



Interim Results for the 6 months ended 30 June 2014

Chris Sander, Chief Executive Officer

Yvonne Monaghan, Chief Financial Officer

Highlights

- Strong overall performance
- Fund raising and Bourne acquisition successfully completed March 2014
- Textile Rental ahead of management expectations
- Adjusted operating profit increased by 25.3% to £9.4 million (2013 H1: £7.5 million)¹
- Adjusted profit before tax increased by 54.5% to £8.5 million (2013 H1: £5.5 million)¹
- Adjusted fully diluted earnings per share increased by 53.5% to 2.3 pence (2013 H1: 1.5 pence)¹
- Net debt of £31.7 million (December 2013: £24.5 million, on a pro-forma² basis £34.0m)
- 25% increase in interim dividend to 0.50 pence (2013 H1: 0.40 pence) reflecting the Board's confidence in the outlook for the business and in-line with our stated progressive dividend policy

Notes:

- 1 Before amortisation and impairment of intangible assets (excluding software amortisation), exceptional items and, in the case of earnings per share only, associated taxation
- 2 Adjusted for the equity raise and acquisition

Financial Results

Income Statement

| <i>Continuing operations</i> | 2014 H1 | 2013 H1 | Change |
|---|---------|---------|--------|
| Revenue | £101.6m | £96.1m | 5.7% |
| Adjusted operating profit ¹ | £9.4m | £7.5m | 25.3% |
| Adjusted operating margin ¹ | 9.3% | 7.8% | |
| Exceptional items | £(1.4)m | £(0.8)m | |
| Adjusted PBT ¹ | £8.5m | £5.5m | 54.5% |
| Adjusted EPS ¹ | 2.3p | 1.5p | 53.3% |
| Fully diluted number of shares ² | 291.7m | 273.8m | |
| Dividend per share | 0.50p | 0.40p | 25.0% |

Notes:

- 1 Before amortisation and impairment of intangible assets (excluding software amortisation), exceptional items and, in the case of earnings per share only, associated taxation
- 2 Basic number of shares of 284.4m plus 7.3m potentially dilutive Ordinary Shares re. share options (June 2013: 254.8m plus 19.0m potentially dilutive Ordinary Shares)

Financial Results

Cash Flow

| £m | 2014 H1 | 2013 H1 | 2013 FY |
|---|---------|---------|---------|
| Continuing adjusted operating profit | 9.4 | 7.5 | 17.0 |
| Depreciation and software amortisation (excl. exceptionals) | 12.9 | 12.4 | 24.7 |
| Working capital (excl. exceptionals) | 0.5 | 1.9 | 1.7 |
| Capital expenditure – Fixed assets | (4.7) | (2.3) | (4.6) |
| – Rental stocks (net) | (10.5) | (8.1) | (16.9) |
| – Fixed asset proceeds | - | 0.3 | 0.4 |
| Interest and tax | (1.6) | (1.6) | (3.7) |
| Exceptional items (cash effect) | (1.6) | (4.1) | (7.4) |
| Dividends | (2.4) | (1.9) | (2.9) |
| Additional pension contributions | (1.0) | (0.9) | (1.9) |
| Other | 0.7 | (0.7) | (2.3) |
| Net cash inflow | 1.7 | 2.5 | 4.1 |
| Equity issue (net) | 13.2 | 0.2 | 0.4 |
| Discontinued operations | 0.2 | 2.2 | 0.6 |
| Acquisitions / Disposals | (22.3) | - | 28.9 |
| Net debt movement | (7.2) | 4.9 | 34.0 |
| Net debt | 31.7 | 53.6 | 24.5 |

Equity Placing and Acquisition

Placing March 2014

- Placing of approximately 10% of the issued share capital via a cashbox structure
 - Representing approximately 26.3 million shares
 - Net proceeds of £12.8m
- Proceeds used to:
 - repay bank debt
 - maintain balance sheet strength and flexibility

Transaction details – acquisition of Bourne

- Share purchase of Bourne Holding Company and trading subsidiary
- Consideration in cash on completion of £21.8m on a debt free, cash free basis
- Included freehold building in Bourne with a fair value of £3.9m
- Goodwill and Customer Contracts valued at £14.0m
- Usual indemnity and warranty provisions included in SPA
- Management remain within Bourne

Bourne financial information

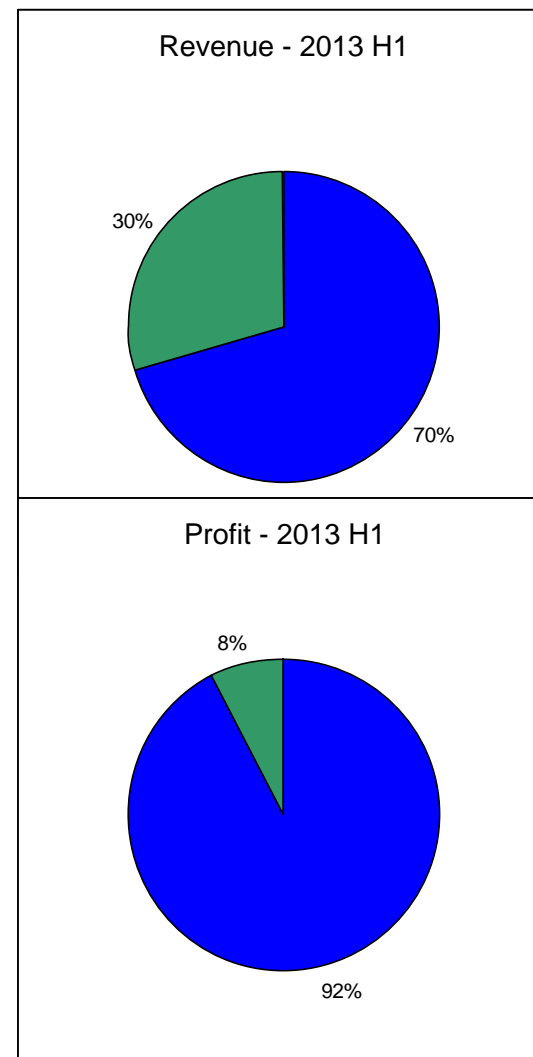
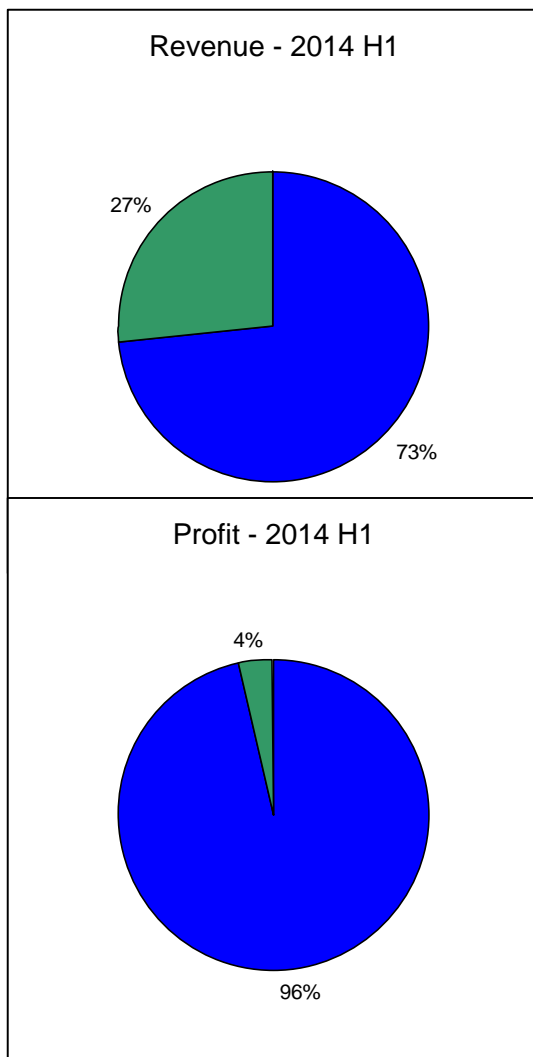
| Year to | Feb 13 | Feb 12 |
|-------------------|--------|--------|
| | £m | £m |
| Revenue | 15.4 | 14.1 |
| PBT | 2.4 | 2.2 |
| EBITDA* | 3.5 | 3.3 |
| <i>PBT margin</i> | 15.6% | 15.6% |



*EBITDA is Operating profit before PPE depreciation, exceptional items and amortisation but after charging rental stock depreciation

Divisional Performance

Summary



Divisional Performance

Textile Rental

| | 2014 H1 | 2013 H1 | Change |
|---|-------------|-------------|--------------|
| Revenue (£m) | 74.4 | 67.6 | 10.1% |
| Trading result | 10.3 | 8.1 | 27.2% |
| Allocated income | 0.5 | 0.5 | - |
| Adjusted operating profit¹ (£m) | 10.8 | 8.6 | 25.6% |
| Margin | 14.5% | 12.7% | |



Notes:

1 Before amortisation and impairment of intangible assets (excluding software amortisation) and exceptional items

Divisional Performance

Textile Rental

- Overall revenue growth of 10.1%, including £6.3m from Bourne
- Improved overall margin
- Increased sales to existing workwear customers complementing new business wins
- Stalbridge replaced much of the volume given up in 2013 H1
- Bourne ahead of expectations through additional sales to existing and new customers
- Capital investment of £8.5m in a new processing facility, with a particular emphasis on food garments, to be operational in early 2015
- Continued investment at Stalbridge reducing operating cost and increasing capacity



Divisional Performance

Drycleaning

| £m | 2014 H1 | 2013 H1 | Change |
|--|---------|---------|---------|
| Revenue | 27.2 | 28.5 | (4.6%) |
| Adjusted operating profit ¹ | 0.4 | 0.7 | (42.9%) |
| Margin | 1.5% | 2.5% | |

- Reduction in revenue from changing mix of locations
- Portfolio of 321 branches (June 2013: 336)
- In addition there were 29 Waitrose locations with supporting infrastructure to add further planned openings in H2
- Advantages of GreenEarth® continue to be promoted



Notes:

1 Before amortisation and impairment of intangible assets (excluding software amortisation) and exceptional items

Exceptional Items

| Continuing, £m | 2014 H1 | 2013 H1 | 2013 FY |
|----------------------------------|----------------|----------------|----------------|
| Restructuring costs | 0.8 | 0.8 | 1.2 |
| Acquisition related costs (fees) | 0.6 | - | - |
| Pension credits | - | - | (0.6) |
| Total | 1.4 | 0.8 | 0.6 |

- Restructuring costs in 2014 relate to the relocation of an existing processing facility. A further £1.5m is expected to be incurred in the next 12 months
- Restructuring costs in 2013 relate to Drycleaning
- Acquisition costs largely in relation to Bourne

Bank Facilities

A £70.0m facility (December 2013: £50.0m; June 2013: £75.5m), £60.0m expires May 2018 and £10.0m expires Feb 2015

- RCF (including overdrafts): £60.0m at LIBOR + margin
- Short Term Loan: £10.0m at LIBOR + 1.5% margin
- Margin on the RCF ranges from 1.5% to 2.25%; 2.04% average during 2014 H1; H2 initially 1.75%
- Hedging swaps LIBOR for a fixed rate of 1.79% on £20.0m of debt
- Continue to have significant headroom under existing facilities

Interest cost reduced to £0.9m (2013 H1: £2.0m)

| £m | 2014 H1 | 2013 H1 |
|--------------------------------|------------|------------|
| Bank / lease interest and fees | 0.8 | 1.6 |
| Notional pension interest cost | 0.1 | 0.4 |
| Total | 0.9 | 2.0 |

- Effect of lower average borrowings in 2014 H1
- Significant reduction in notional pension interest

Pensions and Tax

Pensions

- Net IAS 19 Pension liability of £6.2m (Dec 2013: £2.4m)
 - impacted mainly by changes in assumptions used in valuing liabilities (loss of £7.2m)
 - additional pension contributions of £1.0m from Group in H1 with a further £0.9m expected in H2

Tax

- Underlying tax rate¹ of 22.2% (2013: 24.1%) compared to a weighted average rate of 21.5% (2013: 23.5%)
 - No credit or charge in respect of prior years
- Total tax payments of £0.2m (2013: £nil), quarterly payments resumed from July 2014

Notes:

1 Before amortisation and impairment of intangible assets (excluding software amortisation) and exceptional items

The Group Moving Forward

- Further acquisitions within Textile Rental
- Continued investment in existing locations to drive efficiencies and increase capacity
- Organic growth from existing services
- Identify additional complementary market sectors within Textile Rental
- Ongoing IT enhancements for Textile Rental
- Continued focus on branch portfolio in line with market dynamics
- Build on links with fashion retailers to improve garment labelling

Conclusion

- Strong performance from Textile Rental
- Significant headroom for future investment plans
- Bank facilities in place to May 2018
- Continuing progressive dividend policy reflects Board's confidence in the prospects of the Group going forward
- Full year results expected to be slightly ahead of current market expectations

Appendix 1 - Segmental Results

| | 2014 H1 | | 2013 H1 | |
|--------------------------|---------------|--|---------------|--|
| | Revenue £m | Operating Profit ¹ £m | Revenue £m | Operating Profit ¹ £m |
| Textile Rental | | | | |
| - Trading | 74.4 | 10.3 | 67.6 | 8.1 |
| - Allocated Income | - | 0.5 | - | 0.5 |
| | 74.4 | 10.8 | 67.6 | 8.6 |
| Drycleaning | | | | |
| - Retail Drycleaning | 27.2 | 0.4 | 28.5 | 0.7 |
| Unallocated Costs | | | | |
| - Group Costs | - | (1.8) | - | (1.8) |
| TOTAL | 101.6 | 9.4 | 96.1 | 7.5 |

Notes:

1 Before amortisation and impairment of intangible assets (excluding software amortisation) and exceptional items