Hospitality Services (JHS), the hospitality service business. JHS was restructured towards the end of the year with significant reductions in the fixed cost base as we reduced the number of operating sites and brought the business under the management of our Stalbridge operation.

The Corporatewear division has been significantly expanded over the last two years by acquisitions and now represents 24% (2004: 13%) of Group revenue (excluding costs recharged to customers). The adjusted operating margin before central overhead is 13.1% (2004: 10.9%) which reflects the quality of service provided and efficiencies achieved particularly in procurement which are being realised in the growing business.

The Drycleaning division, which now includes the specialist supplies business Alex Reid, represents a reduced proportion of Group revenue (excluding costs recharged to customers), 28% compared to 35%. In common with many high street businesses low consumer spending and confidence has resulted in a fall in like-for-like sales of 2.7%. Despite our actions to reduce costs across the branch network adjusted operating margin before central overhead fell from 11.1% to 9.7%.

The Facilities Management division continued to expand with the acquisition of SGP in October 2005 and in 2005 accounted for 13% (2004: 11%) of Group revenue (excluding costs recharged to customers) at an adjusted operating margin before central overhead of 9.4% (2004: 6.1%). The reduction in throughput revenue in 2005 arises from the acquisition of a specialist mechanical services company and an engineering business in November 2004 and January 2005 respectively, resulting in the turnover now being included in turnover excluding costs recharged to customers.

Overall adjusted operating profit has increased by 21% to £36.3 million on revenue growth of 31%. The operating margin at adjusted operating profit level has fallen from 10.7% to 10.0%. This is primarily due to the continued decrease in the margin of the Rental division. Given the increased proportion of the Group's revenue (excluding costs recharged to customers) and profit from the

Corporatewear and Facilities Management divisions it is likely that the Group's adjusted operating profit margin will remain above 10% in the foreseeable future.

We have incurred a restructuring provision of £4 million in the year. This has arisen from integrating the acquisitions made over the preceding eighteen months. The restructuring will produce annual cost savings of £1.3 million. In addition a provision of £1 million has been made relating to environmental and asbestos clean up. Both of these costs have been excluded from the adjusted operating profit.

The exceptional income of £4.4 million arose from the disposal of both retail property and a textile rental site. The proceeds arising from these disposals were £8.3 million.

The interest charge reflects the increase in borrowings following acquisition activity during the year. Under the newly adopted FRS 17 the interest charge includes a notional net cost of £0.9 million (2004: £0.7 million) in respect of the excess of interest on pension scheme liabilities over pension scheme assets. This charge is a non cash item.

Taxation

The effective tax rate excluding exceptional items and intangibles amortisation was 28.3% (2004: 28.5%). The tax relief on all exceptional items was £1.4 million. Tax relief is only available on intangibles amortisation in certain circumstances and available capital losses have offset any tax charge arising on property disposals.

Acquisitions

The Group completed eight acquisitions during the year at a total cost of £62.2 million of which £55.8 million was paid in cash during the year. Net cash expenditure on current and prior year acquisitions amounted to £56.2 million. The two largest acquisitions were DCC Corporate Clothing at the end of December 2004, at a total cost of £23.0 million, and SGP Property Services, in October 2005, at a total cost of £24.8 million.

Several small acquisitions have been made in the Rental division which have helped to take out production capacity within the market and to improve efficiency at our existing plants.

Dividend

A final dividend of 15p is proposed bringing the total dividend to 19.4p (2004: 18.5p). The recommended dividend is covered 1.7 times by adjusted fully diluted earnings per share.

Capital Expenditure

The Group has continued its programme of investment in the infrastructure with expenditure of £22.4 million, up from £12.6 million in 2004. This includes £7.7 million of expenditure on software relating to the design, build and implementation of the new Enterprise Resource Planning software. This project remains on target in both timing and cost.

The upgrading of rental production facilities has continued with resultant efficiency improvements and this process will continue. We are nearing capacity in our Stalbridge Linen plants and work has commenced on a new facility for this expanding business with an expected capital cost of £7.0 million.

Rental stock expenditure increased to £24.5 million from £20.1 million reflecting the expansion of the Stalbridge customer base and improved customer retention in our garment rental business, Apparelmaster. Rental stock expenditure is likely to remain at a similar level to 2005 as long as the market continues to improve.

Cash Flow and Borrowings

Free cash flow excluding net capital expenditure was 109% (2004: 116%) of adjusted operating profit and is used as a key cash management measure by the Group. Net debt increased to £137 million from £74 million reflecting fixed asset additions and acquisition activity. Interest cover remains satisfactory at 4.3 times (2004: 5.5 times) based on adjusted operating profit.

The Group's committed bank facility was increased to £200 million in July 2005, arranged with a group of seven banks, at a reduced margin. The facility extends to 2010. In addition we have access to a £10 million overdraft facility which is utilised to manage working capital requirements.

Defined Benefit Liabilities

As previously reported in our Trading Update in January 2006 we face an increased deficit in our pension schemes as the result of rising life expectancy and lower corporate bond yields. Our main defined benefit scheme, the Johnson Group Staff Pension Scheme, was closed to new entrants in 2002. However, the normal triennial valuation was conducted during the year and this, updated in December under FRS 17, has resulted in an £11.3 million increase in the deficit compared with that reported last year. This brings the net deficit after tax for all our pension schemes to a total of £34 million.

The two main sensitivities associated with the valuation of the schemes are related to longevity assumptions and movements in the discount rate, both of which are outside the control of the Group. A one year change in the longevity assumed will alter the deficit by £5 million whilst a 0.5% movement in the discount rate will cause the deficit to change by £17 million. The age assumptions used are that women of 65 will live for 24 years whilst men will live for 21 years.

Treasury Policy

Treasury activity is managed centrally and is principally concerned with the monitoring of working capital, managing internal and external funding requirements and monitoring and managing the Group's interest rate and foreign currency exposure.

The treasury operation is not a profit centre and its activities are carried out in accordance with Board approved policies.

Policies and Strategies

The Group's financial instruments comprise borrowings, cash and various items such as trade debtors, trade creditors and provisions that arise directly from its operations. The main purpose of these financial instruments is to raise finance for Group operations. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. A Board Committee reviews and agrees policies for managing each of these risks and these are summarised below.

The policies are designed to mitigate the impact of fluctuations in interest and exchange rates and are unchanged from previous years.

Interest Rate Risk

The Group finances its operations through a mixture of retained profit, bank borrowings and lease arrangements. The Group borrows at floating rates and has hedging products in place to provide fixed rate interest payments over a specified period. This enables the Group to forecast borrowing costs with a degree of certainty. At December 2005 a proportion of the Group's borrowings was at fixed rates.

As required by FRS 13 the fair value of the interest rate risk hedge has been disclosed in note 33.

Liquidity Risk

The Group's policy on liquidity is to ensure that it has a committed borrowings facility available to provide continuity of funding. The current facility, which is of the multi-option type, is complemented by an overdraft facility to allow short term flexibility. Additional facilities to fund acquisitions are negotiated when required.

Foreign Currency Risk

The Group has little investment in overseas operations and consequently all current borrowings are in sterling. With the value of overseas trade undertaken by the Group continuing to increase, foreign currency hedges are entered into by the Group's central treasury function, when considered appropriate. At December 2005 a proportion of the Group's future currency requirements was covered by forward exchange rate contracts. As required by FRS 13 the fair value of the exchange rate risk hedge has been disclosed in note 33.

Details of the numerical results of the above policies are disclosed in note 33 to the financial statements.

Going Concern

After due consideration the Directors confirm that they have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the Group's financial statements.

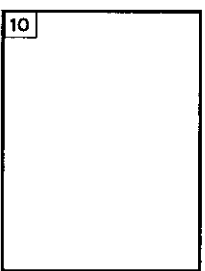
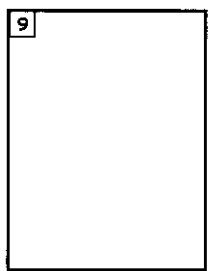
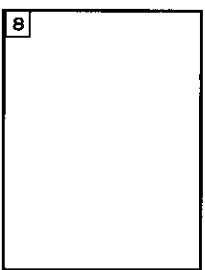
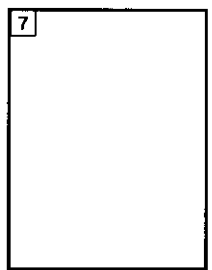
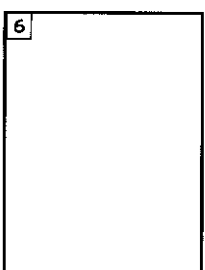
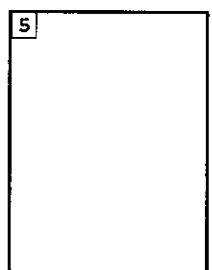
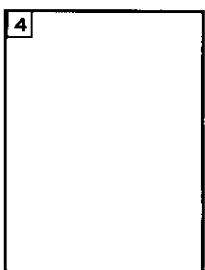
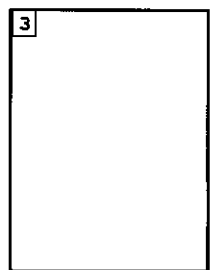
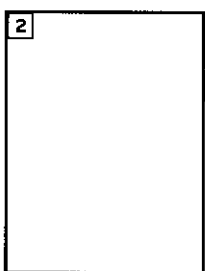
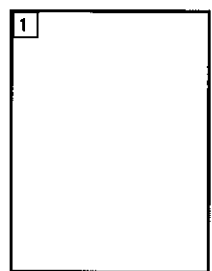
Summary

The Group is in a strong financial position and we look forward to another successful year.

Jim Wilkinson
Chief Financial Officer

Financial Calendar

Results for the Year	announced in March
Annual General Meeting	to be held on 11th May 2006
Results for the Half Year	announced in September
Dividend Payment Dates	
Interim 2005	21st October 2005
Final 2005	15th May 2006
Interim 2006	October 2006



Directors' & Officer's Biographies

1 Simon Sherrard

Non-Executive Chairman (58)

Joined the Board as a Non-Executive Director in January 2000 and was appointed as Chairman in December 2003. He is the Chairman of the Port of London Authority, Bibby Line Group Limited and A&P Group Limited and Deputy Chairman of Lloyd's Register.

2 Stuart Graham

CEO (51)

Joined the Group as Chief Executive in June 2002. Previously he was Group Chief Operating Officer of ISS, one of the world's largest facility services providers, which he had joined in 1990. Prior to joining ISS he worked with Lonrho and subsequently Brengreen and BET PLC.

3 Jim Wilkinson

CFO (40)

Joined the Group in September 2004. Previously he was Group Finance Director of Informa plc, which he joined in 1994. Prior to joining Informa he was with Touche Ross, where he qualified as a Chartered Accountant.

4 David Toon

Rental and Corporatewear (45)

Joined the Group in 2000 and was Managing Director of CCM, until October 2002 when he was appointed Managing Director of the Rental Division. He was appointed to the Board in May 2003 and is now Managing Director of the Rental and Corporatewear Divisions. He has been closely associated with the industry since 1983, having worked for various suppliers of garments to the UK retail and service sectors.

5 David Bryant

Drycleaning (59)

Joined the Group in 1969 and has subsequently held a number of senior management positions. He was appointed to the Board in November 1994 and as Managing Director of Johnsons Cleaners in January 1995, and of Jeeves of Belgravia in 2004.

6 Simon Moate

Facilities Management (43)

Joined the Group in October 2002 having previously held senior commercial roles with Aramark and Coca Cola. He was appointed to the Board in May 2004 and is also responsible for Corporate Strategy.

7 Michael Gatenby

Senior Independent Non-Executive Director (61)

Joined the Board as a Non-Executive Director in September 2002. He is a qualified Chartered Accountant and was Vice Chairman of Charterhouse Bank from 1989-1995. He currently holds a number of other Non-Executive Directorships, including Alliance Pharma PLC, SRS Technology Group PLC, Cobra Bio Manufacturing PLC and Porvair PLC.

8 Baroness Judith Wilcox

Non-Executive Director (65)

Joined the Board as a Non-Executive Director in October 2003. She was Chairman of the National Consumer Council from 1990-1995. She is also a Non-Executive Director of Carpetright plc and Cadbury Schweppes plc, a Member of the House of Lords and President of both the National Consumer Federation and the Institute of Trading Standards.

9 Michael Del Mar

Non-Executive Director (59)

Joined the Board in May 2004. Until December 2003 he was with UBS Investment Bank, having joined S G Warburg in 1990. He is also a Non-Executive Director of Regional Airports Limited.

10 Yvonne Monaghan

Company Secretary & Financial Controller (47)

Joined the Company as Group Management Accountant in 1984 after qualifying as a Chartered Accountant with Deloitte Haskins and Sells. She was appointed as Company Secretary and Financial Controller in 1985.

Directors & Advisors

DIRECTORS

Simon Patrick Sherrard

Non-Executive Chairman
Chairman of Nomination Committee
Member of Remuneration Committee

Stuart William Graham

Chief Executive
Member of Nomination Committee

James Henry Wilkinson, BSc, ACA

Chief Financial Officer

David Robert Toon, BSc

Rental and Corporatewear

David Bryant

Drycleaning
Board member responsible for Health,
Safety and Environment

Simon Richard Moate

Facilities Management
Corporate Strategy

Michael Richard Brock Gatenby, FCA

Non-Executive
Senior Independent Director
Chairman of Audit Committee
Member of Remuneration Committee
Member of Nomination Committee

Baroness Judith Ann Wilcox

Non-Executive
Chairman of Remuneration Committee
Member of Nomination Committee
Member of Audit Committee

Michael Bernard Del Mar

Non-Executive
Member of Remuneration Committee
Member of Nomination Committee
Member of Audit Committee

COMPANY SECRETARY AND FINANCIAL CONTROLLER

Yvonne May Monaghan, BSc, FCA

REGISTERED OFFICE

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Telephone 0151 933 6161
Website www.johnsonplc.com

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69 Old Broad Street
London EC2M 1NR

Allen & Overy LLP
One New Change
London EC4M 9QQ

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8 Princes Parade
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Liverpool L3 1QJ

FINANCIAL ADVISORS AND STOCKBROKERS

Investec
2 Gresham Street
London EC2V 7QP

REGISTRAR AND TRANSFER OFFICE

Capita Registrars
The Registry
34 Beckenham Road Beckenham
Kent BR3 4TU

Five Year Record

	UK GAAP				IFRS	
	2001	2002	2003	2004 Restated	2005	2005
TURNOVER (£m)	220.4	219.2	231.6	364.0	431.9	431.9
TURNOVER EXCLUDING COSTS RECHARGED TO CUSTOMERS (£m)	220.4	219.2	219.6	278.0	363.5	363.5
ADJUSTED OPERATING PROFIT (£m)	29.4	26.3	27.1	30.1	36.3	36.3
ADJUSTED PROFIT BEFORE TAX (£m)	23.7	21.0	23.1	24.6	27.9	28.1
ADJUSTED EARNINGS PER SHARE (pence)	30.2	26.6	28.7	30.2	33.6	33.8
INCREASE YEAR ON YEAR (%)	9.4	(11.9)	7.9	5.2	11.3	9.4
DIVIDEND PER ORDINARY SHARE (pence)	17.6	17.6	17.6	18.5	19.4	19.4
INCREASE YEAR ON YEAR (%)	2.9	-	-	5.1	4.9	4.9
SHAREHOLDERS' FUNDS (£m)	106.8	107.1	104.9	80.5	70.3	89.9

Figures for 2001 to 2005 are stated under UK GAAP in force for each accounting period commencing on or before 26th December 2004. Additional summary information is also given for 2005 under International Financial Reporting Standards (IFRS) (see also note 37).

2004 figures have been restated in accordance with the provisions of FRS 17 "Retirement Benefits" and FRS 20 "Share-based Payment".

Profit, earnings per share and Shareholders' funds for 2001 have been restated in accordance with the provisions of FRS 19, "Deferred tax".

Shareholders' funds for 2001 through 2003 have been restated in accordance with the provisions of UITF Abstract 38, "Accounting for ESOP Trusts".

Adjusted operating profit and adjusted profit before tax exclude goodwill or intangibles amortisation (arising on acquisitions), exceptional items and, in 2004 and 2005, restructuring costs and in 2005 environmental costs.

Adjusted earnings per share figures are given on a fully diluted basis to exclude the effects of goodwill or intangibles amortisation, exceptional items and, in 2003, the non-recurring tax credit, of £3.9 million, relating to specific matters in prior periods, in 2004 and 2005 restructuring costs, and in 2005 environmental costs, all net of taxation.

Consolidated Profit and Loss Account

Note		Year ended 31st December 2005 £m	Year ended 25th December 2004 £m Restated
10	TURNOVER		
	Continuing	390.6	364.0
	Acquisitions	41.3	-
	TOTAL TURNOVER	431.9	364.0
	Costs recharged to customers	(68.4)	(86.0)
10	Turnover excluding costs recharged to customers	363.5	278.0
10	OPERATING PROFIT BEFORE RESTRUCTURING AND ENVIRONMENTAL COSTS AND GOODWILL AMORTISATION		
	Continuing	29.9	30.1
	Acquisitions	6.4	-
	Total	36.3	30.1
	Restructuring and environmental costs	(5.0)	(2.0)
	Amortisation of goodwill	(11.6)	(7.2)
4	OPERATING PROFIT		
	Continuing	16.2	20.9
	Acquisitions	3.5	-
	Total	19.7	20.9
5	EXCEPTIONAL ITEMS		
	Gain on disposal of property	4.4	-
	PROFIT ON ORDINARY ACTIVITIES BEFORE INTEREST	24.1	20.9
9	Net interest	(8.4)	(5.5)
10	PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	15.7	15.4
11	Tax on profit on ordinary activities	(6.5)	(6.3)
	PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION	9.2	9.1
12	Dividends	(11.4)	(10.6)
	LOSS FOR THE FINANCIAL YEAR	(2.2)	(1.5)
13	EARNINGS PER SHARE		
	Basic	15.7p	15.9p
	Fully diluted	15.4p	15.6p
13	ADJUSTED EARNINGS PER SHARE		
	Basic	34.3p	30.8p
	Fully diluted	33.6p	30.2p

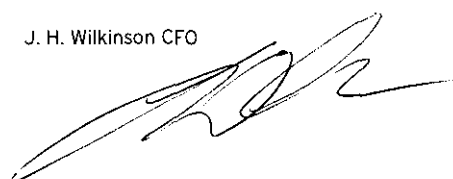
A statement showing the movement on reserves is shown in note 27 on page 51.

Balance Sheets

Note	Group		Company	
	31st December 2005 £m	25th December 2004 £m Restated	31st December 2005 £m	25th December 2004 £m Restated
	FIXED ASSETS			
14	Intangible fixed assets - goodwill	156.0	111.4	-
	Tangible fixed assets:			
15	Property, plant and equipment	77.6	68.3	1.4
17	Rental items	30.1	24.5	-
		107.7	92.8	1.4
18	Investments	-	535.2	506.3
		263.7	544.7	507.7
	CURRENT ASSETS			
19	Stocks	30.2	19.8	-
20	Debtors:			
	Amounts falling due within one year	64.9	54.1	1.8
	Amounts falling due after more than one year	0.1	0.2	23.7
		65.0	54.3	25.5
	Cash at bank and in hand	7.5	-	-
		102.7	61.4	25.5
	CURRENT LIABILITIES			
21	Creditors:			
	Amounts falling due within one year	(100.0)	(88.0)	(21.3)
	NET CURRENT ASSETS/(LIABILITIES)	2.7	(9.4)	4.2
	TOTAL ASSETS LESS CURRENT LIABILITIES	266.4	194.8	511.9
21	Creditors:			
	Amounts falling due after more than one year	(148.6)	(78.1)	(466.7)
23	PROVISIONS FOR LIABILITIES AND CHARGES	(12.2)	(12.3)	(0.5)
24	PENSION AND OTHER RETIREMENT BENEFIT LIABILITIES (NET)	(35.3)	(23.9)	(23.0)
	NET ASSETS	70.3	80.5	84.2
	CAPITAL AND RESERVES			
25	Called-up share capital	5.9	5.8	5.9
27	Share premium account	11.9	9.5	9.5
27	Revaluation reserve	6.3	8.0	-
27	Other reserves	2.1	2.1	15.4
27	Profit and loss account	44.1	55.1	41.6
28	EQUITY SHAREHOLDERS' FUNDS	70.3	80.5	84.2

The financial statements on pages 28 to 61 were approved by the Board of Directors on 13th March 2006 and signed on its behalf by:

J. H. Wilkinson CFO



Consolidated Cash Flow Statement

Note		Year ended 31st December 2005 £m	Year ended 25th December 2004 £m Restated
29	NET CASH INFLOW FROM OPERATING ACTIVITIES	53.2	44.9
	RETURNS ON INVESTMENTS AND SERVICING OF FINANCE		
	Interest received	0.2	0.1
	Interest paid	(6.4)	(4.1)
	Interest paid in respect of finance agreements	(0.3)	(0.2)
	Issue costs on new bank loans	(0.9)	-
	NET CASH OUTFLOW FOR RETURNS ON INVESTMENTS AND SERVICING OF FINANCE	(7.4)	(4.2)
	TAX PAID	(6.2)	(5.8)
	CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT		
	Payments to acquire tangible fixed assets - property, plant and equipment	(23.2)	(6.4)
	Receipts from sales of tangible fixed assets - property, plant and equipment	11.5	1.5
	Payments to acquire tangible fixed assets - rental items	(24.8)	(19.4)
	Proceeds from tangible fixed assets - rental items withdrawn from circulation	3.5	5.1
	NET CASH OUTFLOW FOR CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT	(33.0)	(19.2)
	FREE CASHFLOW	6.6	15.7
	ACQUISITIONS AND DISPOSALS		
30	Payments to acquire businesses	(58.0)	(32.5)
30	Cash balances and bank overdrafts acquired with businesses	1.8	1.3
	Receipts from disposal of businesses	-	1.1
	NET CASH OUTFLOW FOR ACQUISITIONS AND DISPOSALS	(56.2)	(30.1)
	EQUITY DIVIDENDS PAID	(10.8)	(10.2)
	CASH OUTFLOW BEFORE FINANCING	(60.4)	(24.6)
	FINANCING		
	Issue of Ordinary share capital	2.5	1.7
	Debt due in more than one year:		
	Loans repaid	(116.2)	(0.3)
	New loans advanced	178.2	26.0
	Capital element of payments under finance agreements	(1.1)	(0.5)
	NET CASH INFLOW FROM FINANCING	63.4	26.9
31	INCREASE IN CASH IN THE YEAR	3.0	2.3

Consolidated Statement of Total Recognised Gains and Losses

	Year ended 31st December 2005 £m	Year ended 25th December 2004 £m Restated
GROUP		
Profit on ordinary activities after taxation	9.2	9.1
Actuarial (loss)/gain on defined benefit schemes	(15.7)	0.2
Taxation in respect of actuarial loss on defined benefit schemes	4.7	-
Total recognised gains and losses for the year	(1.8)	9.3
Prior year adjustment - adoption of FRS 17 (note 2)	(25.4)	
Prior year adjustment - adoption of FRS 20 (note 2)	0.4	
Total gains and losses recognised since last annual report	(26.8)	

Consolidated Historical Cost Profits and Losses

	Year ended 31st December 2005 £m	Year ended 25th December 2004 £m Restated
GROUP		
Profit on ordinary activities before taxation	15.7	15.4
Realisation of property revaluation gains from previous years	1.7	0.5
Difference between historical cost depreciation charge and actual depreciation charge	-	0.1
Historical cost profit on ordinary activities before taxation	17.4	16.0
Historical cost loss for the year after taxation and dividends	(0.5)	(0.9)

Statement of Accounting Policies

BASIS OF ACCOUNTING

The historical cost convention, modified to include the revaluation of certain properties, has been used throughout these financial statements on a basis consistent with the prior year with the exception of the adoption of FRS 17 "Retirement Benefits" and FRS 20 "Share-based Payment". These changes in accounting policy are described further in note 2. The financial statements have been prepared in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom.

Accounting standards, FRS 21 "Events after the balance sheet date", FRS 22 "Earnings per share", FRS 23 "The effects of changes in foreign exchange rates", FRS 24 "Financial reporting in hyper inflation economies", FRS 25 "Financial Instruments: disclosure and presentation", FRS 26 "Financial Instruments: measurement" and FRS 28 "Corresponding amounts" have not been adopted in these financial statements as their effective date is for accounting periods commencing on or after 1st January 2005 and early adoption is not permitted.

CONSOLIDATED FINANCIAL STATEMENTS

The financial statements consolidate the results of Johnson Service Group PLC and its subsidiary undertakings. The principal subsidiary undertakings are listed in note 36. The accounting periods of subsidiary undertakings are co-terminous with those of the Company. Results and cash flows of subsidiary undertakings acquired are included from the effective date of acquisition and accounted for by the acquisition method of accounting. Results and cash flows of subsidiary undertakings disposed of are included up to the date of disposal.

FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the exchange rates ruling on the dates of those transactions, adjusted for the effect of any hedging arrangements. Foreign currency monetary assets and liabilities are translated into sterling at year end rates, unless the item is hedged, when it will be translated at the hedged rate.

FINANCIAL INSTRUMENTS

The Group uses derivative financial instruments to hedge its exposures to fluctuations in interest rates in line with the Group's risk management policies. Amounts payable or receivable in respect of these instruments are recognised as adjustments to interest expense over the relevant period of the financial instrument.

GOODWILL

Goodwill, which represents the excess of the fair value of consideration over the fair value of net assets acquired, arising on consolidation and on trading acquisitions by subsidiary undertakings prior to 27th December 1997 has been written off against reserves. In accordance with FRS 10, the goodwill arising on acquisitions after that date has been included on the balance sheet as an intangible fixed asset and depreciated over the shorter of 20 years or the expected useful life of the goodwill. The Directors regard 20 years as a reasonable maximum for the estimated useful life of goodwill. Goodwill which has been written off to reserves will be transferred to the profit and loss account on the subsequent disposal of the business to which it relates. For those acquisitions where consideration is contingent upon one or more future events, the Directors include their best estimate of the amounts expected to be payable in the future. The cost of acquisition is adjusted where revised estimates are made, with consequential corresponding adjustments continuing to be made to goodwill until the ultimate amount is known.

Where circumstances indicate there may have been an impairment of the carrying value of goodwill, an impairment review is carried out using cash flows from approved budgets and projections discounted at the Group's weighted average cost of capital. Any such impairment is charged to the profit and loss account.

TURNOVER AND INCOME RECOGNITION

Turnover represents the invoiced value of goods and services supplied exclusive of VAT and similar taxes. Rental services, Corporatewear and Facilities Management income is recognised on an accruals basis representing contractual arrangements. Drycleaning income is recognised at the time that goods are processed. Facilities Management turnover comprises fees receivable and costs recharged to customers, where the relationship with the supplier of services is that of principal. The element of turnover that comprises supplier costs recharged to customers has been shown separately on the profit and loss account to aid interpretation of the business.

PROVISIONS

Property

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

Self Insurance

Provision is made for the expected costs of uninsured incidents arising prior to the balance sheet date and for the anticipated cost of benefits due to existing claimants under the, now discontinued, self insured incapacity payroll scheme.

Deferred Taxation

Deferred taxation is accounted for on an undiscounted basis at expected tax rates on all differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which the items are reported in the profit and loss account. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset. A deferred tax asset is recognised when it is more likely than not that there will be suitable taxable profits from which the future reversal of timing differences can be deducted.

PENSIONS AND POST RETIREMENT BENEFITS

The Group has defined benefit plans, defined contribution plans and an unfunded post retirement medical benefit scheme. The plans are generally funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs and is shown net of related deferred tax (to the extent that it is recoverable). The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability. Actuarial gains and losses, differences between the expected and actual returns, and the effect of changes in actuarial assumptions are recognised in the statement of total recognised gains and losses in the year in which they arise. The expected service cost under the plan is recognised as an employee benefit expense and the expected interest income on plan assets and expected interest cost on plan liabilities are recognised as interest in the profit and loss account.

For defined contribution plans, the Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

For the unfunded post retirement medical benefit scheme, the cost of post retirement cover, as calculated by an independent actuary, is charged to operating profit, and the liability recognised on the balance sheet, net of deferred tax (to the extent that it is recoverable). Finance costs in the profit and loss account include a charge equal to the expected increase in the plan's liabilities over the year.

Statement of Accounting Policies continued

TANGIBLE FIXED ASSETS - PROPERTY, PLANT AND EQUIPMENT

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 two to fifteen years and of vehicles four to five years. Improvements to short leasehold properties are amortised over the terms of the leases.

Following the implementation of FRS 15 freehold and long leasehold buildings are depreciated over their estimated remaining useful life not exceeding 50 years commencing on 26th December 1999 or, if later, date of purchase. The Group has not adopted a policy of revaluation but, as permitted by the transitional provisions of FRS 15, the carrying amounts of freehold and long leasehold properties reflect previous valuations. In the event of an impairment in property value the deficit below cost is charged to the profit and loss account.

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

Tangible fixed assets bought through acquisition of other businesses are accounted for as if they had been owned by the Group since new.

TANGIBLE FIXED ASSETS - RENTAL ITEMS

Rental items, which principally comprise workwear garments, cabinet towels, linen, dust mats and event hire equipment, are initially treated as stock. On issue to customers or into pool stock, rental items are transferred to fixed assets and are stated at invoiced cost less depreciation. Depreciation is calculated on a straight line basis over the estimated lives of the items in circulation, which range from two to ten years. Issued rental items bought through acquisition of other businesses are accounted for as if they had been owned by the Group since new.

Where proceeds are received in respect of textile rental items withdrawn from circulation these are deducted from the net book value of those items. Amounts invoiced to customers in relation to breakages of event hire equipment are treated as turnover and the related estimated net book value deducted from fixed assets and charged as cost of sales.

LEASED ASSETS

Rentals payable in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

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

INVESTMENT IN OWN SHARES

Ordinary shares in the Company held by the Trustee of the Employee Share Option Plan (ESOP) are recorded in the balance sheet as a reduction in Shareholders' funds.

FACILITIES MANAGEMENT PRE CONTRACT COSTS

Pre contract costs are expensed as incurred up to the point that preferred bidder status is awarded from which time further directly attributable pre contract costs are recognised as an asset and amortised over the life of the contract.

STOCKS

Stocks of materials, stores, goods for resale and new rental items are valued at the lower of cost and net realisable value. Cost is stated on a first in, first out basis and comprises invoiced cost in respect of the purchase of finished goods and materials, direct labour and a share of production overheads in respect of garments for sale.

SHARE-BASED PAYMENTS

The expense for employee share options is calculated with reference to the fair value of the award on the date of grant. The fair value is recognised as an employee expense over the vesting period of the scheme, adjusted to reflect actual and expected levels of vesting, with a corresponding increase in equity. The fair value of each award is calculated using a suitable option valuation model, based on the terms of each award.

Notes to the Financial Statements

1 As permitted by Section 230(3) of the Companies Act 1985 the profit and loss account of the Parent Company is not presented within these financial statements. The retained profit of the Parent Company is shown in note 27 on page 51.

2 CHANGES IN ACCOUNTING POLICIES

The Group has changed its accounting policy in respect of share-based payments to comply with the provisions of FRS 20, "Share-based Payment". The standard requires that the fair value of share-based payments be recognised as an expense in the profit and loss account over the period of service to which the award relates. In accordance with the transitional rules of FRS 20, the Group has applied the requirements of the standard to awards granted after 7th November 2002 that had not vested by 26th December 2004.

The Group has also changed its accounting policy in respect of pensions and other retirement benefits to comply with the provisions of FRS 17, "Retirement Benefits". The standard requires the assets and liabilities of defined benefit retirement plans to be shown in the balance sheet, service costs and expected interest on plan assets and liabilities to be shown in the profit and loss account and changes in actuarial assumptions and movements on scheme assets and liabilities to be shown in the statement of total recognised gains and losses.

Consequently, the Group has made the following adjustments in respect of 2004:

	Operating Profit £m	Profit Before Taxation £m	Profit After Taxation £m	Shareholders' Funds £m
Year ended 25th December 2004				
FRS 20 - Share-based Payments	(0.2)	(0.2)	(0.3)	0.4
FRS 17 - Retirement Benefits	0.7	(0.1)	(0.1)	(25.4)
Total Prior Year adjustment	0.5	(0.3)	(0.4)	(25.0)

For the year ended 31st December 2005, the adoption of FRS 20 and FRS 17 has increased operating profit by £0.3 million and reduced profit before taxation by £0.7 million.

The prior year adjustment has reduced Company Shareholders' funds at 25th December 2004 by £21.1 million.

3 RESTRUCTURING AND ENVIRONMENTAL COSTS

	2005 £m	2004 £m
Restructuring costs	4.0	2.0
Environmental costs	1.0	-
	5.0	2.0

Restructuring costs are in respect of the re-organisation of the operation and management of recently acquired businesses into the Group's divisions and comprise largely of redundancy costs and the write-off of fixed assets. The environmental costs relate to a provision for the anticipated environmental remediation cost of vacating an existing site and asbestos clean-up.

4 OPERATING PROFIT

	2005 £m	2004 £m Restated
Turnover	431.9	364.0
Cost of sales		
- goodwill amortisation	(11.6)	(7.2)
- costs recharged to customers	(68.4)	(86.0)
- restructuring and environmental costs	(5.0)	(2.0)
- other	(222.9)	(163.0)
	(307.9)	(258.2)
Gross profit	124.0	105.8
Other operating expenses:		
Distribution costs	(25.0)	(18.3)
Administration costs	(79.3)	(66.6)
Operating profit	19.7	20.9

All activities in 2005 are in respect of continuing operations.

In relation to acquisitions during the year, the following are included; cost of sales of £30.9 million, distribution costs of £3.0 million and administration costs of £3.9 million. Cost of sales relating to acquisitions includes £0.2 million and £2.7 million for restructuring costs and goodwill amortisation respectively.

Notes to the Financial Statements continued

5 EXCEPTIONAL ITEMS

	2005 £m	2004 £m
Gain on disposal of property	4.4	-

Property disposals relate to the gain on disposal of a small group of trading properties and a textile rental facility. Cash received in respect of the property disposals in the year was £8.3 million.

No taxation arises on the exceptional items.

6 STATUTORY INFORMATION

	2005 £m	2004 £m
Operating profit is stated after charging/(crediting):		
Depreciation of tangible fixed assets		
- owned property, plant and equipment	9.8	8.6
- property, plant and equipment held under finance agreements	1.1	0.6
- rental items	16.6	13.0
Profit on sale of tangible fixed assets - property, plant and equipment	(1.9)	(0.4)
Amortisation of goodwill	11.6	7.2
Operating lease payments - plant and machinery	2.2	1.4
- land and buildings	12.9	11.5
Auditors' Remuneration		
Audit services - Group statutory audit (including £40,000 (2004: £17,000) in respect of the Company)	0.5	0.3
Non audit services can be analysed as follows:-		
Services relating to corporate finance transactions	0.2	0.1
Tax services - compliance	0.2	0.1
- advisory	0.1	0.1
All other services	0.1	-
Non audit services - UK	0.6	0.3

7 EMPLOYEES

	2005 £m	2004 £m Restated
Staff costs, including directors, during the year:		
Wages and salaries	117.3	100.9
Social security costs	9.7	8.3
Defined contribution pension costs	2.9	2.8
Other pension costs - current service costs (note 24)	1.4	1.4
Cost of employee share schemes (note 26)	0.5	0.3
Total	131.8	113.7

The average number of persons employed by the Group, based on period of ownership, during the year was:

		2005 Number	2004 Number Restated
Rental	Full time	2,496	2,282
	Part time	422	427
Corporatewear	Full time	701	372
	Part time	39	6
Drycleaning	Full time	1,408	1,376
	Part time	1,989	2,005
Facilities Management	Full time	647	614
	Part time	65	66
Total		7,767	7,148

The average number of persons employed by the Company during the year was 50 (2004: 24) of which 6 are part time (2004: 2). All of these persons are engaged in administrative roles.

8 DIRECTORS' EMOLUMENTS

Detailed disclosures that form part of these financial statements are given in the section 'Information subject to audit' in the Board Report on Remuneration on pages 75 to 80.

9 NET INTEREST

	2005 £m	2004 £m Restated
Interest payable:		
- On bank loans and overdrafts	(7.3)	(4.6)
- Amortisation of bank loan issue cost	(0.1)	(0.1)
- On finance leases	(0.3)	(0.2)
	(7.7)	(4.9)
Other interest receivable	0.2	0.1
Net interest before notional interest on defined benefit liabilities and assets	(7.5)	(4.8)
Notional interest on defined benefit liabilities:		
- Pension	(8.9)	(8.8)
- Private healthcare	(0.1)	(0.1)
	(9.0)	(8.9)
Notional interest on defined benefit assets	8.1	8.2
	(0.9)	(0.7)
Net interest	(8.4)	(5.5)

10 SEGMENTAL INFORMATION

	Turnover		Turnover Excluding Costs Recharged to Customers		Operating Profit before Restructuring and Environmental Costs and Goodwill Amortisation		Profit before Taxation	
	2005 £m	2004 £m Restated	2005 £m	2004 £m Restated	2005 £m	2004 £m Restated	2005 £m	2004 £m Restated
Rental	128.4	113.3	128.4	113.3	15.2	16.4	11.5	13.6
Corporatewear	87.1	37.6	87.1	37.6	11.4	4.1	5.0	2.6
Drycleaning	101.4	97.4	101.4	97.4	9.8	10.8	10.2	7.3
Facilities Management	115.0	115.7	46.6	29.7	4.4	1.8	2.0	0.4
Unallocated costs					(4.5)	(3.0)	(4.6)	(3.0)
Total	431.9	364.0	363.5	278.0	36.3	30.1	24.1	20.9
Interest							(8.4)	(5.5)
Profit before taxation							15.7	15.4

Segmental information includes the following in respect of acquisitions:

	Turnover	Operating Profit before Restructuring and Environmental Costs and Goodwill Amortisation	Operating Profit
	£m	£m	£m
Rental	6.3	0.9	0.1
Corporatewear	24.6	3.9	2.3
Drycleaning	2.7	0.3	0.2
Facilities Management	7.7	1.3	0.9
	41.3	6.4	3.5

Notes to the Financial Statements continued

10 SEGMENTAL INFORMATION continued

	2005 £m	2004 £m Restated
GROUP NET ASSETS		
Rental	112.1	113.0
Corporatewear	74.9	54.9
Drycleaning	34.9	36.6
Facilities Management	38.3	10.1
	260.2	214.6
Unallocated net liabilities	(189.9)	(134.1)
	70.3	80.5

All operations are continuing.

The basis of segmental analysis has been revised to show the unallocated central overheads separately and to include the results of Alex Reid Limited within the Drycleaning segment. 2004 has been re-analysed accordingly. The operating profit before restructuring and environmental costs and goodwill amortisation and profit before taxation from Drycleaning includes £1.8 million (2004: £1.4 million) of profit from the disposal of properties formerly occupied by the Drycleaning business and other non-trading items. Of the exceptional items in 2005, £2.1 million has been included in the Rental segment and £2.3 million in the Drycleaning segment in the analysis of profit before taxation.

Turnover from continuing activities originates in the United Kingdom. There is no significant difference between turnover by origin and turnover by destination.

11 TAXATION

	2005 £m	2004 £m Restated
CURRENT TAX		
UK corporation tax charge for the year at 30% (2004: 30%)	6.3	6.0
Adjustment in relation to previous years	(0.1)	(0.8)
Current tax charge for the year	6.2	5.2
DEFERRED TAX		
Origination and reversal of timing differences	0.3	0.5
Adjustment in relation to previous years	-	0.6
Deferred tax charge for the year	0.3	1.1
Total charge for taxation	6.5	6.3

The tax for the period is higher (2004: higher) than the standard rate of corporation tax in the UK.
The differences are explained below:

	2005 £m	2004 £m Restated
Profit on ordinary activities before taxation	15.7	15.4
Profit on ordinary activities before taxation multiplied by standard rate of corporation tax in the UK of 30% (2004: 30%)	4.7	4.6
Factors affecting charge for the year:		
Expenses not deductible for tax purposes	4.0	2.5
Profit on disposal of property and non taxable income	(2.1)	(0.7)
Capital allowances in excess of depreciation	-	(0.2)
Utilisation of tax losses	(0.3)	(0.2)
Adjustments to tax in respect of prior periods	(0.1)	(0.8)
Current tax charge for the year	6.2	5.2

The tax relief on the restructuring and environmental costs incurred has reduced UK corporation tax by £1.2 million (2004 : £0.6 million). Tax relief on goodwill amortisation has reduced UK corporation tax by £0.2 million (2004: £0.1 million). There is no tax charge on the exceptional items as disclosed in note 5.

12 DIVIDENDS

	Paid £m	Proposed £m	2005 Total £m	2004 Total £m
Dividends on equity shares:				
- Ordinary shares at 19.4p (2004: 18.5p) per share	2.6	8.8	11.4	10.6

On 21st October 2005 an interim dividend of 4.4p was paid on the Ordinary shares. A proposed final dividend of 15.0p will be paid on 15th May 2006 to Shareholders on the register of members on 18th April 2006. The Trustee of the ESOP has waived the entitlement to receive dividends on the Ordinary shares held by the Trust.

13 EARNINGS PER SHARE

	2005 £m	2004 £m Restated
Profit on ordinary activities after taxation	9.2	9.1
Exceptional items and restructuring and environmental costs (net of taxation)	(0.6)	1.4
Goodwill amortisation (net of taxation)	11.4	7.1
Adjusted profit attributable to Ordinary Shareholders	20.0	17.6
Weighted average number of Ordinary shares	58,208,126	57,419,393
Dilutive options	1,149,222	1,072,873
Fully diluted number of Ordinary shares	59,357,348	58,492,266
Basic earnings per share	15.7p	15.9p
Adjustment for goodwill amortisation	19.5p	12.5p
Adjustment for exceptional items and restructuring and environmental costs	(0.9)p	2.4p
Adjusted basic earnings per share	34.3p	30.8p
Diluted earnings per share	15.4p	15.6p
Adjustment for goodwill amortisation	19.2p	12.2p
Adjustment for exceptional items and restructuring and environmental costs	(1.0)p	2.4p
Adjusted diluted earnings per share	33.6p	30.2p

Basic earnings per share is calculated using the weighted average number of shares in issue during the year, excluding those held by the ESOP, based on the profit on ordinary activities after taxation.

Adjusted earnings per share figures are given to exclude the effects of goodwill amortisation, restructuring and environmental costs and exceptional items, all net of taxation and are considered to show the underlying results of the Group. For diluted earnings per share, the weighted average number of Ordinary shares in issue is adjusted to assume conversion of all dilutive potential Ordinary shares. The Company has dilutive potential Ordinary shares arising from share options granted to employees where the exercise price is less than the average market price of the Company's Ordinary shares during the year.

14 INTANGIBLE FIXED ASSETS - GOODWILL

	£m
GROUP	
COST	
At 26th December 2004	131.9
Goodwill arising on acquisitions (note 30)	56.0
Revision to deferred consideration of previous year acquisitions	0.2
At 31st December 2005	188.1

Notes to the Financial Statements continued

14 INTANGIBLE FIXED ASSETS - GOODWILL continued

AMORTISATION

At 26th December 2004	20.5
Charged during the year	11.6
At 31st December 2005	32.1

NET BOOK VALUE

At 31st December 2005	156.0
At 25th December 2004	111.4

Goodwill is amortised mainly over 20 years being the Directors' estimate of its useful life.

15 TANGIBLE FIXED ASSETS - PROPERTY, PLANT AND EQUIPMENT

	Properties				
	Freehold £m	Long Leasehold £m	Short Leasehold £m	Plant & Equipment £m	Total £m
GROUP					
COST OR VALUATION					
At 26th December 2004	30.0	6.6	3.9	102.2	142.7
Additions	-	0.1	0.5	21.8	22.4
Acquired with businesses	1.3	-	-	6.3	7.6
Disposals	(4.9)	-	(0.7)	(5.2)	(10.8)
At 31st December 2005	26.4	6.7	3.7	125.1	161.9
DEPRECIATION					
At 26th December 2004	3.9	1.2	2.4	66.9	74.4
Charge for the year	0.4	0.1	0.3	10.1	10.9
Acquired with businesses	-	-	-	4.5	4.5
Disposals	(0.1)	-	(0.6)	(4.8)	(5.5)
At 31st December 2005	4.2	1.3	2.1	76.7	84.3
NET BOOK VALUE					
At 31st December 2005	22.2	5.4	1.6	48.4	77.6
At 25th December 2004	26.1	5.4	1.5	35.3	68.3

The net book value of tangible fixed assets includes £5.5 million (2004: £5.7 million) in respect of assets held under finance agreements.

	Plant & Equipment £m	Total £m
COMPANY		
COST		
At 26th December 2004	1.4	1.4
Additions	7.8	7.8
Intra-Group transfers	0.6	0.6
At 31st December 2005	9.8	9.8
DEPRECIATION		
At 26th December 2004	-	-
Charge for the year	0.3	0.3
At 31st December 2005	0.3	0.3
NET BOOK VALUE		
At 31st December 2005	9.5	9.5
At 25th December 2004	1.4	1.4

16 **PROPERTIES AT COST OR VALUATION**

As permitted by the transitional provisions of FRS 15, valuations at 25th December 1999 have been retained although the Group does not have a policy of revaluation. The cost or valuation of properties is detailed as follows:

	Freehold £m	Long Leasehold £m	Short Leasehold £m
Properties at cost	15.8	3.9	3.7
Properties at valuation in:			
- 1987	10.6	0.8	-
- 1992	-	2.0	-
	26.4	6.7	3.7

17 **TANGIBLE FIXED ASSETS - RENTAL ITEMS**

	£m
COST	
At 26th December 2004	41.9
Additions	24.5
Acquired with businesses	2.6
Withdrawn from circulation	(13.6)
At 31st December 2005	55.4
DEPRECIATION	
At 26th December 2004	17.4
Charge for the year	16.6
Acquired with businesses	1.4
Withdrawn from circulation	(10.1)
At 31st December 2005	25.3
NET BOOK VALUE	
At 31st December 2005	30.1
At 25th December 2004	24.5

18 **FIXED ASSET INVESTMENTS**

	Group		Company	
	2005 £m	2004 £m	2005 £m	2004 £m Restated
Investment in subsidiary undertakings	-	-	535.2	506.3

The Group has a 6% interest in GreenEarth Cleaning LLC, a company incorporated in the United States of America. This investment is recorded at nil net book value.

	Company £m
Investment in subsidiary undertakings	
COST	
At 26th December 2004	531.9
Additions	28.7
Revision to deferred consideration	0.2
At 31st December 2005	560.8

Notes to the Financial Statements continued

18 FIXED ASSET INVESTMENTS continued

PROVISION FOR IMPAIRMENT

At 26th December 2004	(25.6)
Written off	-

At 31st December 2005	(25.6)
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NET BOOK VALUE

At 31st December 2005	535.2
At 25th December 2004	506.3

Additions in the year relate to the acquisition of DCC Corporate Clothing Limited, Boyd Cooper Limited and SGP Property Services Limited (note 30).

Particulars of principal subsidiary undertakings are shown in note 36.

19 STOCKS

	Group		Company	
	2005 £m	2004 £m	2005 £m	2004 £m
New rental items	2.7	1.4	-	-
Goods for resale	18.8	12.7	-	-
Work in progress	2.5	2.6	-	-
Raw materials and stores	6.2	3.1	-	-
	30.2	19.8	-	-

20 DEBTORS

	Group		Company	
	2005 £m	2004 £m Restated	2005 £m	2004 £m Restated
Amounts falling due within one year:				
Trade debtors	46.1	38.3	-	-
Other debtors	9.9	3.1	7.0	0.5
Amounts owed by subsidiary undertakings	-	-	0.6	1.3
Prepayments and accrued income	8.9	12.7	0.2	-
	64.9	54.1	7.8	1.8
Amounts falling due after more than one year:				
Amounts owed by subsidiary undertakings	-	-	53.4	23.0
Deferred tax asset (note 23)	-	-	0.2	0.7
Other debtors	0.1	0.2	-	-
	0.1	0.2	53.6	23.7
	65.0	54.3	61.4	25.5

CREDITORS

	Group		Company	
	2005 £m	2004 £m	2005 £m	2004 £m
Amounts falling due within one year:				
Bank overdraft	-	-	1.3	2.9
Other loans	1.0	3.2	0.1	2.3
Trade creditors	26.9	25.1	1.3	1.6
Amounts due to subsidiary undertakings	-	-	0.2	0.1
Dividends payable	8.8	8.2	8.8	8.2
Other creditors	23.7	21.7	5.2	4.5
Obligations under finance agreements	1.1	0.9	-	-
Corporation tax	2.7	2.0	-	-
Other taxation and social security	12.3	10.4	0.2	-
Accruals	23.5	16.5	4.2	1.7
	100.0	88.0	21.3	21.3
Amounts falling due after more than one year:				
Bank loans at variable interest rates which are linked to LIBOR - repayable not by instalments	138.2	69.9	138.2	69.9
Other creditors	6.2	3.6	5.7	2.9
Obligations under finance agreements	4.2	4.6	-	-
	148.6	78.1	143.9	72.8
Amounts due to subsidiary undertakings	-	-	322.8	343.3
	148.6	78.1	466.7	416.1
Bank loans repayable:				
- between one and two years	-	70.0	-	70.0
- between two and five years	139.0	-	139.0	-
- unamortised issue costs of bank loans	(0.8)	(0.1)	(0.8)	(0.1)
	138.2	69.9	138.2	69.9
Obligations under finance agreements are repayable as follows:				
- between one and two years	1.1	0.9		
- between two and five years	3.0	2.3		
- in five years or more	0.1	1.4		

Bank loans are unsecured and are drawn down under a committed Revolving Credit Facility, which matures between two and five years. Individual tranches are drawn down, in sterling, for periods of up to six months at the rates of interest prevailing at the time of draw down.

The Group and Company unsecured bank loans are stated net of unamortised issue costs of £0.8 million (2004: £0.1 million). In 2005 the Company incurred total issue costs of £0.9 million in respect of the five year multi-option committed facility entered into in July 2005.

Of the amounts due to subsidiary undertakings after more than one year, £173.9 million (2004: £214.5 million) bears interest at 1% below base rate and £148.9 million (2004: £128.8 million) does not bear interest.

CONTINGENT LIABILITIES**GROUP**

At 31st December 2005 there were no contingent liabilities except for those arising from the ordinary course of the Group's business. Johnsons Apparelmaster Ltd is the defendant in a claim from an employee of a subcontractor. Johnsons Apparelmaster's defence is in the process of being proved and currently it intends to strongly resist the claim in both quantum and cause. The likely outcome cannot be determined at this time.

Sketchley Services Ltd (Sketchley) acquired in 2004, may benefit from potential tax benefits from the future utilisation of brought forward trading losses which could arise subject to agreement with the Inland Revenue. Due to the uncertainty surrounding the availability and value of the losses the Directors believe it to be prudent not to recognise any potential benefit at this stage. If a benefit is realised in future years this will give rise to a liability for deferred consideration, the maximum liability under the agreement being £5 million. If the maximum liability arises, tax benefits of £8.5 million will have been realised.

COMPANY

The Company has guaranteed the banking facilities of certain UK subsidiary undertakings under a cross guarantee arrangement. No losses are expected to result from this contingent liability.

Notes to the Financial Statements continued

23 PROVISIONS FOR LIABILITIES AND CHARGES

	Deferred Taxation £m	Property £m	Self Insurance £m	Total £m
GROUP				
At 26th December 2004 as restated	0.3	10.1	1.9	12.3
Released during year	-	(0.6)	-	(0.6)
Utilised during year	-	(0.9)	(0.3)	(1.2)
Charged during year	0.3	1.2	0.2	1.7
At 31st December 2005	0.6	9.8	1.8	12.2
COMPANY				
At 26th December 2004 as restated			0.5	0.5
Utilised during year			(0.1)	(0.1)
Charged during the year			0.1	0.1
At 31st December 2005			0.5	0.5

PROPERTY

The property provision includes leases which expire during the period to 2016 and the estimated clean up costs of property where an environmental problem has been identified and a course of action has been determined. The Group has a programme to dispose of vacant properties.

SELF INSURANCE

The self insurance provision includes a provision for payments due to existing claimants under the self funded incapacity scheme over a period of 27 years. This scheme is now closed. The balance of the provision, which is in respect of general insurance arrangements, is expected to be utilised within five years except for any claims resulting in litigation.

DEFERRED TAXATION

The deferred tax balance comprises the following:

	Group		Company	
	2005 £m	2004 £m Restated	2005 £m	2004 £m Restated
Accelerated capital allowances	2.3	1.7	-	-
On share options	(0.5)	(0.4)	(0.4)	(0.4)
Other timing differences	(0.9)	(0.6)	0.2	(0.3)
Losses	(0.3)	(0.4)	-	-
Total provision/(asset) for deferred taxes	0.6	0.3	(0.2)	(0.7)

The Company's deferred tax asset of £0.2 million (2004: £0.7 million) is included in debtors (note 20).

Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no commitment to sell the asset as such tax would only become payable if the property were sold without relief being obtained. The tax which would be payable in such circumstances is estimated to be £nil (2004: £nil) due to the existence of indexation allowances and capital losses.

The Group also has a £15.1 million (2004: £10.2 million) deferred tax asset in respect of its defined benefit liabilities. In accordance with current UK accounting requirements, the deferred tax asset is netted off against the gross defined benefit liability and is therefore excluded from the above figures.

PENSION AND OTHER RETIREMENT BENEFIT LIABILITIES

The Group operates pension schemes of both the funded defined benefit and the defined contribution type for a substantial number of employees.

The disclosures below are in respect of all of the Group schemes. The Company accounts reflect the liabilities of the Johnson Group Staff Pension Scheme, the Semara Augmented Pension Plan and the Private Healthcare Scheme.

The assets of the schemes are held in separate trustee administered funds. The schemes are subject to independent actuarial valuations every three years, using the Attained Age Method, and pension costs are assessed in accordance therewith.

Date of
Valuation

PENSIONS - DEFINED BENEFIT

Johnson Group Staff Pension Scheme	5th April 2005
Semara Augmented Pension Plan	30th June 2004
WML Final Salary Pension Scheme	5th April 2005

JOHNSON GROUP STAFF PENSION SCHEME

The updated actuarial valuation at 31st December 2005 showed an increase in the deficit to £45.7 million (2004: £30.0 million). Discussions are still taking place regarding the new contribution rate to be paid.

SEMARA AUGMENTED PENSION PLAN

The updated actuarial valuation at 31st December 2005 showed a small reduction in the deficit. Contributions to the Semara Augmented Pension Plan were equal to the individual funding rates for each active member plus £81,700 per annum.

WML FINAL SALARY PENSION SCHEME

On 28th October 2003, the Group inherited the WML Final Salary Pension Scheme as a result of its acquisition of Workplace Management. The updated actuarial valuation at 31st December 2005 showed an increase in the deficit to £2.6 million (2004: £2.0 million). Cash contributions to the scheme have been at the rate of 41.9% of Pensionable Salaries from 5th April 2002. The results of the actuarial valuation at 5th April 2005 are still being discussed.

PENSIONS - DEFINED CONTRIBUTION

The Johnson Group Retirement Plan is a defined contribution scheme. The cost for the year was £2.3 million (2004: £2.0 million).

PRIVATE HEALTHCARE

The Group operates an unfunded defined benefit private healthcare scheme for eligible retirees. The scheme is subject to an independent actuarial review which assesses the cost of providing benefits for current and future eligible retirees.

The latest formal review was undertaken as at 31st December 2005. The actuarial review was performed using the Projected Unit Credit Method, using a discount rate of 4.9%. The main long term actuarial assumptions used in the review were that the annual increase in medical costs would be 4.25% and that the retirement age of eligible employees will be 60 for females and 62 for males.

The full actuarial valuations of the pension schemes disclosed above have been updated to 31st December 2005 by an independent qualified actuary.

Notes to the Financial Statements continued

24 PENSION AND OTHER RETIREMENT BENEFIT LIABILITIES continued

The main financial assumptions used in calculating the FRS 17 liability are:

	UK Pension Schemes			Private Healthcare		
	2005	2004	2003	2005	2004	2003
Inflation	2.8%	2.7%	2.8%	-	-	-
Rate of increase in salaries	3.3%	3.2%	3.3%	-	-	-
Rate of increase of pensions in payment (5% LPI linked)	2.8%	2.7%	2.8%	-	-	-
Rate of increase of pensions in deferment	2.8%	2.7%	2.8%	-	-	-
Rate of increase of pensions in payment (2.5% LPI linked)	2.2%	-	-	-	-	-
Rate of increase in medical costs	-	-	-	7.65%	8.5%	8.25%
Rate used to discount scheme liabilities	4.9%	5.3%	5.4%	4.9%	5.3%	5.4%

The rate of increase in medical costs is assumed to reduce, on a straight line basis in years 2 to 5, to 4.25% and remain constant thereafter. (2004: reduce on a straight line basis in years 2 to 6, to 4.25% and remain constant thereafter; 2003: reduce on a straight line basis in years 2 to 7, to 4.25% and remain constant thereafter).

The Group made the following contributions to the main pension schemes:

Johnson Group Staff Pension Scheme	1.10.03 to 31.03.06 01.04.06 onwards	11.4% of basic salary still to be determined
Johnson Group Retirement Plan	1.4.03 to 31.3.04 1.4.04 onwards	between 1.5% and 10.5% of pensionable salary, dependent on grade between 2.0% and 22% of pensionable salary, dependent on grade
Semara Augmented Pension Plan	1.1.05 onwards	between 3.8% and 32.4% of pensionable salary, dependent on grade
WML Final Salary Pension Scheme	28.10.03 (date of acquisition) to 31.03.06 01.04.06 onwards	41.9% of pensionable salary still to be determined

An annual contribution of £81,700 will be payable to the Semara Augmented Pension Plan for the next 10 years in respect of past service. The Company is in discussion with the Trustees regarding additional contributions to be made to the Johnson Group Staff Pension Scheme and WML Final Salary Pension Scheme in order to reduce the deficit over an agreed period of time.

The contribution rates to the Johnson Group Retirement Plan are not expected to be significantly different from the rates disclosed above.

History of experience gains/(losses):

	2005	2004	2003	2002
Difference between the expected and actual return on plan assets:				
Amount (£ million)	14.6	3.4	9.7	(28.7)
Percentage of plan assets	9%	2%	7%	(25%)
Experience gains and losses on plan liabilities:				
Amount (£ million)	1.9	(1.4)	0.3	(2.0)
Percentage of the present value of plan liabilities	1%	(1%)	-	(1%)
Total amount recognised in statement of total recognised gains and losses:				
Amount (£ million)	(15.7)	0.2	(2.9)	(37.1)
Percentage of the present value of plan liabilities	(8%)	-	(2%)	(26%)

The post retirement healthcare scheme is unfunded. The Company accounted for a charge of £1,600 per eligible member in the profit and loss account in 2005 (2004: £1,600) and expects this to reduce to £975 in 2006.

PENSION AND OTHER RETIREMENT BENEFIT LIABILITIES continued

The assets in the schemes and the expected rates of return were:

	Long Term Rate of Return	UK Pension Schemes Value £m	Long Term Rate of Return	Post Retirement Healthcare Value £m	Total Plans £m
DECEMBER 2005					
Equities	7.1%	98.1	-	-	98.1
Bonds	4.4%	57.2	-	-	57.2
Other	4.5%	1.6	-	-	1.6
Total market value of assets		156.9		-	156.9
Present value of scheme liabilities		(205.5)		(1.8)	(207.3)
Shortfall in schemes		(48.6)		(1.8)	(50.4)
Related deferred tax asset		14.6		0.5	15.1
Net liability		(34.0)		(1.3)	(35.3)
DECEMBER 2004					
Equities	6.6%	91.3	-	-	91.3
Bonds	4.8%	45.6	-	-	45.6
Other	2.7%	1.5	-	-	1.5
Total market value of assets		138.4		-	138.4
Present value of scheme liabilities		(170.8)		(1.7)	(172.5)
Shortfall in schemes		(32.4)		(1.7)	(34.1)
Related deferred tax asset		9.7		0.5	10.2
Net liability		(22.7)		(1.2)	(23.9)
DECEMBER 2003					
Equities	6.8%	98.2	-	-	98.2
Bonds	5.0%	32.2	-	-	32.2
Other	2.8%	1.0	-	-	1.0
Total market value of assets		131.4		-	131.4
Present value of scheme liabilities		(164.0)		(1.6)	(165.6)
Shortfall in schemes		(32.6)		(1.6)	(34.2)
Related deferred tax asset		9.8		0.5	10.3
Net liability		(22.8)		(1.1)	(23.9)

Notes to the Financial Statements continued

24 PENSION AND OTHER RETIREMENT BENEFIT LIABILITIES continued

Movement in deficit during the two years to 31st December 2005:

	2005 £m	2004 £m
At beginning of year	(34.1)	(34.2)
Current service cost	(1.4)	(1.4)
Contributions	1.7	1.9
Other finance expense	(0.9)	(0.6)
Actuarial (losses)/gains	(15.7)	0.2
At end of year	(50.4)	(34.1)

The amounts charged to the consolidated profit and loss and consolidated statement of total recognised gains and losses for the two years ended 31st December 2005 are set out below:

	2005 £m	2004 £m
Current service cost	1.4	1.4
Expected return on scheme assets	(8.1)	(8.2)
Interest on scheme liabilities	9.0	8.9
Other financial expense	0.9	0.7
Total charged to profit before taxation	2.3	2.1

In addition, the following amounts have been recognised in the statement of total recognised gains and losses:

	£m	2005 % of scheme assets	£m	2004 % of scheme assets
Difference between actual and expected return on scheme assets	14.6	9	3.4	2
Experience gains / (losses) on scheme liabilities	1.9	1	(1.4)	(1)
Changes in actuarial assumptions	(32.2)	(21)	(1.8)	(1)
	(15.7)		0.2	

CALLED-UP SHARE CAPITAL

		2005 £m		2004 £m
GROUP AND COMPANY				
Authorised				
83,025,739 (2004: 83,025,739) Ordinary shares of 10p each		8.3		8.3
Issued and fully paid				
	Shares	£m	Shares	£m
Ordinary shares of 10p each:				
Brought forward	57,922,742	5.8	57,349,253	5.7
Allotted under share option schemes	901,708	0.1	573,489	0.1
Carried forward	58,824,450	5.9	57,922,742	5.8

Options over Ordinary shares of 10p each

During the year, options have been exercised over 901,708 Ordinary shares, with a nominal value of £90,171. The proceeds received on allotment were £2.5 million.

Potential issues of Ordinary shares

Certain senior executives hold options in respect of potential issues of Ordinary shares of 10p each granted pursuant to the Johnson Group Savings Related Share Option Scheme, 2003 Executive Share Option Scheme and unapproved share option schemes at prices ranging from 297.0 pence to 454.5 pence.

Certain company employees hold options in respect of potential issues of Ordinary shares of 10p each granted pursuant to the Johnson Group Savings Related Share Option Scheme at prices ranging from 203.0 pence to 334.0 pence.

The number of shares subject to options under each scheme which were outstanding at 31st December 2005, the periods in which they were granted and the periods in which they may be exercised are given below:

	Date Options Granted	Number of Shares	Date Exercisable	Price per Share
Savings Related	4th October 2000	23,815	1st November 2005	204.0p
Savings Related	5th October 2001	112,415	1st December 2006	264.0p
Savings Related	7th October 2002	49,871	1st December 2005	203.0p
Savings Related	7th October 2002	209,167	1st December 2007	203.0p
Executive	13th May 2003	50,000	13th May 2006	305.0p
Executive	24th June 2003	1,050,000	24th June 2006	297.0p
Savings Related	15th October 2003	147,179	1st December 2006	269.0p
Savings Related	15th October 2003	166,486	1st December 2008	269.0p
Executive	22nd April 2004	1,060,000	22nd April 2007	394.5p
Savings Related	6th October 2004	205,951	1st December 2007	315.0p
Savings Related	6th October 2004	188,984	1st December 2009	315.0p
Executive	22nd October 2004	60,000	22nd April 2007	394.5p
Executive	18th April 2005	1,264,500	18th April 2008	454.5p
Savings Related	6th October 2005	240,918	1st December 2008	334.0p
Savings Related	6th October 2005	122,997	1st December 2010	334.0p
		4,952,283		

Options granted under the Savings Related Scheme are normally exercisable within six months from the date exercisable as shown above.

Options under the Executive Scheme and unapproved share option schemes are normally exercisable within seven years from the date exercisable as shown above.

Notes to the Financial Statements continued

26 SHARE-BASED PAYMENTS

Equity-settled share-based payments

The Johnson Group 2003 Executive Share Option Scheme and unapproved share option schemes provide for an exercise price equal to the average quoted market price of the Company's shares on the date of grant, as determined by the Remuneration Committee. The vesting period is generally three years. Both market based and non-market based performance conditions are generally attached to the options, for which an appropriate adjustment is made when calculating the fair value of an option.

The Johnson Group Savings Related Share Option Scheme provides for an exercise price equal to the average quoted market price of the Company's shares on the date of grant, less 20 percent. The vesting period is either three or five years and no performance conditions are attached to the options.

If options remain unexercised after a period of 10 years from the date of grant, the options expire. Furthermore, options will lapse if the employee leaves the Group before the options vest, unless under exceptional circumstances.

	2005 Options	2005 Weighted average exercise price (£)	2004 Options	2004 Weighted average exercise price (£)
Executive and unapproved schemes				
Outstanding at beginning of period	3,018,354	3.39	2,058,463	2.96
Granted during the period	1,279,500	4.54	1,390,000	3.96
Lapsed during the period	(202,500)	3.63	(88,586)	3.87
Exercised during the period	(610,854)	3.06	(341,523)	2.96
Outstanding at the end of the period	3,484,500	3.75	3,018,354	3.39
Exercisable at the end of the period	100,000	4.33	-	-
Savings related schemes				
Outstanding at beginning of period	1,607,464	2.57	1,611,340	2.35
Granted during the period	370,238	3.34	486,291	3.15
Lapsed during the period	(219,065)	2.70	(258,201)	2.34
Exercised during the period	(290,854)	2.09	(231,966)	2.50
Outstanding at the end of the period	1,467,783	2.84	1,607,464	2.57
Exercisable at the end of the period	49,871	2.03	42,278	2.64

Options were exercised on a regular basis throughout the period. The weighted average share price of Johnson Service Group PLC during the period was £4.43 (2004: £3.92).

For options outstanding at 31st December 2005, the exercise date and the exercise price are disclosed within Note 25.

During the year, a long term incentive plan (LTIP) in which certain executive directors and senior executives may be invited to participate was introduced. The plan is designed to reinforce the importance of management meeting the Group's medium term financial objectives in a way that will align their reward with shareholder returns. Full details of the plan are included within the Board Report on Remuneration.

The inputs into the share option valuation models (Black-Scholes and Monte Carlo) used in calculating fair values are as follows:

	Options granted during 2005	Options granted during 2004
Weighted average share price at date of grant (£)	3.92	3.92
Weighted average exercise price (£)	4.27	3.74
Weighted average fair value (£)	0.42	0.37
Expected volatility (%)	14.94	16.91
Expected life (years)	3.60	3.68
Risk free rate (%)	4.39	4.70
Expected dividend yield (%)	5.03	5.32

Expected volatility and expected dividend yield were determined by calculating the historical volatility of the Group's share price and the historical dividend yield for a period akin to the expected life of each option scheme. The risk free rate of return is based on the rate for UK government gilts on the date of grant, for a period akin to the expected life of the option.

The Group recognised total expenses of £0.5 million and £0.3 million in relation to equity-settled share based payment transactions in 2005 and 2004 respectively. In addition a charge of £0.3 million (2004: £nil) was recognised in relation to the LTIP.

RESERVES

	Share Premium Account £m	Revaluation Reserve £m	Other Reserves		Profit and Loss Account £m
			Capital Redemption Reserve £m	Merger Reserve £m	
GROUP					
At 25th December 2004	9.5	8.0	0.6	1.5	80.1
Prior year adjustment	-	-	-	-	(25.0)
At 25th December 2004 as restated	9.5	8.0	0.6	1.5	55.1
Loss for year	-	-	-	-	(2.2)
Actuarial loss, net of taxation	-	-	-	-	(11.0)
Adjustment in respect of employee share schemes	-	-	-	-	0.5
Transfer to realised reserve	-	(1.7)	-	-	1.7
Premium on allotment	2.4	-	-	-	-
At 31st December 2005	11.9	6.3	0.6	1.5	44.1

The cumulative amount of goodwill written off, net of any goodwill on disposals, is estimated to be £13.3 million (2004: £13.3 million).

Any tax effect arising on the revaluation surplus realised is included, where applicable, in the tax on property disposals.

The Trustee of the ESOP holds 105,127 (2004: 130,129) Ordinary shares of the Company in respect of one of the Group's share option plans, with a market value at 31st December 2005 of £0.5 million (2004: £0.5 million). £0.3 million (2004: £0.3 million) is deducted from the Profit and Loss account in respect of these shares. Dividends on the shares held by the Trust have been waived.

	Share Premium Account £m	Capital Redemption Reserve £m	Other Reserves		Profit and Loss Account £m
			Capital Reserve £m	Merger Reserve £m	
COMPANY					
At 25th December 2004	9.5	0.6	11.3	3.5	62.7
Prior year adjustment	-	-	-	-	(21.1)
At 25th December 2004 as restated	9.5	0.6	11.3	3.5	41.6
Profit for year	-	-	-	-	19.5
Actuarial loss, net of taxation	-	-	-	-	(10.6)
Adjustment in respect of employee share schemes	-	-	-	-	0.5
Premium on allotment	2.4	-	-	-	-
At 31st December 2005	11.9	0.6	11.3	3.5	51.0

The Trustee of the ESOP holds 48,962 (2004: 73,962) Ordinary shares of the Company in respect of one of the Company's share option plans, with a market value at 31st December 2005 of £0.2 million (2004: £0.3 million). £0.2 million (2004: £0.2 million) is deducted from the Profit and Loss account in respect of these shares.

Notes to the Financial Statements continued

28 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Group		Company	
	2005 £m	2004 £m Restated	2005 £m	2004 £m Restated
Profit on ordinary activities after taxation	9.2	9.1	30.9	2.5
Dividends	(11.4)	(10.6)	(11.4)	(10.6)
(Loss)/profit for the financial year	(2.2)	(1.5)	19.5	(8.1)
Movement in share capital	0.1	0.1	0.1	0.1
Share premium	2.4	1.5	2.4	1.5
Consideration received by ESOP	-	0.1	-	-
Transfer to share option reserve	0.5	0.3	0.5	0.3
Actuarial gains/(losses) (net of taxation)	(11.0)	0.1	(10.6)	0.1
Net addition/(reduction) to Shareholders' funds	(10.2)	0.6	11.9	(6.1)
Opening Shareholders' funds, as previously stated	105.5	104.9	93.4	99.8
Prior year adjustment	(25.0)	(25.0)	(21.1)	(21.4)
Opening Shareholders' funds, as restated	80.5	79.9	72.3	78.4
Closing Shareholders' funds	70.3	80.5	84.2	72.3

29 RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2005 £m	2004 £m Restated
Operating profit	19.7	20.9
Depreciation of - tangible fixed assets - property, plant and equipment	10.9	9.2
- tangible fixed assets - rental items	16.6	13.0
Amortisation of goodwill	11.6	7.2
Profit on sale of tangible fixed assets - property, plant and equipment	(1.9)	(0.4)
Charge for share options	0.5	0.3
Difference between retirement benefit charge and cash paid	(0.3)	(0.6)
Increase in stocks	(3.5)	(2.7)
Increase in debtors	(2.8)	(1.9)
Increase in creditors	2.9	0.7
Adjustments in respect of provisions	(0.5)	(0.8)
Net cash inflow from operating activities	53.2	44.9

30 ACQUISITIONS

Businesses acquired during the year are shown below:

	Date	Consideration and Costs £m	Net Assets Acquired £m	Fair Value Adjustments £m	Accounting Policy Realignment £m	Fair Value of Assets Acquired £m	Goodwill £m
DCC Corporatewear Ltd	31st December 2004	23.0	5.7	(0.2)	-	5.5	17.5
SGP Property Services Ltd	11th October 2005	24.8	(2.9)	(0.1)	-	(3.0)	27.8
Boyd Cooper Ltd	6th April 2005	4.0	0.8	(0.1)	-	0.7	3.3
Other		10.4	3.1	(0.2)	0.1	3.0	7.4
		62.2	6.7	(0.6)	0.1	6.2	56.0
Adjustments to prior period		0.3	-	0.1	-	0.1	0.2
Total acquisitions in the year		62.5	6.7	(0.5)	0.1	6.3	56.2

30 ACQUISITIONS continued

Other acquisitions during the year include the purchase of the trade and assets of Bentleys, Albany Rentals, Berkhamsted Laundry and Firbimatic UK, in March 2005, April 2005, September 2005 and August 2005 respectively and the share capital of Wintex Ltd and Acame Maintenance Ltd in January 2005.

	Consideration and Costs £m
Consideration has been satisfied by:	
Cash consideration payable	55.8
Deferred consideration	6.4
Costs relating to previous year acquisitions	0.3
	62.5

The deferred consideration relates to the acquisitions as follows:

SGP Property Services Limited	5.7
Boyd Cooper Limited	0.2
Acame Maintenance Limited	0.5
	6.4

The deferred consideration of £6.4 million is dependent upon the achievement of certain performance targets and is the best estimate of the amount payable.

	Net Assets Acquired £m	Fair Value Adjustments £m	Accounting Policy Realignment £m	Fair Value of Assets £m
Tangible fixed assets - property, plant and equipment	3.3	(0.2)	-	3.1
Tangible fixed assets - rental items	1.4	(0.3)	0.1	1.2
Stocks	6.7	-	-	6.7
Debtors	8.4	(0.1)	-	8.3
Cash and overdraft	1.8	-	-	1.8
Corporation tax	(0.5)	-	-	(0.5)
Creditors	(9.3)	-	-	(9.3)
Loans and finance leases	(5.1)	-	-	(5.1)
	6.7	(0.6)	0.1	6.2

Adjustments have been made to reflect the provisional fair value of assets and liabilities acquired and relate primarily to asset valuation adjustments.

Adjustments made to the fair value of assets of businesses acquired in 2005 are provisional due to the short period of ownership. Adjustments in respect of acquisitions in 2004 arose due to increased knowledge of assets and liabilities resulting from a longer period of ownership.

Analysis of net flow of cash in respect of acquisitions:-

	£m
Cash consideration and costs paid	55.8
Deferred consideration paid on acquisitions in prior years	2.2
Payments to acquire businesses	58.0
Cash acquired	(1.8)
Net cash flow	56.2

There is no material difference between operating profit arising from acquisitions and cash flows contributed by those acquisitions.

Notes to the Financial Statements continued

31 RECONCILIATION OF NET CASH INFLOW TO MOVEMENT IN NET DEBT

	2005 £m	2004 £m
Increase in cash in year	3.0	2.3
Cash (inflow) on change in debt and lease financing	(60.9)	(25.2)
Change in net debt resulting from cash flows	(57.9)	(22.9)
Finance leases - new	(0.7)	(5.1)
Issue costs of new bank loans	0.9	-
Amortisation of issue costs of bank loans	(0.1)	(0.1)
Issue of loan notes	-	(2.3)
Loans and leases acquired with subsidiaries	(5.1)	(0.3)
Movement in net debt in year	(62.9)	(30.7)
Opening net debt	(74.1)	(43.4)
Closing net debt	(137.0)	(74.1)

32 ANALYSIS OF NET DEBT

	At 25th December 2004 £m	Cash Flow £m	Acquisitions (Excluding Cash and Overdrafts) £m	Other Non-Cash Changes £m	At 31st December 2005 £m
Cash in hand and at bank	4.5	3.0	-	-	7.5
Debt due within one year	(3.2)	2.2	-	-	(1.0)
Debt due after more than one year	(69.9)	(64.2)	(4.9)	0.8	(138.2)
Finance leases	(5.5)	1.1	(0.2)	(0.7)	(5.3)
		(60.9)			
Total	(74.1)	(57.9)	(5.1)	0.1	(137.0)

Non-cash changes represent the effects of amortising issue costs relating to bank loans and new finance leases.

33 FINANCIAL INSTRUMENTS POLICIES AND STRATEGIES

Details of the Group's policies and strategies in relation to financial instruments are given in the paragraphs on Policies and Strategies, Interest Rate Risk, Liquidity Risk and Foreign Currency Risk in the Financial Review on page 23.

FRS 13 "Derivatives and Other Financial Instruments - Disclosures" requires numerical disclosures in respect of financial assets and liabilities and these are set out below. The Group has taken advantage of the exemptions available under the FRS, to exclude details in respect of short term debtors and creditors.

	Group	
	2005 £m	2004 £m
FINANCIAL ASSETS		
Cash at bank and in hand		
- Sterling	7.4	4.0
- US dollar	0.1	0.5
	7.5	4.5

For interest purposes cash, which earns interest at prevailing floating rates, is offset against overdrafts through a pooling arrangement with the Group's principal banker. Surplus cash is placed on Treasury Deposit with one of the Group's bankers.

	Group	
	2005 £m	2004 £m
FINANCIAL LIABILITIES		
Unsecured bank loans, net of unamortised issue costs	138.2	69.9
Other loans	1.0	3.2
Finance leases	5.3	5.5
Other financial liabilities	6.2	3.6
Provisions	11.6	12.0
	162.3	94.2

	Debt £m	Finance Leases £m	Other Financial Liabilities £m	Provisions £m	Total £m
AS AT DECEMBER 2005:					
Within one year	1.0	1.1	-	4.8	6.9
Within one to two years	-	1.1	4.9	1.8	7.8
Within two to five years	138.2	3.0	1.3	2.0	144.5
Over five years	-	0.1	-	3.0	3.1
	139.2	5.3	6.2	11.6	162.3
AS AT DECEMBER 2004:					
Within one year	3.2	0.9	-	3.6	7.7
Within one to two years	69.9	0.9	3.0	1.7	75.5
Within two to five years	-	2.3	0.6	2.5	5.4
Over five years	-	1.4	-	4.2	5.6
	73.1	5.5	3.6	12.0	94.2

At December 2005, under the new bank facility arranged in July 2005, the Group's £200.0 million term loan facility has been classified as payable within two to five years, as the expiry date of the facility is July 2010.

The total facility available as at 31st December 2005 was £200.0 million (2004: £110.0 million) leaving an undrawn committed facility of £61.0 million (2004: £40.0 million). The Group also has an overdraft facility of £10.0 million which is reviewed annually, the next review date being December 2006.

HEDGES

As explained in the Financial Review it is the Group's policy to partly hedge interest and exchange rate risks.

The table below shows the extent to which the Group has off-balance sheet (unrecognised) gains and losses in respect of financial instruments used as hedges at the end of the year. It also shows the amount of such gains which have been included in the profit and loss account for the year and those gains and losses which are expected to be included in the next year's, or later, profit and loss account.

	Total Net Gains/ (Losses) £m
Unrecognised losses on hedges at 27th December 2003	(1.5)
Losses not recognised in 2003 recognised in 2004	1.0
Gains arising in 2004 not recognised in 2004	0.3
Unrecognised losses on hedges at 25th December 2004	(0.2)
Losses not recognised in 2004 recognised in 2005	0.2
Unrecognised losses on hedges at 31st December 2005	-

Notes to the Financial Statements continued

33 FINANCIAL INSTRUMENTS continued

INTEREST RATE RISK PROFILE

	Fixed Rate Financial Liabilities £m	Floating Rate Financial Liabilities £m	Financial Liabilities on which no Interest is paid £m	Total £m
AS AT DECEMBER 2005:				
Sterling	55.3	89.2	17.8	162.3
AS AT DECEMBER 2004:				
Sterling	30.5	48.1	15.6	94.2

The Group's creditors falling due within one year (other than bank and other borrowings) are excluded from the above tables either due to the exclusion of short term items or because they do not meet the definition of a financial liability.

FIXED RATE FINANCIAL LIABILITIES

The effect of the Group's interest swap is to classify £50 million (2004: £25 million) of borrowings in the above table as fixed rate, the weighted average rate, excluding margin, being 4.63% (2004: 6.62%) and weighted average period remaining being 31 months (2004: 3 months).

The interest rates on finance lease arrangements are fixed and are set at the point of inception. The average interest rate incurred is 6.2% (2004: 6.4%) and the weighted average period remaining is 60 months (2004: 67 months).

FLOATING RATE FINANCIAL LIABILITIES

Floating rate financial liabilities bear interest at rates based on relevant national LIBOR equivalents. Interest rate swaps are taken to fix interest rate payments for periods of between one and six months. The weighted average period remaining for floating rate financial liabilities is 55 months (2004: 18 months).

FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

Bank loans are drawn down and interest fixed for no more than a six month period. In view of this the fair value of bank loans is not materially different from the book value. Except as shown in the table below, the fair value of other financial liabilities was not materially different from the book value.

	Book Value 2005 £m	Fair Value 2005 £m	Book Value 2004 £m	Fair Value 2004 £m
Derivative financial instruments held to manage the interest and exchange rate profile:				
Interest rate products	-	(0.2)	-	(0.2)
Exchange rate products	-	0.2	-	-

Where available, market rates have been used to determine fair value.

34 FINANCIAL COMMITMENTS

	2005 £m	2004 £m
CAPITAL EXPENDITURE		
GROUP		
Estimated amount of capital expenditure contracted but not provided for	2.4	1.1

COMPANY

There were no capital commitments at 31st December 2005 (2004: £nil).

34 **FINANCIAL COMMITMENTS** continued

	2005 £m	2004 £m
REVENUE EXPENDITURE GROUP		
Commitments by the Group under operating leases to make payments in the following year:		
Land and buildings:		
Operating leases which expire - within one year	0.7	1.2
- between two and five years	3.9	3.9
- in five years or more	8.5	7.8
	13.1	12.9
Plant and machinery:		
Operating leases which expire - within one year	0.8	0.3
- between two and five years	1.6	1.4
	2.4	1.7

35 **RELATED PARTY TRANSACTIONS**

During 2005, Johnson Hospitality Services Limited purchased £32,176 of goods from CCGF Limited and paid rent of £5,265 to RS & JL Higgin. Mr. C. Piggott is a director of both Johnson Hospitality Services Limited and CCGF Limited. Mr. R. Higgin was a director of Johnson Hospitality Services Limited until July 2005 and owns the property rented to the Company during the year.

36 **PRINCIPAL SUBSIDIARY UNDERTAKINGS**

	Principal activity
Johnsons Apparelmaster Limited*	Textile Rental and Specialist Linen Rental (Stalbridge)
Johnson Clothing Ltd (formerly CCM Ltd)*	Garment Sourcing
Dimensions Corporatewear Limited*	Garment Sourcing
Wessex Textiles Limited	Garment Sourcing
S Yaffy Limited	Garment Sourcing
Boyd Cooper Limited	Garment Sourcing
DCC Corporate Clothing Limited	Garment Sourcing
Johnson Cleaners UK Limited	Drycleaning
Jeeves of Belgravia Limited	Drycleaning
Jeeves International Limited*	Drycleaning Franchises
Johnson Workplace Management Limited*	Facilities Management
Ace (Ascot) Limited*	Electrical Contractors
Acame Maintenance (SW) Limited*	Mechanical Contractors
Alex Reid Limited	Clothes Care Supplies
Johnson Hospitality Services Limited	Hospitality and Events Hire
Johnson Environmental Pest Control Limited	Pest Control
Johnson Group Properties PLC	Property
Johnson Finance Limited	Finance
Johnson Investment Limited	Holding Company
Semara Estates Limited*	Property
SGP Property Services Limited	Property and Facilities Management

Johnson Service Group PLC owns directly or indirectly the entire share capital of each of these companies. The share capital of the companies annotated* is held through intermediate holding companies. All companies above are incorporated in Great Britain and registered in England, other than S Yaffy Limited which is registered in Scotland.

The share capital of all subsidiary undertakings is Ordinary share capital.

A full list of subsidiary undertakings will be annexed to the next Annual Return of Johnson Service Group PLC to be filed with the Registrar of Companies.

Notes to the Financial Statements continued

37

SUMMARY IFRS INFORMATION

a) BASIS OF PREPARATION

The Group will be required to report under IFRS for the accounting period ending on 31st December 2006. The summary income statement and balance sheet for 2005 and 2004 presented below have been prepared in accordance with IFRS as they are expected to apply to the Group.

The summary IFRS information that follows in this note has been prepared in accordance with those IFRS standards and the International Financial Reporting Interpretations Committee (IFRIC) interpretations issued and endorsed or issued and expected to be endorsed by the European Union (EU), as at the time of preparing these summary statements (March 2006). In addition, the Group has adopted the amendment to IAS 19, Employee Benefits, that permits actuarial gains and losses arising on defined benefit pension plans to be taken to the Statement of Recognised Income and Expense.

The Johnson Service Group PLC consolidated financial statements were prepared in accordance with UK Generally Accepted Accounting Principles (UK GAAP) until 31st December 2005. UK GAAP differs in some areas from IFRS. Summary reconciliations and descriptions of the effect of the transition from UK GAAP to IFRS on the Group's equity and its net income and cash flows are provided in this note.

The summary information presented in this note does not include all the disclosures required in full IFRS financial statements and is therefore not fully in accordance with IFRS disclosure requirements.

The revised principal accounting policies set out in the IFRS Impact Statement issued in July 2005 are expected to be formally adopted by the Group when it prepares its first annual report for the year ending 31st December 2006. These standards remain subject to further amendments and interpretative guidance from the International Accounting Standards Board (IASB) as well as ongoing review and endorsement by the EU. Consequently, the accounting policies are provisional and are subject to change.

b) SUMMARY CONSOLIDATED INCOME STATEMENT UNDER IFRS

	Year ended 31st December 2005 £m	Year ended 25th December 2004 £m
REVENUE	431.9	363.7
Costs recharged to customers	(68.4)	(86.0)
Revenue excluding costs recharged to customers	363.5	277.7
OPERATING PROFIT	31.8	27.3
OPERATING PROFIT BEFORE INTANGIBLES AMORTISATION AND EXCEPTIONAL ITEMS	36.3	29.9
Amortisation of intangible assets	(3.9)	(0.6)
Restructuring and environmental costs	(5.0)	(2.0)
Profit on disposal of property	4.4	-
OPERATING PROFIT	31.8	27.3
Finance costs	(8.2)	(5.5)
PROFIT BEFORE TAXATION	23.6	21.8
Taxation	(6.6)	(5.6)
PROFIT FOR THE PERIOD	17.0	16.2
ADJUSTED PROFIT BEFORE TAXATION	28.1	24.4
EARNINGS PER SHARE		
Basic	29.2p	28.3p
Fully diluted	28.6p	27.8p
Adjusted (fully diluted) (see note 37(f))	33.8p	30.9p
ORDINARY DIVIDENDS PAID AND PROPOSED		
Interim dividend	4.4p	4.2p
Final dividend	15.0p	14.3p

SUMMARY IFRS INFORMATION continued**c) SUMMARY CONSOLIDATED BALANCE SHEET UNDER IFRS**

	As at 31st December 2005 £m	As at 25th December 2004 £m
ASSETS		
NON-CURRENT ASSETS		
Goodwill	140.7	108.3
Intangible assets	50.6	16.3
Property, plant and equipment	68.0	66.0
Rental items	30.1	24.5
Deferred tax assets	17.9	12.9
	307.3	228.0
CURRENT ASSETS		
Inventories	30.2	19.8
Trade and other receivables	65.0	54.3
Derivative financial assets	0.2	-
Cash and cash equivalents	7.5	4.5
	102.9	78.6
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	26.9	25.1
Other creditors and accruals	61.1	50.1
Current income tax liabilities	2.7	2.0
Borrowings	2.1	4.2
Derivative financial instruments	0.2	-
	93.0	81.4
NET CURRENT ASSETS / (LIABILITIES)	9.9	(2.8)
NON-CURRENT LIABILITIES		
Borrowings	142.6	74.7
Retirement benefit obligations	50.4	34.4
Deferred tax liabilities	14.6	6.8
Provisions and other non-current liabilities	19.7	17.5
	227.3	133.4
NET ASSETS	89.9	91.8
EQUITY		
CAPITAL AND RESERVES ATTRIBUTABLE TO THE COMPANY'S EQUITY HOLDERS		
Called up share capital	5.9	5.8
Share premium	11.9	9.5
Other reserves	2.1	2.1
Retained earnings	70.0	74.4
TOTAL EQUITY	89.9	91.8

Notes to the Financial Statements continued

37 SUMMARY IFRS INFORMATION continued

d) SEGMENTAL INFORMATION - ANALYSIS OF TURNOVER, OPERATING PROFIT BEFORE RESTRUCTURING AND ENVIRONMENTAL COSTS AND INTANGIBLES AMORTISATION AND PROFIT BEFORE TAXATION

	Turnover		Turnover Excluding Costs Recharged to Customers	
	2005 £m	2004 £m	2005 £m	2004 £m
CONTINUING				
Rental	128.4	113.3	128.4	113.3
Corporatewear	87.1	37.6	87.1	37.6
Drycleaning	101.4	97.1	101.4	97.1
Facilities Management	115.0	115.7	46.6	29.7
	431.9	363.7	363.5	277.7
	Operating Profit before Restructuring and Environmental Costs and Intangibles Amortisation		Profit before Taxation	
	2005 £m	2004 £m	2005 £m	2004 £m
CONTINUING				
Rental	15.2	16.4	14.4	16.4
Corporatewear	11.4	4.1	6.8	3.6
Drycleaning	9.8	10.6	11.9	8.6
Facilities Management	4.4	1.8	3.3	1.7
Unallocated costs	(4.5)	(3.0)	(4.6)	(3.0)
	36.3	29.9	31.8	27.3
Interest			(8.2)	(5.5)
Profit before taxation			23.6	21.8

e) ADJUSTED PROFIT BEFORE TAXATION

	Year ended 31st December 2005 £m	Year ended 25th December 2004 £m
Profit before taxation	23.6	21.8
Intangibles amortisation	3.9	0.6
Restructuring and environmental costs	5.0	2.0
Disposal of property	(4.4)	-
Adjusted profit before taxation	28.1	24.4

Intangibles amortisation relates to intangible assets arising on acquisitions. Amortisation of computer software, which is also classified in the balance sheet as intangible assets, is included in arriving at adjusted profit before taxation.

SUMMARY IFRS INFORMATION continued**f) EARNINGS PER SHARE**

	Year ended 31st December 2005 £m	Year ended 25th December 2004 £m
Profit for the period	17.0	16.2
Restructuring and environmental costs (net of taxation)	3.8	1.4
Disposal of property (net of taxation)	(4.4)	-
Intangibles amortisation (net of taxation)	3.7	0.5
Adjusted profit attributable to Ordinary Shareholders	20.1	18.1
Weighted average number of Ordinary shares	58,208,126	57,419,393
Fully diluted number of Ordinary shares	59,357,348	58,492,266

EARNINGS PER SHARE

Basic	29.2p	28.3p
Fully diluted	28.6p	27.8p

ADJUSTED EARNINGS PER SHARE

Basic	34.5p	31.5p
Fully diluted	33.8p	30.9p

Basic earnings per share is calculated using the weighted average number of shares in issue during the period, excluding those held by the ESOP, based on the profit for the period. Adjusted earnings per share figures are given to exclude the effects of intangibles amortisation and exceptional items, all net of taxation.

For fully diluted earnings per share, the weighted average number of Ordinary shares in issue is adjusted to assume conversion of all dilutive potential Ordinary shares. The Company has dilutive potential Ordinary shares arising from share options granted to employees where the exercise price is less than the average market price of the Company's Ordinary shares during the period.

g) RECONCILIATION OF UK GAAP PROFIT AND LOSS ACCOUNT TO IFRS INCOME STATEMENT

	Year ended 31st December 2005 £m	Year ended 25th December 2004 £m
Profit before taxation - UK GAAP	15.7	15.4
Add: Goodwill amortisation	11.6	7.2
Less: Intangible assets amortisation	(3.9)	(0.6)
Less: Other differences	-	(0.2)
Add: Interest - IAS39	0.2	-
Profit before taxation - IFRS	23.6	21.8

h) RECONCILIATION OF UK GAAP NET ASSETS TO IFRS NET ASSETS

	31st December 2005 £m	25th December 2004 £m
Net Assets - UK GAAP	70.3	80.6
Add: Goodwill amortisation	18.8	7.2
Less: Intangible assets amortisation	(4.5)	(0.6)
Add: Dividends	8.8	8.2
Less: Other	(3.5)	(3.6)
Net Assets - IFRS	89.9	91.8

Corporate Governance

The Board has reviewed the procedures, as required by the UK Listing Authority, to comply with the provisions of Section 1 of the Revised Combined Code on Corporate Governance issued by the Financial Reporting Council in July 2003 ('Revised Combined Code').

COMPLIANCE

The Company has complied with the provisions of the Revised Combined Code throughout the period other than the provisions for the attendance by the Senior Independent Director at meetings with major Shareholders. The Chairman, Chief Executive and Chief Financial Officer all regularly meet with the Company's major Shareholders and the Board is of the opinion that additional regular meetings, other than those specifically requested by Shareholders, with the Senior Independent Director would not assist further in the dialogue with Shareholders. The Senior Independent Director is available to meet with Shareholders, at their request, and the Board believes this arrangement to be sufficient. In addition all Non-Executive Directors have met with the Company's largest Shareholder.

The Company's compliance with the Code has been reviewed by the Auditors to the extent specified by the UK Listing Authority and their report is given on pages 81 and 82.

THE BOARD

The Board met formally seven times during 2005. Additionally, the Directors met informally on two other occasions. Individual attendance at the formal meetings is set out in the table below. Where N/a appears in the table, the Director is not a Committee member.

Name	Board (Formal)	Audit Committee	Nomination Committee	Remuneration Committee
Simon Sherrard	7	N/a	1	7
Stuart Graham	7	N/a	1	N/a
Jim Wilkinson	7	N/a	N/a	N/a
David Toon	7	N/a	N/a	N/a
David Bryant	7	N/a	N/a	N/a
Simon Moate	7	N/a	N/a	N/a
Michael Gatenby	7	4	1	8
Baroness Judith Wilcox	7	4	1	8
Michael Del Mar	7	3	1	8
Number of Meetings	7	4	1	8

In addition, the Non-Executive Directors have met during the year without their Executive colleagues and additionally without the Chairman. A performance evaluation of the Board was conducted during the year by way of one-to-one meetings between the Chairman and each member of the Board. These meetings discussed the Board composition, the format and effectiveness of Board Meetings and the contribution to the Board of the particular member. The Senior Independent Director, with input from discussions with the Executive Directors, appraised the performance of the Chairman.

During the year a formal evaluation of the Audit Committee was conducted by means of a questionnaire being sent to members of the Audit Committee. The responses were reviewed by the Chairman of the Committee and actions to improve the effectiveness of the Committee were agreed and have been implemented accordingly.

The results of these reviews were discussed by the Board as a whole, with action taken as appropriate.

The Board currently consists of a Non-Executive Chairman, five Executive Directors and three Non-Executive Directors, all of whom are considered to be independent in character and judgment. Until December 2003, Mr. M. B. Del Mar had been connected to the Company through his position at UBS Investment Bank, the Company's former corporate finance advisors. Prior to his appointment, the Board considered the independence of Mr. M. B. Del Mar with particular care and

concluded that Mr. Del Mar was fully independent. He has demonstrated this independence in the manner in which he has discharged his duties to date. The Non-Executive Directors are a strong element within the Board with their views carrying significant weight in the decision making process. All Directors are subject to re-election at the Annual General Meeting if appointed by the Board since the last Annual General Meeting or if they have held office for more than 30 months since last appointment. Appropriate training is available to Directors upon appointment and as required on an ongoing basis. Furthermore, on appointment, Directors participate in a customised induction programme to familiarise them with the Group.

There is a clear division of responsibility, as set out in writing and agreed by the Board, between the Chairman and the Chief Executive, each of which has clearly defined roles. The Chairman is responsible for the effective running of the Board whilst the Chief Executive is responsible for operating the business and implementing the Board's strategies and policies. The commitments of the Chairman are disclosed within the Directors' and Officer's Biographies' Section on page 25. The overall time commitments have not changed during the year.

The Board, in addition to routine consideration of both financial and operational matters, determines the strategic direction of the Group. The Board has a formal schedule of matters specifically reserved for its decision which can only be amended by the Board itself. The specific responsibilities reserved for the Board include: approval of the Group's long-term objectives and overall strategy; approval and monitoring of the annual operating budget; approval of major acquisitions, disposals and capital expenditure; dividend policy; approval of appointments to the Board and of the Company Secretary; approval of policies relating to Directors' remuneration; consideration of succession planning for key members of the management team; and determining the terms of reference for the Board committees.

To assist the Board in performing these responsibilities, information appropriate in quality and timeliness, is received in an agreed format, for each Board meeting.

The following responsibilities have been delegated to Executive management: the development of strategic plans that reflect the longer term objectives and priorities established by the Board; implementation of strategies and policies as determined by the Board; monitoring of operational and financial performance against plans and budgets; and developing and implementing risk management systems.

The Directors have access to the advice and services of the Company Secretary and it is acknowledged that individual Directors may wish to seek independent professional advice in connection with their responsibilities and duties. The Company will meet reasonable expenses incurred in this regard.

The Committees of the Board are the Audit Committee, Remuneration Committee and the Nomination Committee. The Audit Committee consists wholly of the Non-Executive Directors. The Remuneration Committee consists of the Chairman and the Non-Executive Directors whilst the Nomination Committee consists of the Chairman, Non-Executive Directors and the Chief Executive. Board appointments are subject to approval by the Board as a whole. Members of the Committees are shown on page 26. Each Committee has written terms of reference which are available on the Company's website.

AUDIT COMMITTEE

The Audit Committee meets at least three times per year, on each occasion also meeting, in private, with the external auditors. The Board has satisfied itself that the composition of the Audit Committee is in compliance with the Combined Code.

The main responsibilities of the Committee include: review of the financial statements and announcements relating to financial performance and recommending them to the Board; review of the system of internal control including the work of internal audit; ensuring the maintenance of a control environment and the appropriate management of risk; recommendation of appointment of and liaison with the external auditors; annual review and monitoring of external auditors' independence and objectivity and the effectiveness of the audit process; development and implementation of

Corporate Governance continued

policy on the engagement of the external auditor to supply non-audit services; and review of arrangements under which employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters ensuring that arrangements are in place for the proportionate and independent investigation and appropriate follow-up action.

In 2005 the Audit Committee discharged its responsibilities by: reviewing the Group's draft financial statements and interim results statement prior to Board approval and reviewing the external auditors' report thereon; reviewing the progress of the IFRS conversion project and the appropriateness of accounting and transition policies to be adopted; reviewing appropriateness of UK GAAP accounting policies; reviewing the external auditors' plan for the audit of the Group accounts, confirmations of auditor independence and proposed audit fee and approving terms of engagement for the audit; reviewing internal audit's work programme and reports on its work during the year; review of the risk management programme; review of Group Directors' expenses; formalisation of auditor independence policy; and monitoring of reporting and follow up of items reported on the employee hotline established in line with the Code of Ethics.

The Committee also regularly monitors the non-audit services being provided by the external auditors. Note 6 details fees relating to non-audit services, summarised according to the type of services provided. A policy regarding the provision of non-audit services has been formalised, such that non-audit work has been categorised into three areas: normally performed by the auditor; may be performed by the auditor; and that normally performed by another provider. With reference to this policy, the selection of professional service firms for non-audit work is at the discretion of the management, taking into account which firm is best placed to perform such work to meet the interests of the Company and Shareholders and with regard to ensuring that independence is not compromised.

The Committee confirms it is satisfied with the independence, objectivity and effectiveness of the external auditors, PricewaterhouseCoopers LLP and accordingly a resolution to re-appoint PricewaterhouseCoopers LLP as auditors will be proposed at the forthcoming Annual General Meeting.

The work undertaken by the Audit Committee, supported by the internal audit function, helps to enable the Board to make the statements relating to internal control on page 65 and the going concern basis on page 23.

REMUNERATION COMMITTEE

The responsibilities of the Remuneration Committee are outlined in the Board Report on Remuneration, page 71.

NOMINATION COMMITTEE

The responsibilities of the Nomination Committee include: reviewing the Board structure, size and composition; identifying and nominating candidates to fill vacancies; keeping up to date and fully aware of the strategic and commercial changes affecting the Group and the markets in which it operates; keeping under review the leadership needs of the business with a view to ensuring the continued ability to compete effectively in the marketplace; considering the continuing service of a Director; and providing recommendations for reappointment of Directors retiring by rotation.

The Committee meets as required and met during the year to review the structure and composition of the Board. No changes were recommended during the year.

RELATIONS WITH SHAREHOLDERS

The Company has an active investor relations programme with the Chief Executive and the Chief Financial Officer meeting key institutions, both Shareholders and prospective Shareholders, in the periods following the announcement of the annual and interim results and at other appropriate times during the year. To ensure effective two-way communication the Chairman also meets with major Shareholders during the year. The Board is of the opinion that additional routine meetings with the Senior Independent Director would not assist further in the dialogue with shareholders. However the Senior Independent Director is available to meet with shareholders, at their request. Feedback is provided to the Board on any issues raised at these meetings. External brokers' reports are circulated to the Directors.

The Shareholders' views of the meetings with the Chief Executive and Chief Financial Officer following the interim and final results are obtained by the Group's brokers and circulated to the Board.

The Board welcomes private and institutional Shareholders to the Annual General Meeting, which is normally attended by all Directors, to discuss appropriate topics during the meeting or with the Directors after the formal proceedings have ended.

The Board considers that the Preliminary Announcement, Annual Report including the Chairman's Statement, Chief Executive's Review of Operations and Financial Review which are contained therein, and the Interim Report present a balanced and clear assessment of the Group's position and prospects.

INTERNAL CONTROL

The Board is responsible for the Group's system of internal control and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

There is an on-going process for identifying, evaluating and managing the Group's significant risks that has been in place throughout the year ended 31st December 2005 and up to the date of approval of the financial statements. This process has been regularly reviewed by the Board and accords with the internal control guidance of the Revised Combined Code for Directors.

The Audit Committee receives reports setting out key performance and risk indicators and considers possible control issues brought to its attention by early warning mechanisms which are embedded within the operational units and reinforced by risk awareness training.

The Audit Committee also receives regular reports from the internal audit function and, where appropriate, recommendations for improvement are considered. The Audit Committee's role in this area is confined to a high level review of the arrangements for internal control.

The Board's agenda includes a bi-annual consideration of risk and control and it receives reports thereon from the Audit Committee. The emphasis is on obtaining the relevant degree of assurance and not merely reporting by exception. The main features of the internal financial control framework are detailed below.

FINANCIAL REPORTING

The Board reviews the strategies of the Group and of the subsidiary undertakings. There is a detailed budgeting system with an annual budget both challenged and approved by the Board. Monthly trading results and indebtedness are reported against the corresponding figures for the budget and the previous year with corrective action initiated by the Board as appropriate.

TREASURY MANAGEMENT

The Group's treasury activities are operated within Board-approved guidelines. Facilities are approved by the Board and all transactions are controlled and monitored. Frequent reports are made to the Chief Financial Officer and monthly summaries are prepared for the Board. Speculative transactions are not undertaken.

RISK MANAGEMENT

The identification of major business risks is carried out in conjunction with operating management and reviewed by the Audit Committee and the Board. The Board regularly assesses the financial implications and effectiveness of the control process in place to mitigate or eliminate these risks. The Group has insurance cover where it is considered appropriate and cost effective.

Corporate Governance continued

FINANCIAL CONTROL

Each business maintains financial controls and procedures appropriate to its own operating environment.

The Group has a centralised internal audit function, based at Head office, which can second additional resources from operating companies, and which reviews the systems and procedures in all operating companies and reports regularly to the Audit Committee. A review of control procedures is undertaken in respect of all new acquisitions, within the first three months of ownership, and action taken where necessary to bring the controls up to the level required by the Group.

The Group has clearly defined guidelines for the review and approval of capital expenditure projects. These include annual budgets and designated levels of authority.

CODE OF ETHICS

The Group has a written code on business ethics, which is reviewed regularly by the Board and which sets out guidelines for all staff to enable the Group to meet the highest standards of conduct in business dealings including those with overseas garment suppliers. New acquisitions are made aware of these standards on joining the Group and plans are put in place to ensure compliance is achieved.

Senior employees are required to sign an annual statement of compliance with the code. A confidential hotline service is available to employees should anyone wish to report perceived improprieties. Arrangements are in place to ensure any reports are followed up and the appropriate action taken.

ENVIRONMENTAL MATTERS

The Board is aware of its responsibilities with regard to the environment and receives regular reports on all environmental matters and has nominated an Executive Director responsible for such matters. Potential areas of risk are identified through the Group's risk assessment programme and mitigated wherever possible. A Group Environmental Committee has been established to consider the risks presented by environmental matters and to develop and implement plans to clean up contaminated sites and to prevent future contamination. A working party monitors environmental performance and assists with the education of employees. Key operating locations are subject to comprehensive, quantitative audits which enable a measure of environmental improvement to be made. The Group keeps under review the advances made in technology and the requirements of relevant regulations. Several of the Group's operating companies have achieved or are working towards ISO 14001 European Environmental Management Systems Accreditation. In the course of the year, the Group has been prosecuted and fined £10,000 for one minor environmental offence relating to a discharge to controlled waters.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss and cash flows of the Group for that period.

In preparing those financial statements the Directors are required to

- Select suitable accounting policies and apply them consistently.
- Make judgments and estimates that are reasonable and prudent.
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements.
- Prepare the financial statements on a going concern basis, unless it is inappropriate to presume the Group will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of the Johnson Service Group PLC website is the responsibility of the Directors. The work carried out by the Auditors does not involve consideration of these matters and accordingly, the Auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



Yvonne M. Monaghan
Secretary
13th March 2006

Directors' Report

The Directors present their annual report and the audited Group financial statements for the year ended 31st December 2005.

ACTIVITIES AND BUSINESS REVIEW

The Group is engaged, in Great Britain, principally in:

Rental - rental and laundering of workwear, roller towels, corporate apparel and dust mats, the rental of event catering and hospitality equipment. Corporatewear - managing agency for garment sourcing and design. Drycleaning - provision of retail and commercial drycleaning and other associated support services and sourcing of consumables and drycleaning machinery services. Facilities Management - workplace management services to the public and private sector. A summary of the Group's performance and future development is set out in the Chairman's Statement, the Chief Executive's Review of Operations and Financial Review on pages 4 to 23.

RESULTS AND DIVIDENDS

The Group profit for the year after taxation amounted to £9.2 million (2004: £9.1 million).

The dividend on the Ordinary shares comprises an interim dividend of 4.4p (2004: 4.2p) per share and a proposed final dividend of 15.0p (2004: 14.3p) per share. This total dividend of 19.4p (2004: 18.5p) per share will amount to £11.4 million (2004: £10.6 million) for the year.

SHARE CAPITAL

Details of the shares issued during the year and the outstanding options are given in note 25 to the financial statements.

ACQUISITION OF BUSINESSES

Details of acquisitions during the year are given in note 30 to the financial statements.

DIRECTORS

A list of the Directors of the Company is shown on page 26. They all held office throughout the year. Mr. S. P. Sherrard, Mr. S. W. Graham, Mr. D. Bryant and Mr. M. R. B. Gatenby retire by rotation and being eligible, offer themselves for re-election.

DIRECTORS' INTERESTS

Share Capital

The interests of the Directors who were in office at 31st December 2005, in the shares of the Company at the commencement and close of the financial year are disclosed in the Board Report on Remuneration on pages 75 to 77. Details of the Company's interest in its own shares are disclosed in note 27 to the financial statements.

Contracts

None of the Directors have any material interests in contracts of the Company or the Group.

MAJOR INTERESTS IN THE COMPANY'S SHARE CAPITAL

At 13th March 2006 the Company had been advised, under Sections 198 to 208 of the Companies Act 1985 (as amended), of the following interests, of a material nature, in its share capital:

	% of Ordinary share capital owned
Aberforth Partners	16.3%
Aviva plc	7.8%
Barclays PLC	4.1%
Legal & General Investment Management	3.7%
Artemis Investment Management Ltd	3.6%
Prudential Plc	3.4%
Royal & Sun Alliance Insurance Group plc	3.1%

SHAREHOLDERS' AUTHORITY FOR THE PURCHASE BY THE COMPANY OF ITS OWN SHARES

At the Annual General Meeting on 11th May 2005 Shareholders authorised the Company to make market purchases of up to a maximum aggregate of 5,797,363 Ordinary shares. The minimum price allowed for such purchases is 10p and the maximum is 105% of the average of the middle market price of such shares for the five business days prior to purchase. Except for amending the maximum number of shares subject to the authority, the Directors intend to seek renewal of this authority which is due to expire at the conclusion of the 2006 Annual General Meeting. Further details are given in the Notice of the Annual General Meeting.

EMPLOYMENT POLICIES

The employment policies of the Group embody the principles of equal opportunity and are tailored to meet the needs of its different businesses and the local areas in which they operate. The involvement of employees in the performance of the business is encouraged and efforts are made to give all employees an understanding of the financial position through periodic Group newsletters. Each operating company is responsible for the development of employee involvement and communication practices which are appropriate to its own particular needs. An approved Savings Related Share Option Scheme has been in operation for eligible employees since 1987.

The Group is committed to providing adequate training for employees at all levels and is constantly reviewing and improving its procedures. Johnsons Apparelmaster Limited holds Investor in People status.

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

HEALTH AND SAFETY

The Board is aware of its responsibilities on all matters relating to the health and safety of employees, visitors and customers on Group premises and to others affected by the Group's activities and has nominated Mr. D. Bryant, an Executive Director, as the Director responsible for such matters. The Board has appointed Mr. S. R. Moate as the successor to Mr. D. Bryant following his announced retirement from the Board in October 2006.

Health and Safety matters are a permanent agenda item at all Board and subsidiary company Board meetings.

A detailed report outlining subsidiary company activities is provided for each regular Board meeting, including up to date statistics relating to accidents and incidents that have occurred since the last report.

The Board has appointed the Health and Safety Director of Johnson Workplace Management to advise the Directors and senior executives on matters relating to compliance with health and safety legislation.

All operating companies are required to have clearly defined health and safety policies relevant to their operations and risks. Implementation of all policies into the work environment are audited annually to ensure their fitness for purpose. These audits are in addition to each company's own internal audit protocols. All audit results are notified to the Board.

The Group health and safety policy statement is brought to the attention of all employees and copies of the statement are available upon request to all interested parties.

Each individual operating company has developed a safety management system appropriate to their operations and in accordance with either HS(G)65 or OHSAS 18001.

Directors' Report continued

The Board has approved the continued use of a computer based Safety Management System for use by all operating companies and in addition Johnson Workplace Management has developed a robust Safety Management System appropriate to their operations which has been certified to OHSAS 18001.

All companies have arrangements in place to consult with employees on matters which may affect their health and safety. The Group Health and Safety Committee, consisting of representatives from all subsidiary companies, meets at least three times a year.

The Group is in regular contact with regulatory bodies both directly and via industry trade associations.

The health and safety performance of all subsidiary companies is collectively benchmarked against other companies operating in similar business sectors.

All new companies acquired by the Group undergo a stringent audit of their Safety Management Systems to establish compliance with appropriate legislation and Group policy.

CHARITABLE AND POLITICAL DONATIONS

Contributions by the Group to charitable causes during the year totalled £41,000. The Group promotes the return and reuse of hangers and as a result of this programme, over £19,000 was donated to Macmillan Cancer Relief during the year. Other contributions are principally to local charities serving the communities in which the Group operates. No donations for political purposes were made during the year.

AUDITORS

In accordance with the recommendation of the Audit Committee, as disclosed on page 64 and Section 384 of the Companies Act 1985, a resolution to reappoint the Auditors, PricewaterhouseCoopers LLP, will be proposed at the Annual General Meeting.

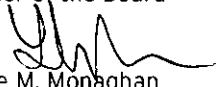
POLICY ON PAYMENT TO SUPPLIERS

The Company and its subsidiaries fully support the CBI initiative on payments to suppliers and have continued to apply the Prompt Payment Code in respect of all suppliers. The main features of the Code are that payment terms are agreed at the outset of a transaction and are adhered to; that there is a clear and consistent policy that bills will be paid in accordance with the contract; and that there are no alterations to payment terms without prior agreement. Copies of the Code can be obtained from the CBI. The trade creditor days of the Company were 23 days.

NOTICE OF ANNUAL GENERAL MEETING

The Resolutions to be proposed as Special Business at the Annual General Meeting are the renewal of the Directors' authority to allot shares, the disapplication of pre-emption rights, and the renewal of the Company's limited authority to purchase its own shares.

By Order of the Board


Yvonne M. Monaghan
Secretary
13th March 2006

Incorporated and registered in England and Wales under Company number 523335.

Board Report on Remuneration

INFORMATION NOT SUBJECT TO AUDIT

REMUNERATION COMMITTEE

The Remuneration Committee consists of the Non-Executive Directors: Baroness J. A. Wilcox (Chairman), Mr. S. P. Sherrard, Mr. M. R. B. Gatenby and Mr. M. B. Del Mar. None of the members of the Committee have or had any personal financial interests (other than as Shareholders), conflicts of interests arising from cross-directorships or day to day involvement in running the business.

The Committee is responsible for overseeing the policy regarding executive remuneration and for determining the remuneration packages for the Executive Directors.

During the year the Committee consulted the Chief Executive about its proposals with regard to remuneration and terms of employment of Executive Directors, other than the Chief Executive himself. The Committee has also consulted with KPMG and Mercer who have provided advice in relation to Directors' pension arrangements and the proposed changes to pension legislation. The Group Human Resources Director has provided assistance to the Committee with regards to benchmarking Executive Directors' remuneration. Allen & Overy LLP provided advice in relation to the design of the Long Term Incentive Plan which was approved at the 2005 AGM.

Reward surveys provided by New Bridge Street Consultants and KPMG have been used for benchmarking purposes.

REMUNERATION POLICY

Executive Directors' remuneration is designed to attract, motivate and retain executives of the necessary calibre and to reward them for enhancing shareholder value. Total remuneration comprises fixed pay, variable pay and benefits, of which fixed pay currently forms the largest proportion. Remuneration is aligned with shareholders' interests through an annual bonus scheme which is based on performance related criteria. A long term performance based share option scheme, the 2003 Executive Share Option Scheme, has also operated during the year.

The current remuneration of Executive Directors comprises the five elements of basic salary, annual bonus, taxable benefits, share options and for some Executive Directors, a Long Term Incentive Plan.

BASIC SALARY

A salary which reflects the Remuneration Committee's assessment of the market rate for relevant positions and the individual Director's experience and value to the business. Annual reviews are considered against published information for similar sized Groups and the level of increases awarded to staff throughout the Group.

ANNUAL BONUS

The Group operates a Short Term Incentive Programme (STIP) for senior executives. The Executive Directors participate in the STIP, which provides for a performance related bonus based on a combination of the Group's results, achievement of goals set in relation to the individual's area of responsibility and divisional results. The individual targets for the Executive Directors are established by the Committee with a view to maximising shareholder value and meeting other Group objectives. Subject to the achievement of the targets, the annual performance related bonus can represent up to 100% of basic salary for Mr. S. W. Graham, Mr. J. H. Wilkinson, Mr. D. R. Toon and Mr. S. R. Moate and up to 75% of basic salary for Mr. D. Bryant. The Committee reviews, on an annual basis, the performance criteria for each Executive Director to ensure that they remain appropriate.

TAXABLE BENEFITS

Taxable benefits principally include a car allowance, private medical insurance and life assurance.

SHARE OPTIONS

The Executive Share Option Scheme which was available to Executive Directors and other senior executives within the Group reached the end of its life in 1997. The last grant under this Scheme was in April 1996.

Board Report on Remuneration continued

The 2003 Executive Share Option Scheme (the "Plan") was approved at the 2003 Annual General Meeting. The Plan is designed to align the long term incentives provided by the Company for senior employees with the interests of Shareholders. Options have been granted under the Plan (which comprises an Inland Revenue approved plan and an unapproved plan) to Executive Directors and other selected managers in the Group. Grants have been made subject to an individual maximum limit based on the market value of the underlying shares on the date of grant of options under the plan, which will normally not exceed two times earnings. However, in year one of an individual's participation in the Plan it has been the practice of the Committee to apply a limit of up to three times salary, which was the limit applied for the 2003, 2004 and 2005 year one awards. Further, although the rules of the Plan refer to multiples of earnings, the Committee has determined that awards will be restricted so as to replace the word "earnings" with "salary". The options may not normally be exercised earlier than three years or more than ten years after the date of grant, provided that any performance conditions imposed have been fulfilled.

The vesting of options will normally be subject to stretching performance conditions which will be based upon a combination of Total Shareholder Return ("TSR"), adjusted earnings per share growth ("EPS") and operating profit, depending on the employee's position within the Group. The performance conditions will be tested after three years and no re-testing will be permitted.

Vesting will be as follows:

- 25% of options subject to relative TSR-based conditions will vest if the Company's three year TSR equals the TSR of a specified index. Options will vest in full if the Company's TSR exceeds that of the index by 10% per annum. For performance between these levels, options will vest on a straight line sliding scale.
- 25% of options subject to absolute TSR-based conditions will vest if the Company's three year TSR equals 7% per annum. Options will vest in full if the Company's three year TSR exceeds 17% per annum. For performance between these levels, options will vest on a straight line sliding scale.
- 25% of options subject to EPS-based conditions will vest if the Company's three year adjusted EPS growth equals RPI plus 3% per annum. Options will vest in full if the Company's adjusted EPS growth exceeds RPI plus 6% per annum. For performance between these levels, options will vest on a straight line sliding scale.
- 25% of options subject to division operating profit conditions, aggregated over the three year performance period and adjusted, as appropriate, to reflect the effect of any acquisitions or disposals will vest for budgeted operating profit performance. Options will vest in full at a predetermined level of operating profit performance, which is set by the Committee each year with reference to the budgeted level of performance and which is deemed to represent stretching financial performance. For performance between these levels, options will vest on a straight line sliding scale.

These performance measures were chosen since the Committee believes that both TSR and EPS growth are closely related to the interests of the Shareholders. EPS growth also provides a measure of Group financial performance, whilst divisional operating profit provides a measure of financial performance for those individuals with responsibility for specific divisions. The FTSE Small Cap Index excluding investment companies was the specified index for the awards in 2003 and the FTSE Support Services Index was the specified index in 2004 and 2005. In the opinion of the Committee the FTSE Support Services Index was, at the time of grant, the most appropriate index against which to compare the TSR of the Group since it includes companies operating in similar sectors.

It is the current intention of the Committee that no further awards will be made under the 2003 Executive Share Option Scheme.

Grants under the plan were made to the Executive Directors, and other senior managers on 18th April 2005. Executive Directors are also eligible to participate in the Group's Savings Related Option Scheme.

On 15th February 2006 the Remuneration Committee approved a change to the rules of the 2003 Executive Share Option Scheme to allow participants to elect to receive the value of vesting share options by equity-settled SAR's (Share Appreciation Rights) instead of the full number of shares subject to option. The calculation of the fully diluted number of shares will continue to be based on the full number of shares under option even though in practice only some of these shares may be issued.

LONG TERM INCENTIVE PLAN

A new long term incentive plan for executive directors and senior executives was introduced following shareholder approval during the year. The plan is designed to reinforce the importance of management meeting the Group's medium term financial objectives in a way that will align their reward with shareholder returns. The Remuneration Committee will periodically review the grant policy and the performance targets under the plan to ensure that they remain appropriate for the Company.

The principal features of the Johnson Service Group 2005 Long Term Incentive Plan are as follows:

- With the exception of Mr. S. W. Graham, who will be granted an award to receive shares which are not subject to any restriction, eligible employees selected to participate will be granted awards to receive a number of shares, a proportion of which will be subject to restrictions as described below. The shares acquired in either case will have a value (at the time of vesting) equal to the amount of the award specified at the date of grant which has vested.
- Vesting of the award will normally be subject to continued employment and the satisfaction of performance targets. A participant who receives restricted shares on the vesting of his award will, ordinarily, be required to retain 25% of the shares vested for a period of one year from the date of vesting and a further 25% of the shares vested for a period of two years from the date of vesting.
- The maximum level of an award will be five times' the annual salary of the eligible employee at the time of the award.
- The performance targets will be determined by the Remuneration Committee and, in normal circumstances, will have to be satisfied over a performance period of three years. It is currently envisaged that 50% of each award will have a performance target based on the annual compound growth in adjusted earnings per share (EPS) of the Company over the performance period and 50% will have a performance target based on a measurement of the Company's total shareholder return (TSR) over the performance period ranked against the TSR performance of the companies in the FTSE 250 Index (excluding investment trusts).
- The EPS target will be reviewed at the time of each award but, in respect of the initial awards, there will be no vesting at all of the tranche of the award subject to the EPS target if the annual compound growth in the Company's EPS over the performance period is 5% or less. 100% of the tranche of the award will vest if the annual compound growth in EPS is 13% or more with vesting on a sliding scale between these two points.
- The TSR target will be reviewed at the time of each award. However, in respect of the initial awards: if the Company is ranked at or below the median the tranche of an award subject to the TSR target will not vest at all; if the Company is ranked at or above the upper quartile all of the tranche of the award subject to the TSR target will vest; and if the Company is ranked between the median and the upper quartile the tranche of the award subject to the TSR target will vest on a pro-rata straight line basis between 0% and 100%.
- Where an award is to be satisfied by the transfer of shares, this may be done either by the transfer of shares from treasury or by the transfer of shares purchased in the market by the Company's employee share ownership plan trust. Awards may not be satisfied by the issue of new shares.

Board Report on Remuneration continued

NON-EXECUTIVE DIRECTORS

Non-Executive Directors receive fees which are set by the Board and which are commensurate with their experience and contribution to the Group. Non-Executive Directors do not participate in decisions regarding their own remuneration. They do not participate in any of the Group's pension, share option or performance related bonus schemes.

SERVICE CONTRACTS

In the event of termination, without cause, the Company has a contractual obligation to compensate the Director for the unexpired period of his notice. The Company will seek to reduce this payment by means of the Director's duty to mitigate this payment wherever possible.

Executive Directors

Mr. S. W. Graham, Mr. J. H. Wilkinson, Mr. D. R. Toon and Mr. S. R. Moate are employed under service contracts, dated 22nd April 2002, 28th September 2004, 16th December 2002 and 1st October 2002 (as amended on 22nd January 2003) respectively, which provide that the Company has to give twelve months' notice and the Director is required to give six months' notice.

The service contract of Mr. D. Bryant, dated 14th February 2003, provides for the period of notice to be given by both the Company and the Director, to be twelve months. Mr. D. Bryant has given notice of his intention to retire from the Company and the Board in October 2006.

Non-Executive Directors

The Non-Executive Directors have fixed term appointments.

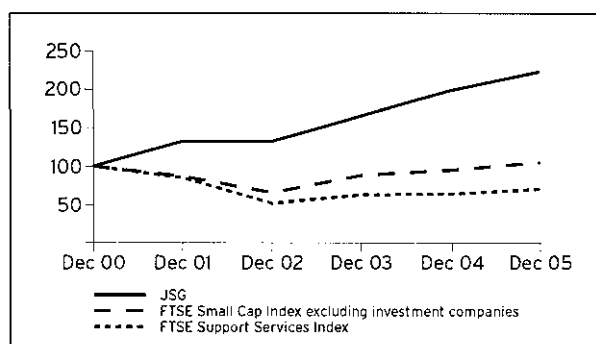
Each Non-Executive Director has a letter of appointment, dated as detailed below, which requires the Company to provide three months' notice and the Director is expected to provide at least one months' notice. At 31st December 2005, the unexpired terms of the Non-Executive Directors letters of appointment were:-

	Date of Letter of Appointment	Unexpired Term
S. P. Sherrard	8th December 2005	3 years
M. R. B. Gatenby	8th December 2005	2 years 9 months
Baroness J. A. Wilcox	22nd September 2003	9 months
M. B. Del Mar	17th May 2004	1 year 5 months

PERFORMANCE GRAPH

Over the last five years to December 2005 the Group has outperformed the FTSE Small Cap Index excluding Investment Companies and the FTSE Support Services Index to give a net total shareholder return of 120% against a net return of 16% and a net decline of 25% for the respective Indices.

These indices have been selected for this comparison as, in the opinion of the Directors, they represent the general and specific sectors in which the Company operates.



INFORMATION SUBJECT TO AUDIT

DIRECTORS' REMUNERATION

	Basic Salary/Fees £000	Bonus £000	Taxable Benefits £000	Total 2005 £000	Total 2004 £000
EXECUTIVE DIRECTORS					
S. W. Graham	274	228	34	536	520
J. H. Wilkinson	205	185	11	401	84
D. Bryant	138	50	27	215	189
D. R. Toon	164	118	24	306	191
S. R. Moate	125	90	13	228	120
NON-EXECUTIVE DIRECTORS					
S. P. Sherrard	92	-	-	92	87
M. R. B. Gatenby	34	-	-	34	31
Baroness J. A. Wilcox	29	-	-	29	27
M. B. Del Mar	27	-	-	27	25
FORMER DIRECTORS					
M. A. Sutton (resigned 27/09/04)	-	-	-	-	473
	1,088	671	109	1,868	1,747

Remuneration is for the period from the date of appointment as a Director.

During the year the Directors made total gains of £751,000 (2004: £55,000) on the exercise of share options of which £551,000 (2004: £nil) was made by the highest paid Director, Mr. S. W. Graham and £200,000 by Mr. D. Bryant. The gains are calculated as at the exercise date, although the shares may have been retained.

INTERESTS IN SHARE CAPITAL

The interests of the Directors who were in office at 31st December 2005, in the shares of the Company at the commencement, or date of appointment if later, and close of the financial year, were as follows:

	31st December 2005 Ordinary shares of 10p each	25th December 2004 Ordinary shares of 10p each
BENEFICIAL		
S. W. Graham	53,700	53,700
J. H. Wilkinson	5,000	5,000
D. Bryant	15,463	12,963
D. R. Toon	4,717	4,717
S. R. Moate	3,250	3,250
S. P. Sherrard	20,000	20,000
M. R. B. Gatenby	5,000	5,000
Baroness J. A. Wilcox	5,375	3,225
M. B. Del Mar	6,000	6,000
NON-BENEFICIAL		
J. H. Wilkinson and others	588,452	588,452

Board Report on Remuneration continued

INTERESTS IN SHARE OPTIONS

The interests of the Directors, who have served during the year, in share options of the Company at the commencement and close of the financial year were as follows:

BENEFICIAL

1987 Executive Share Option Scheme

	Date of Grant	At 25th December 2004 (or date of resignation)	Options Exercised During Year	Options Cancelled During Year	At 31st December 2005 (or date of resignation)	Option Price	Market Price At Exercise
D. Bryant	3rd April 1996	46,774	(46,774)	-	-	279.0p	465p

The share options granted under the 1987 Executive Share Option Scheme were granted at nil cost to the Directors and were in respect of past performance. Once awarded, the exercise of the share options is unconditional. They became exercisable on the third anniversary of their grant and lapse on the tenth anniversary of their grant.

BENEFICIAL

2003 Executive Share Option Scheme - Unapproved

	Date of Grant	At 25th December 2004	Options Granted During Year	Options Exercised During Year	At 31st December 2005	Option Price	Market Price At Exercise
S. W. Graham	24th June 2003	150,000	-	-	150,000	297.0p	-
	22nd April 2004	75,000	-	-	75,000	394.5p	-
	18th April 2005	-	75,000	-	75,000	454.0p	-
J. H. Wilkinson	22nd October 2004	60,000	-	-	60,000	394.5p	-
	18th April 2005	-	60,000	-	60,000	454.0p	-
D. Bryant	13th May 2003	120,348	-	(70,348)	50,000	305.0p	465p
	24th June 2003	90,000	-	-	90,000	297.0p	-
	22nd April 2004	45,000	-	-	45,000	394.5p	-
	18th April 2005	-	56,000	-	56,000	454.0p	-
D. R. Toon	24th June 2003	90,000	-	-	90,000	297.0p	-
	22nd April 2004	45,000	-	-	45,000	394.5p	-
	18th April 2005	-	60,000	-	60,000	454.0p	-
S. R. Moate	24th June 2003*	60,000	-	-	60,000	297.0p	-
	22nd April 2004*	75,000	-	-	75,000	394.5p	-
	18th April 2005	-	56,000	-	56,000	454.0p	-

* Share options granted prior to appointment as Director

Following the approval of the 2003 Executive Share Option Scheme, options were granted to Mr. D. Bryant on 13th May 2003 to replace the Share Appreciation Rights ("SARs") which were issued to him in December 2002. Of these options 70,348 replaced those SARs which had been issued as compensation for reduction in his service contract notice period. These options vested immediately. The vesting of the balance of the options issued on 13th May 2003 is linked to continuing employment. They vest on the third anniversary of their grant. These options lapse on the tenth anniversary of their grant.

Those options granted to Mr. S. W. Graham, Mr. J. H. Wilkinson and Mr. S. R. Moate, prior to vesting, are subject to the performance conditions discussed on page 72 in the following ratio: 50% relative TSR, 25% absolute TSR and 25% adjusted EPS growth. Those options granted to Mr. D. Bryant and Mr. D. R. Toon on the same day are subject to the performance conditions in the following ratio: 15% relative TSR, 7.5% absolute TSR, 7.5% adjusted EPS growth and 70% operating profit of those companies for which they have responsibility. These options, except those issued to Mr. J. H. Wilkinson on 22nd October 2004, subject to achievement of the performance criteria, vest on the third anniversary of their grant and lapse on the tenth anniversary of their grant. The options issued to Mr. J. H. Wilkinson on 22nd October 2004, subject to achievement of the performance criteria, vest on 22nd April 2007 and lapse on 22nd April 2014.

BENEFICIAL

Unapproved Option

	Date of Grant	At 25th December 2004	Exercised During Year	At 31st December 2005	Option Price	Market Price At Exercise
S. W. Graham	26th September 2002	280,000	(280,000)	-	268.0p	465p
D. R. Toon	20th December 2002*	25,000	-	25,000	289.5p	-
S. R. Moate	20th December 2002*	25,000	-	25,000	289.5p	-

* Share options granted prior to appointment as Director.

Options were issued to Mr. S. W. Graham in September 2002 in connection with fulfilling an obligation under his service contract, which the Company undertook in order to secure his recruitment.

25,000 options each were issued to Mr. D. R. Toon and Mr. S. R. Moate in December 2002, prior to their appointment as Directors. The options vested on 20th December 2005 but may only be exercised whilst they remain in the employment of the Company. The options lapse to the extent unexercised on 20th December 2012.

BENEFICIAL

Savings Related Share Option

	Date of Grant	At 25th December 2004	Options Granted During Year	At 31st December 2005	Option Price
S. W. Graham	6th October 2004	3,007	-	3,007	315p
D. Bryant	4th October 2000	3,308	-	3,308	204p
	7th October 2002	2,793	-	2,793	203p
D. R. Toon	7th October 2002*	2,793	-	2,793	203p
	6th October 2004	1,203	-	1,203	315p
	6th October 2005	-	1,674	1,674	335p

* Share options granted prior to appointment as Director

The Savings Related Scheme is open to all employees, including Executive Directors, who have completed one year's service at the date of invitation and who open an approved savings contract. When the savings contract is started options are granted to acquire the number of shares that the total savings will buy when the savings contract matures. Details of the scheme's exercise periods and normal expiry dates are given in note 25 on page 49.

OTHER DETAILS

No other directors have been granted share options in the shares of the Company or other group entities. None of the terms or conditions of the share options were varied during the year.

The mid market price of the Ordinary shares of 10p each on 31st December 2005 and 25th December 2004 was 446.0p and 412.5p respectively. During the period the mid market price of the Ordinary shares of 10p each ranged between 410.5p and 476.0p.

There have been no changes in the Directors' interests during the period 31st December 2005 to 13th March 2006.

Board Report on Remuneration continued

LONG TERM INCENTIVE PLAN

	Date of Award	Award Granted During Year £000	At 31st December 2005 £000
S. W. Graham	25th May 2005	1,400	1,400
J. H. Wilkinson	25th May 2005	1,000	1,000
D. R. Toon	25th May 2005	860	860

A new long term incentive plan for executive directors and senior executives was introduced during the year. The principal features are outlined on page 73.

PENSION ARRANGEMENTS

Retirement benefits, which are calculated on basic salary, are accruing to the Executive Directors under one or more of the Group's contributory defined benefit schemes or defined contribution scheme.

Details of the schemes are given in note 24 on pages 45 to 48.

PENSION BENEFITS OF EXECUTIVE DIRECTORS

Set out below are details of pension benefits to which each Executive Director, who served during the year, is entitled under the Group's defined benefit schemes.

	Additional accrued benefits earned in the year (including inflation) £000	Additional accrued benefits earned in the year (excluding inflation) £000	Accrued entitlement at December 2005 £000	Accrued entitlement at December 2004 £000	Transfer value of net increase in accrued benefits £000	Transfer value at December 2005 £000	Transfer value at December 2004 £000	Increase in transfer value less Directors' contributions £000
S. W. Graham	4	4	13	9	35	170	106	51
D. Bryant	3	1	81	78	9	1,511	1,319	185
D. R. Toon	2	2	28	26	13	303	240	57
S. R. Moate	1	1	5	3	4	36	21	9

The accrued pension entitlement shown is the amount that would be paid annually on retirement based on service to 31st December 2005. This pension is calculated based on the total period of service to the Company, both before and after becoming a director.

The increase in the accrued entitlement is the difference between the accrued benefit at the year end and that at the previous year end.

All transfer values have been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11. The transfer values of the accrued entitlement in respect of qualifying services represent the value of assets that the pension scheme would need to transfer to another pension provider on transferring the scheme's liability in respect of the Director's pension benefits that they earned for qualifying services. They do not represent sums payable to individual Directors and therefore cannot be added meaningfully to annual remuneration.

The increase in the transfer value less Directors' contributions is the increase in the transfer value of accrued benefits in respect of qualifying services during the year after deducting the Director's personal contributions to the scheme. Voluntary contributions paid by Directors and the resulting benefits are not shown.

With the exception of Mr. J. H. Wilkinson, who is a member of the Johnson Group Retirement Plan, a defined contribution scheme, and Mr. D. R. Toon, who is a member of the Johnson Group Retirement Plan, a defined contribution scheme, the Johnson Group Staff Pension Scheme and the Semara Augmented Pension Plan, both defined benefit arrangements, the remaining Directors are all members of the Johnson Group Staff Pension Scheme, a defined benefit arrangement.

Set out below is the benefit structure applicable under the pension arrangements for each Director:

The accrual rate for Mr. S. W. Graham is 1/30th for each year of pensionable service, based on one-half of salary, subject to the Earnings Cap (the "Cap"), which is currently £105,600. For the period prior to 31st March 2004, employee contributions were 8% of one-half of salary subject to the Cap. With effect from 1st April 2004, Mr. S. W. Graham's employee contributions were increased to 12% of one-half of salary subject to the Cap. Mr. S. W. Graham's normal retirement age was reduced to 60 on 1st June 2005;

Prior to 31st March 2004, the accrual rate for Mr. D. Bryant was such that a pension of two thirds salary would be payable at age 63, previously his normal retirement age, which equated to an accrual rate of 1/58th for each year of pensionable service since 1st December 2000 and 1/60th for each year of pensionable service prior to that date. For service from 1st April 2004, the accrual rate has been changed to 1/60th for each year of pensionable service. Mr. D. Bryant is not subject to the Cap. For the period prior to 31st March 2004 employee contributions were 4% of salary and increased to 5% with effect from 1st April 2004. Mr. D. Bryant's normal retirement age was reduced to age 60 on 1st June 2005. A 15% reduction will be applied to those benefits arising out of pensionable service accrued as on and from 1st April 2004 up to and including 31st May 2005 where Mr. D. Bryant retires at normal retirement age. An actuarial reduction will be applied on early retirement before 60 for all service;

Mr. D. R. Toon is a member of both the Johnson Group Staff Pension Scheme and the Semara Augmented Pension Plan. Prior to 31st March 2004 the accrual rate under these arrangements was such that a pension of two thirds salary, which is subject to the Cap, would be payable at age 65, previously his normal retirement age. This equated to accrual rates of 1/60th and 1/397th under the Johnson Group Staff Pension Scheme and the Semara Augmented Pension Plan, respectively. With effect from 1st April 2004, the accrual rate under the Johnson Group Staff Pension Scheme has changed to 1/80th. Employee contribution rates, effective from 1st October 2004, are 6% of salary subject to the Cap. Mr D. R. Toon's normal retirement age was reduced to age 60 on 1st June 2005. A 25% reduction will be applied to those benefits arising out of pensionable service accrued as on and from 1st April 2004 up to and including 31st May 2005 where Mr D. R. Toon retires at normal retirement age. An actuarial reduction will be applied on early retirement before age 60 for all service. With effect from 1st April 2004, the Company also pays £15,000 per annum into the Johnson Group Retirement Plan for Mr. D. R. Toon;

The accrual rate for Mr. S. R. Moate is 1/60th for each year of pensionable service prior to 1st April 2003 and 1/80th thereafter. Benefits are subject to the Cap. Employee contribution rates, effective from 1st October 2003, are 6% of salary subject to the Cap. Mr. S. R. Moate's normal retirement age was reduced to age 60 on 1st June 2005. A 25% reduction will be applied to those benefits arising out of pensionable service accrued as on and from 1st April 2003 up to and including 31st May 2005 where Mr. S. R. Moate retires at normal retirement age. An actuarial reduction will be applied on early retirement before age 60 for all service;

Mr. J. H. Wilkinson is a member of the Johnson Group Retirement Plan. The employee contribution rate, chosen by Mr. J. H. Wilkinson, is 7% of salary subject to the Cap. The corresponding Company contribution rate is 14% of salary subject to the Cap. Mr. J. H. Wilkinson's normal retirement age was reduced to age 60 on 1st June 2005.

Other provisions of the Johnson Group Staff Pension Scheme which are applicable to all members of the scheme include: a spouse's pension at the rate of 50% of the member's pension payable on the death of the member; pensions accrued in respect of service prior to 6th April 1997 are guaranteed to increase at the rate of 3% per annum on the excess over the member's Guaranteed Minimum Pension; pensions accrued in respect of service after 5th April 1997 will increase at the rate of 5% per annum, or the increase in the Retail Price Index, if lower, with a guaranteed minimum of 3% per annum. For Mr. S. W. Graham, Mr. D. Bryant and Mr. D. R. Toon, the 3% per annum minimum guarantee is not applicable to pensions accrued in respect of service after 1st April 2004. For all other members the minimum guarantee is not applicable to pensions accrued in respect of service after 1st April 2003.

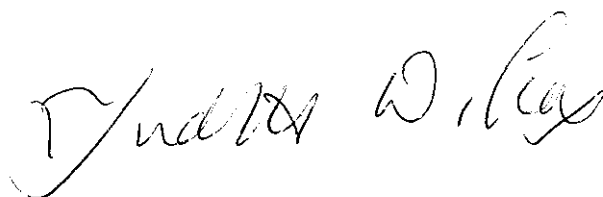
Board Report on Remuneration continued

In the context of impending changes to pensions taxation in 2006, no changes have yet been made to the remuneration of Executive Directors or senior executives. The Remuneration Committee will be consulting with the Chief Executive and external advisers on the appropriateness of any changes which may be proposed for future pension provision in due course.

ANNUAL GENERAL MEETING

A resolution will be proposed at the Annual General Meeting to seek approval of the Board Report on Remuneration.

Baroness Judith A. Wilcox
Chairman of Remuneration Committee
13th March 2006



Auditors' Report

Independent Auditors' report to the members of Johnson Service Group PLC

We have audited the Group and Parent Company financial statements (the "financial statements") of Johnson Service Group PLC for the period ended 31st December 2005, which comprise the Consolidated Profit and Loss Account, the Group and Parent Company Balance Sheets, the Consolidated Cash Flow Statement, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Historical Cost Profits and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Board Report on Remuneration that is described as having been audited.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Board Report on Remuneration and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements and the part of the Board Report on Remuneration to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Board Report on Remuneration to be audited have been properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We review whether the Corporate Governance Statement reflects the Company's compliance with the nine provisions of the 2003 FRC Combined Code specified for our review by the Listing Rules of the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only the Directors' Report, the unaudited part of the Board Report on Remuneration, the Chairman's Statement, the Chief Executive's Review, the Financial Review and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Auditors' Report continued

BASIS OF AUDIT OPINION

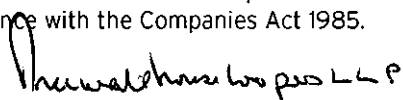
We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the part of the Board Report on Remuneration to be audited. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the part of the Board Report on Remuneration to be audited are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Board Report on Remuneration to be audited.

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the Parent Company's affairs as at 31st December 2005 and of the Group's profit and cash flows for the period then ended; and
- the financial statements and the part of the Board Report on Remuneration to be audited have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP

Chartered Accountants and Registered Auditors

Liverpool

13th March 2006

Notice of Annual General Meeting

NOTICE is hereby given that the Annual General Meeting of Johnson Service Group PLC will be held at Radisson SAS Hotel, 107 Old Hall Street, Liverpool L3 9BD on Thursday 11th May 2006 at 3 pm.

The business of the meeting will be:

ORDINARY BUSINESS

To consider and, if thought fit, pass the following resolutions which will be proposed as Ordinary Resolutions:

1. To receive the financial statements for the year ended 31st December 2005 together with the reports of the Directors and the Auditors on those financial statements.
2. To approve the Board Report on Remuneration as set out on pages 71 to 80 of the 2005 Annual Report.
3. To confirm the payment of the interim dividend and to declare a final dividend.
4. To re-elect Mr. S. P. Sherrard as a Director.
5. To re-elect Mr. S. W. Graham as a Director.
6. To re-elect Mr. D. Bryant as a Director.
7. To re-elect Mr. M. R. B. Gatenby as a Director.
8. To re-appoint PricewaterhouseCoopers LLP as Auditors of the Company, to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and to allow their remuneration to be fixed by the Audit Committee.

SPECIAL BUSINESS

9. 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 Act"), 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 by Section 80(2) of the Act) to such persons at such times and on such terms and conditions as they may determine provided that:

- (a) the aggregate of the nominal amount of such securities that may be allotted under this authority shall not exceed £2,276,958; and
- (b) this authority shall expire at the conclusion of the next Annual General Meeting of the Company to be held 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 that any previous unutilised authorities under Section 80 of the Act shall henceforth cease to have effect (save to the extent that the same is exercisable pursuant to section 80(7) of the Companies Act 1985 by reason of any offer or agreement made prior to the date of this resolution which would or might require relevant securities to be allotted on or after that date); and
- (c) this authority is a substitution for any authority to allot relevant securities previously granted to the Directors of the Company, which is revoked, such revocation not to have retrospective effect."

10. To consider and, if thought fit, pass the following resolution as a Special Resolution:

"That subject to the passing of the Ordinary Resolution (numbered 9 in this notice of Annual General Meeting of the Company) the Directors of the Company be and they are hereby empowered pursuant to Section 95 of the Companies Act 1985 ("the Act"):

- (i) to allot equity securities (as defined by Section 94(2) of the Act for the purposes of Section 89 of the Act) for cash pursuant to the authority conferred by the previous Resolution; and
- (ii) to allot equity securities as defined in Section 94(3A) of the Act,
in either case, as if Section 89(1) of the 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 an offer or issue to or in favour of holders of Ordinary shares in the capital of the Company on the register on a date fixed by the Directors. Where the equity

Notice of Annual General Meeting continued

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 on that date provided that the Directors of the Company may make such exclusions or other arrangements to deal with any legal or practical problems under the laws of any territory or the requirement of any regulatory body or any stock exchange or with fractional entitlements as they consider necessary or expedient; and

- (b) to the allotment (otherwise than pursuant to sub paragraph (a) above) of equity securities up to an aggregate nominal amount of £294,256 (being 5% of the Company's issued Ordinary share capital as at 13th March 2006),

and that the authority contained in this Resolution shall expire at the conclusion of the next Annual General Meeting of the Company or, if earlier 15 months after the passing of this Resolution save that the Company may before such expiry make an 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. All previous authorities under Section 95 of the Act shall cease to have effect."

11. To consider and, if thought fit, pass the following resolution as a Special Resolution:

"That, in accordance with article 8 of the articles of association of the Company and Part V of the Companies Act 1985 (the "Act"), the Company be and is hereby granted general and unconditional authority (pursuant to section 166 of the Act) to make market purchases (as defined in section 163 of the Act) of any of its own Ordinary shares of 10p each on such terms and in such manner as the Board of Directors of the Company may from time to time determine provided that:

- (a) the maximum number of Ordinary shares that may be purchased under this authority is 5,885,122;
- (b) the maximum price which may be paid for an Ordinary share is an amount equal to not more than 105% of the average of the middle market quotations for the Ordinary shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the purchase is made exclusive of attributable expenses payable by the Company (if any);
- (c) the minimum price which may be paid for an Ordinary share is 10p exclusive of attributable expenses payable by the Company (if any); and
- (d) unless previously revoked or varied, the authority conferred by this Resolution shall expire at the conclusion of the next Annual General Meeting of the Company held after the passing of this Resolution except that the Company may, before such expiry, enter into a contract for the purchase of its own Ordinary shares which may be completed or executed wholly or partly after the expiration of this authority."

All Shareholders will find enclosed with this document a form of proxy to be used in connection with the AGM. A member entitled to attend and vote at the meeting may appoint a proxy to attend and, on a poll, vote in his stead. The proxy need not be a member of the Company.

By Order of the Board



Yvonne M. Monaghan, Secretary
Mildmay Road, Bootle, Merseyside L20 5EW
4th April 2006

NOTES

- 1) The form of proxy is enclosed. The form of proxy and power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power of authority must be received by the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4BR not later than 48 hours prior to the commencement of the Annual General Meeting. Completion of the form will not prevent you from attending and voting at the meeting instead of the proxy, if you wish.
- 2) CREST members who wish to appoint a proxy or proxies by utilising the proxy voting service may do so for the meeting (and any adjournment thereof) by following the procedures described in the CREST Manual. CREST Personal Members or other CREST sponsored members (and those CREST members who have appointed a voting service provider) should refer to their CREST sponsor or voting service provider, who will be able to make the appropriate action on their behalf.

In order for a proxy appointment made by means of CREST to be valid, the appropriate CREST message (a "CREST Proxy Instruction") must be properly authenticated in accordance with CRESTCo's specifications and must contain the information required for such instructions, as described in the CREST Manual. The message (regardless of whether it relates to the appointment of a proxy or to an amendment to the instruction given to a previously appointed proxy) must, in order to be valid, be transmitted so as to be received by the issuer's agent (ID "RA10") by the latest time(s) for receipt of proxy appointments specified in, or in a note to, the notice of meeting. For this purpose, the time of receipt will be taken to be the time (as determined by the timestamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST.

CREST members (and, where applicable, their CREST sponsors or voting service providers) should note that CRESTCo does not make available special procedures in CREST for any particular messages. Normal system timings and limitations will therefore apply in relation to the input of CREST Proxy Instructions. It is the responsibility of the CREST member concerned to take (or, if the CREST member is a CREST personal member or sponsored member or has appointed a voting service provider, to procure that his CREST sponsor or voting service provider takes) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members (and, where applicable, their CREST sponsors or voting service providers) are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

The Company may treat as invalid a CREST Proxy Instruction in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

- 3) The following documents will be available for inspection at the Registered Office of the Company during normal business hours on any business day from the date of this Notice until the close of the meeting and at the place of the meeting for 15 minutes prior to and during the meeting:
 - 3.1) the Register of Directors' interests kept by the Company under Section 325 of the Companies Act 1985;
 - 3.2) copies of all service contracts between the Directors and the Company together with other appropriate documentation; and
 - 3.3) copies of the terms and conditions of appointment of the Non-Executive Directors.
- 4) Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, the Company specifies that only those shareholders registered in the Register of Members of the Company as at 6.00pm on 9th May 2006, or in the event that the Meeting is adjourned, in the Register of Members 48 hours before the time of any adjourned meeting, shall be entitled to attend or vote at the Meeting in respect of the number of shares registered in their name at the relevant time. Changes to entries on the Register of Members after 6.00pm on 9th May 2006 or, in the event that the Meeting is adjourned, less than 48 hours before the time of any adjourned meeting, shall be disregarded in determining the rights of any person to attend or vote at the Meeting.
- 5) In accordance with the Companies Act 1985, directors of listed companies are required to prepare a remuneration report which must be approved by the members of the Company at the meeting at which the Company's annual accounts are to be laid. Therefore, it is proposed that the Board Report on Remuneration for the financial year ended 31st December 2005, as set out on pages 71 to 80 of the Company's Annual Report, be approved.

Notice of Annual General Meeting continued

The Remuneration Report contains inter alia details of the Directors who were members of the Remuneration Committee, a forward looking statement of the Company's policy on Directors' remuneration for subsequent financial years, a performance graph showing the Company's total shareholder return and the return on the FTSE Small Cap Index, excluding investment trusts and FTSE Support Services Index, details of the Directors' service contracts and specific disclosures relating to each Director's remuneration.

Resolution 2 will be proposed as an Ordinary Resolution to approve the Board Report on Remuneration.

6) Biographies of Mr. Sherrard, Mr. Graham, Mr. Bryant and Mr. Gatenby can be found on page 25 of the 2005 Annual Report.

7) Explanation of Special Business

7.1) Renewal of Directors' authority to allot shares and disapplication of pre-emption rights

At the Annual General Meeting held on 11th May 2005 the Directors were empowered to allot shares and, in certain circumstances, to allot shares for cash otherwise than pro rata to existing shareholdings. Resolutions 9 and 10 seek approval for the renewal of such authorities.

Resolution 9 seeks approval for the renewal of the Directors' authority to allot relevant securities in accordance with Section 80 of the Companies Act 1985. The authority will be limited to an aggregate nominal value of £2,276,958 of Ordinary shares which represents approximately 38.7% of the Ordinary share capital in issue at the date of this Notice. This limit comprises a number of Ordinary shares equivalent to approximately one third of the Ordinary shares in issue as at 13th March 2006 plus a further number of Ordinary Shares set aside for issue on the exercise of outstanding share options, and is calculated in accordance with generally accepted guidelines.

The Directors have no present intention of exercising this authority. This resolution will be proposed as an Ordinary Resolution.

Resolution 10 seeks approval for the renewal of the Directors' power to allot equity securities for cash other than by way of a rights issue or other offer to Shareholders or for the purpose of the Group's share option schemes. If approved, Resolution 10 will authorise the Directors to issue shares in connection with a rights issue and otherwise to issue shares for cash up to a nominal amount of £294,256 which includes the sale on a non pre-emptive basis of any shares the Company holds in treasury for cash. The £294,256 nominal amount of equity securities to which this authority relates represents approximately 5% of the issued share capital of the Company as at 13th March 2006.

The authority given under Resolutions 9 and 10 will lapse at the conclusion of the next Annual General Meeting of the Company.

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 considers it desirable that the Company should, in certain circumstances, have the ability to issue shares for cash other than on a pro rata basis.

7.2) Renewal of Company's authority to purchase Ordinary shares

A Special Resolution (numbered 11) will be proposed to seek renewal of the authority for the Company to make market purchases of up to 5,885,122 Ordinary shares, representing 10% of the Company's issued Ordinary share capital as at 13th March 2006.

The price paid for shares will not be less than the nominal value of 10p per share nor more than 5% above the average of the middle-market quotation of the Company's ordinary shares as derived from the London Stock Exchange Daily Official List for the five business days immediately preceding the day on which the shares are purchased.

The authority given under this Resolution will lapse, unless renewed, at the conclusion of the next Annual General Meeting of the Company. It is the present intention of the Directors to seek renewal of this authority annually. The Directors have no present intention of purchasing Ordinary shares in the market.

Renewing the authority for the Company to purchase Ordinary shares in the market will allow your Board to take advantage of any opportunities that may arise to increase Shareholder value.

The power given by this Resolution will only be exercised if the Directors are satisfied that any purchase will increase the earnings per share of the Ordinary share capital in issue after the purchase and, accordingly, that the purchase is in the interests of Shareholders. The Directors will also give careful consideration to gearing levels of the Company and its general financial position. The purchase price would be paid out of distributable profits. The total number of options to subscribe for Ordinary shares that were outstanding at 13th March 2006 (being the latest practicable date prior to publication of this Notice) was 4,925,515. The proportion of issued share capital that they represented at that time was 8.4 per cent and the proportion of issued share capital that they will represent if the full authority to purchase shares (existing and being sought) is used is 9.3 per cent. With effect from 1st December 2003 the Companies (Acquisition of Own Shares) (Treasury Shares) Regulations 2003 (the "Regulations") enables certain listed companies to hold shares in treasury as an alternative to cancelling them following a purchase of own shares by the company in accordance with the Companies Act 1985.

Shares held in treasury may subsequently be cancelled, sold for cash or used to satisfy share options and share awards under the Company's Employees' Share Schemes.

Once held in treasury, the Company is not entitled to exercise any rights, including the right to attend and vote at meetings in respect of shares. Further, no dividend or other distribution of the Company's assets may be made to the Company in respect of the treasury shares.

If the Directors exercise the authority conferred by Resolution 11, they will consider holding those shares in treasury, rather than cancelling them. The Directors believe that holding shares in treasury would provide the Company with greater flexibility in the management of its share capital.

Although none of the investor groups has yet issued any guidelines in relation to the purchase, holding or resale of treasury shares, your Board will have regard to any such guidelines which may be in force at the time of any such purchase, holding or re-sale of treasury shares.

7.3) Voting

Your Directors consider the passing of Resolutions 9, 10 and 11 to be in the best interests of the Company and its Shareholders and accordingly recommend that you vote in favour of these Resolutions as they intend to do in respect of their own shareholdings.

ELECTRONIC COMMUNICATIONS

The Company offers Shareholders the opportunity to receive communications such as notices of Shareholder meetings and the annual report and accounts electronically. The Company encourages the use of electronic communication as, not only does it save the Company printing and mailing costs, it is also a more convenient and prompt method of communication.

If you decide to receive communications electronically, you will be sent an e.mail message each time a new Shareholder report or notice of meeting is published. The e.mail will contain links to the appropriate website where documents can be viewed. It is possible to change your instruction at any time by amending your details on the register.

If you would like to receive electronic communications, you will need to register your e.mail address by accessing the Shareholder Services page within the Investor Relations section of the Company's website at www.johnsonplc.com. This will link you to the service offered by the Company's Registrar. If you decide not to register an e.mail address with the Registrar, you will continue to receive all communications in hard copy form.

Those Shareholders who are CREST members and who wish to appoint a proxy or proxies utilising the proxy voting service please refer to Note 2 of the Notice of Annual General Meeting.

If you have any queries regarding electronic communications, please contact the Company's registrar, Capita Registrars, on 0870 1623100.

We would like to thank all the Group employees who are featured in this year's Annual Report - James Cronshaw, Ray Twigg, Kevin Brookes, Justine Beeson, Beryl Rogers, Karen Tierney, Balbir Khera and Hannah Blackmore.

With special thanks to Nunsmere Hall Hotel, Boots Group PLC, Top Shop, Surrey Ambulance Service NHS Trust, HBOS plc, The Carphone Warehouse Group PLC, The Royal Hotel Cardiff, Enham Alamein and Cyrus Todiwala, owner of Café Spice Namasté.

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Johnson Service Group PLC

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