JOHNSON SERVICE GROUP PLC

Final Results for the Year ended 31 December 2011

John Talbot, Executive Chairman
Yvonne Monaghan, Finance Director

Highlights

- Strong performance in challenging conditions
- Adjusted PBT[1] up 3.4% to £15.0 million
- Adjusted fully diluted EPS[1] up 2.4% to 4.2 pence
- Debt reduced by £9.8 million during the year through:
  - cash generative businesses
  - net tax repayment of £5.1 million
- Full year dividend increased by 22% to 1.00 pence

Notes:

1 Before intangibles, amortisation and impairment (excluding software amortisation), exceptional items and exceptional finance costs

Financial Results

Income Statement

Continuing, £m	2011	2010	Change
Revenue[1]	233.5	227.4	2.7%
Adjusted operating profit[2]	18.5	18.3	1.1%
Adjusted operating margin[2]	7.9%	8.0%	
Exceptional items	1.6	(7.5)	
Adjusted PBT[3]	15.0	14.5	3.4%
Adjusted EPS[3]	4.2p	4.1p	2.4%
Fully diluted number of shares[4]	270.8m	261.7m	
Dividend per share	1.00p	0.82p	22.0%

Notes:
1 Excluding costs recharged to customers
2 Before intangibles, amortisation and impairment (excluding software amortisation) and exceptional items
3 Before intangibles, amortisation and impairment (excluding software amortisation), exceptional items and exceptional finance costs
4 Basic number of shares of 249,834,780 plus dilutive potential Ordinary Shares re. warrants and share options. Shares in issue at 6/3/2012 was 254,495,130

Cash Flow at 31 December 2011

£m		2011	2010
Adjusted operating profit		18.5	18.3
Depreciation and software amortisation (excl. exceptionals)		20.8	20.9
Working capital (excl. exceptionals)		(1.2)	0.6
Capital expenditure	– Fixed assets	(5.5)	(8.0)
	– Rental stocks (net)	(16.5)	(12.1)
	– Fixed asset proceeds	0.3	1.4
Interest and tax		1.9	(1.3)
2010 Exceptional items (cash effect)		(1.5)	(2.6)
Dividends		(2.2)	(1.9)
Additional pension contributions		(1.5)	(1.6)
Other		(3.6)	(2.9)
Net cash inflow		9.5	10.8
Equity issue (net)		0.5	0.1
Acquisitions less disposals		(0.2)	(0.4)
Lifecycle funds acquired (PFI contracts)		-	(2.3)
Net debt movement		9.8	8.2
Net debt		49.7	59.5

Divisional Performance

Textile Rental

Revenue[1] (£m)	2011	2010	Change
Johnsons Apparelmaster	91.1	88.4	3.1%
Stalbridge Linen Services	27.1	26.7	1.5%
Total	**118.2**	**115.1**	**2.7%**
Adjusted operating profit[2] (£m)			
Johnsons Apparelmaster	12.4	13.2	(6.1%)
Stalbridge Linen Services	2.4	2.3	4.3%
Allocated income	1.1	1.1	- %
Total	**15.9**	**16.6**	**(4.2%)**
Margin	13.5%	14.4%[3]	

- Textile Rental includes the two brands of Johnsons Apparelmaster, which is predominantly workwear rental, and Stalbridge, which is predominantly linen rental

Notes:
1 Excluding costs recharged to customers
2 Before intangibles, amortisation and impairment (excluding software amortisation) and exceptional items
3 Like for like margin 14.0%

Divisional Performance

Textile Rental

Johnsons Apparelmaster

- Increased revenue reflecting stability of existing customers and new wins
- 2010 revenue and adjusted operating profit included £0.7 million benefit from additional trading days – like for like profit maintained
- Higher rental stock spend reflecting higher prices and the installation of new and renewed accounts

Stalbridge Linen Services

- Full year margin of 8.9% (2010: 8.6%)
- Improved revenue, particularly luxury hotel and restaurant market
- Awarded 'Best Supplier for Service' by Compass

Division

- 4 million more items processed than 2010
- Energy consumption reduced by further 5.2% (2010: 12.4% reduction)
- Cotton prices expected to reduce slightly in the second half
- Investment in production efficiencies to continue

Divisional Performance

Facilities Management

SGP (£m)	2011	2010	Change
Revenue[1]	38.0	33.6	13.1%
Adjusted operating profit[2]	4.1	3.6	13.9%
Margin	10.8%	10.7%	

- Increase in revenue and profit with improved second half performance
- Encouraging growth in Education and Healthcare FM
- Increased technical activity from customers in 2011 but showing signs of slowing for 2012
- Significant growth in property services but from a low base
- 60% of revenue derived from long term PFI contracts

Notes:
1 Excluding costs recharged to customers
2 Before intangibles, amortisation and impairment (excluding software amortisation) and exceptional items

Divisional Performance

Drycleaning

Retail

£m	2011	2010	Change
Revenue[1]	68.9	70.1	(1.7%)
Adjusted operating profit[2]	1.8	1.7	5.9%
Margin	2.6%	2.4%	

- Slight improvement in margin
- Total like for like sales reduction was 0.3% (H1: decrease 0.7%, FY2010 decrease 3.7%)
- Revenue growth from new services of almost £1 million
- Benefit from only £0.2m of property credits (2010: £0.6m)
- 4 new supermarket and 2 High Street sites opened in 2011. 23 Closures.
- Number of shops reduced to 463 (Dec 2010: 480, June 2011:475)

Alex Reid

- Profit[2] of £0.2m (2010: £0.3m)

Notes:
1 Excluding costs recharged to customers
2 Before intangibles, amortisation and impairment (excluding software amortisation) and exceptional items

Group Costs

£m	2011	2010	Change
Administration costs	2.6	3.1	16.1%
Management incentive costs	0.7	0.8	12.5%
Carbon Reduction Commitment (CRC)	0.2	-	
Total	3.5	3.9	10.3%

- Reduction in admin costs partly offset by CRC costs

Exceptional Items

Continuing, £m	2011	2010
Pension credit	1.6	2.2
Restructuring costs	-	(6.8)
Acquisition related costs (fees)	-	(1.4)
Property disposals and onerous lease provisions	-	(1.5)
Total	1.6	(7.5)

- Pension credit of £2.2m in 2011 and 2010 arises from change in statutory increases applied to certain deferred pensions from an RPI to CPI basis
- 2011 Pension credit is net of £0.6m relating to costs of an enhanced pension transfer exercise offered to certain categories of DB members
- Restructuring costs of the Drycleaning (£6.5m) and FM (£0.3m) divisions in 2010

Bank Facilities

Facility at March 2012 is £78.5m (December 2011: £71.95m)

- Term loan: £53.5m at LIBOR + margin, reducing by £1.5m in December 2012, £1.5m in June 2013 and by £3.0m per half year thereafter
- Revolver: £25.0m at LIBOR + margin, reducing by £2.5m in December 2013
- Margin of 3.0% for most of 2011, with future adjustment depending on gearing. Under the restated facility range for 2012 is 2.5% to 3.0% with initial margin at 2.5%
- Hedging swaps LIBOR for an average fixed rate on £40.0m of debt of 3.0% in 2011 and 2012 and 1.8% for 2013 to 2015.

Net debt level at 31 December 2011 £49.7m (December 2010: £59.5m)

- £1.5m of repayments due in December 2012

Interest cost[1] reduced to £3.5m (2010: £3.8m)

- Interest charge included a credit of £0.7m for notional (non-cash) interest (2010: £0.8m credit) on pension liabilites
- No credit or charge is expected in 2012
- 2011 interest cover 5.3 times (2010: 4.8 times)

Notes:
1 Excludes £0.3 m of exceptional interest cost

Pensions and Tax

- Net IAS 19 Pension liability of £14.1m (Dec 2010: £11.3m):
  - additional pension contributions of £1.5m from continuing Group in 2011
  - change in statutory increase applied to deferred pensions reduced liabilities by a further £1.6m net of tax
  - reduction in asset values due to the payment of transfer values, growth in asset values but lower future return assumption
  - reduced discount rate assumption increasing liabilities
  - agreed schedules of deficit payments of approximately £2.0m in 2012
  - £5.8m of liabilities removed from the schemes by the payment of transfer values

- Underlying tax rate, before intangibles amortisation and impairment (excluding software amortisation), exceptional items and exceptional finance costs of 24.6% (2010: 26.9%) benefitting from adjustments to prior years

- Tax repayment of £5.8m received in February 2011 but final retained amount remains subject to agreement with HMRC. Prudent retention assumption of £1.5m has been credited within the Income Statement within Discontinued Operations.

The Group Moving Forward

- Textile Rental
  - Continue focus on driving revenue
  - Completion of Cannon Textile Care acquisition assuming regulatory clearance
  - Increase geographical spread of Stalbridge

- Facilities Management
  - Integration of acquired Nickleby contracts
  - Conversion of opportunities in new business pipeline
  - Introduction of new services to existing customers

- Drycleaning
  - Extension of new services to further branches
  - Targeted opening of further drive-in and supermarket locations
  - Additional Jeeves location and services

Conclusion

- Strong performance despite economic conditions
- New bank facilities agreed to May 2015
- Three profitable businesses with strong market positions
- Benefits from acquisitions to be realised
- Targeted investment in the businesses to continue
- Dividend payment increased for second year

Segmental Results

Appendix I

Segmental Results

£m	2011		2010	
	Revenue[1]	Operating Profit[2]	Revenue[1]	Operating Profit[2]
Textile Rental				
- Johnsons Apparelmaster	91.1	12.4	88.4	13.2
- Stalbridge	27.1	2.4	26.7	2.3
- Allocated income / (costs)	-	1.1	-	1.1
	118.2	**15.9**	**115.1**	**16.6**
Facilities Management				
- SGP	**38.0**	**4.1**	**33.6**	**3.6**
Drycleaning				
- Retail drycleaning	68.9	1.8	70.1	1.7
- Alex Reid	8.4	0.2	8.6	0.3
	77.3	**2.0**	**78.7**	**2.0**
Unallocated costs		-3.5		-3.9
Total	**233.5**	**18.5**	**227.4**	**18.3**

Notes:
1 Excluding costs recharged to customers
2 Before intangibles, amortisation and impairment (excluding software amortisation) and exceptional items