UNIFIRST CORP
Form 10-Q
April 10, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended **March 1, 2008**

OR

o TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from ________________ to ________________

Commission file number: **1-8504**

UNIFIRST CORPORATION

(Exact name of Registrant as Specified in Its Charter)

Massachusetts (State or Other Jurisdiction of Incorporation or Organization)	**04-2103460** (I.R.S. Employer Identification No.)
68 Jonspin Road, Wilmington, MA (Address of Principal Executive Offices)	**01887** (Zip Code)

(978) 658-8888

(Registrant s Telephone Number, Including Area Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer o Accelerated filer x

Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes oNo x

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

The number of outstanding shares of UniFirst Corporation Common Stock and Class B Common Stock at April 4, 2008 were 14,364,849 and 4,937,449, respectively.

UniFirst Corporation

Quarterly Report on Form 10-Q

For the Quarter ended March 1, 2008

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PART I FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

UniFirst Corporation and Subsidiaries

Consolidated Statements of Income

(Unaudited)

(In thousands, except share and per share data)	**Fourteen weeks ended March 1, 2008**	**Thirteen weeks ended February 24, 2007**	**Twenty-seven weeks ended March 1, 2008**	**Twenty-six weeks ended February 24, 2007**
Revenues	$270,288	$ 222,367	$517,548	$444,744
Costs and expenses:				
Operating costs (1)	172,481	146,190	323,628	283,109
Selling and administrative expenses (1)	56,066	50,441	109,614	98,831
Depreciation and amortization	14,115	11,819	26,902	23,404
	242,662	208,450	460,144	405,344
Income from operations	27,626	13,917	57,404	39,400
Other expense (income):				
Interest expense	3,359	2,998	6,863	6,320
Interest income	(580)	(538)	(1,093)	(1,004)
	2,779	2,460	5,770	5,316
Income before income taxes	24,847	11,457	51,634	34,084
Provision for income taxes	9,566	4,497	19,879	13,378
Net income	$15,281	$ 6,960	$31,755	$20,706
Income per share Basic:				
Common Stock	$0.83	$ 0.38	$1.73	$1.13
Class B Common Stock	$0.67	$ 0.30	$1.39	$0.91
Income per share Diluted:				
Common Stock	$0.79	$ 0.36	$1.64	$1.07
Weighted average number of shares outstanding Basic:				
Common Stock	14,359	14,319	14,356	14,313
Class B Common Stock	4,937	4,939	4,937	4,940
	19,296	19,258	19,293	19,253
Weighted average number of shares outstanding Diluted:				
Common Stock	19,366	19,362	19,365	19,336
Dividends per share:				
Common Stock	$0.0375	$ 0.0375	$0.0750	$0.0750
Class B Common Stock	$0.0300	$ 0.0300	$0.0600	$0.0600

(1) Exclusive of depreciation on the Company s fixed assets and amortization of its intangible assets.

The accompanying notes are an integral part of these

consolidated financial statements.

UniFirst Corporation and Subsidiaries

Consolidated Balance Sheets

(Unaudited)

(In thousands, except share data)	**March 1, 2008**	**August 25, 2007 (a)**
Assets		
Cash and cash equivalents	$23,109	$12,698
Receivables, less reserves of $5,286 and $4,144, respectively	104,674	91,906
Inventories	46,460	44,282
Rental merchandise in service	90,743	86,129
Prepaid and deferred income taxes	13,779	13,399
Prepaid expenses	3,921	1,807
Total current assets	282,686	250,221
Property and equipment:		
Land, buildings and leasehold improvements	300,698	286,255
Machinery and equipment	315,060	299,831
Motor vehicles	102,172	95,214
	717,930	681,300
Less -- accumulated depreciation	366,316	347,233
	351,614	334,067
Goodwill	245,901	224,366
Customer contracts, net	61,084	56,558
Other intangible assets, net	5,989	5,506
Other assets	3,739	3,746
	$951,013	$874,464
Liabilities and shareholders' equity		
Current liabilities:		
Current maturities of long-term obligations	$287	$539
Accounts payable	51,189	45,297
Accrued liabilities	92,402	86,283
Accrued income taxes	6,334	
Total current liabilities	150,212	132,119
Long-term obligations, net of current maturities	229,579	205,510
Deferred income taxes	39,807	39,508
Commitments and contingencies (Note 6)		
Shareholders' equity:		
Preferred stock, $1.00 par value; 2,000,000 shares authorized; no shares issued and outstanding		
Common Stock, $0.10 par value; 30,000,000 shares authorized; 14,364,349 and 14,351,849 issued and outstanding, respectively	1,436	1,435
Class B Common Stock, $0.10 par value; 20,000,000 shares authorized; 4,937,449 and 4,937,449 issued and outstanding, respectively	494	494
Capital surplus	17,246	16,332
Retained earnings	504,316	473,934
Accumulated other comprehensive income	7,923	5,132
Total shareholders' equity	531,415	497,327

	$951,013	$874,464

(a) Derived from audited financial statements

The accompanying notes are an integral part of these

consolidated financial statements.

UniFirst Corporation and Subsidiaries

Consolidated Statements of Cash Flows

(Unaudited)

(In thousands)	**Twenty-seven weeks ended March 1, 2008**	**Twenty-six weeks ended February 24, 2007**
Cash flows from operating activities:		
Net income	$31,755	$20,706
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	23,062	19,839
Amortization of intangible assets	3,840	3,565
Amortization of deferred financing costs	133	1,029
Deferred income taxes	(154)	127
Stock-based compensation	756	469
Accretion on asset retirement obligations	247	215
Changes in assets and liabilities, net of acquisitions:		
Receivables	(10,540)	(7,850)
Inventories	(1,909)	(3,260)
Rental merchandise in service	(1,505)	4,259
Prepaid expenses	(2,110)	(1,169)
Accounts payable	5,655	(961)
Accrued liabilities	3,274	6,724
Accrued income taxes	7,218	(4,045)
Net cash provided by operating activities	59,722	39,648
Cash flows from investing activities:		
Acquisition of businesses, net of cash acquired	(37,019)	(5,748)
Capital expenditures	(35,307)	(25,919)
Other	78	1,109
Net cash used in investing activities	(72,248)	(30,558)
Cash flows from financing activities:		
Proceeds from long-term obligations	80,493	102,559
Payments on long-term obligations	(56,656)	(103,913)
Payment of deferred financing costs		(1,179)
Proceeds from exercise of Common Stock options	118	306
Payment of cash dividends	(1,373)	(1,369)
Net cash provided by (used in) financing activities	22,582	(3,596)
Effect of exchange rate changes	355	(1,637)
Net increase in cash and cash equivalents	10,411	3,857
Cash and cash equivalents at beginning of period	12,698	8,302
Cash and cash equivalents at end of period	$23,109	$12,159

The accompanying notes are an integral part of these

consolidated financial statements.

UniFirst Corporation and Subsidiaries

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Business Description

UniFirst Corporation (the Company) is one of the largest providers of workplace uniforms and protective clothing in the United States. The Company designs, manufactures, personalizes, rents, cleans, delivers, and sells a wide range of uniforms and protective clothing, including shirts, pants, jackets, coveralls, lab coats, smocks, aprons and specialized protective wear, such as flame resistant and high visibility garments. The Company also rents industrial wiping products, floor mats, facility service products and other non-garment items, and provides first aid cabinet services and other safety supplies, to a variety of manufacturers, retailers and service companies.

The Company serves businesses of all sizes in numerous industry categories. Typical customers include automobile service centers and dealers, delivery services, food and general merchandise retailers, food processors and service operations, light manufacturers, maintenance facilities, restaurants, service companies, soft and durable goods wholesalers, transportation companies, and others who require employee clothing for image, identification, protection or utility purposes. The Company also provides its customers with restroom supplies, including air fresheners, paper products and hand soaps.

At certain specialized facilities, the Company also decontaminates and cleans work clothes that may have been exposed to radioactive materials and services special clean room protective wear. Typical customers for these specialized services include government agencies, research and development laboratories, high technology companies and utilities operating nuclear reactors.

As discussed and described in Note 11 to the Consolidated Financial Statements, the Company has five reporting segments: US and Canadian Rental and Cleaning, Manufacturing (MFG), Specialty Garments Rental and Cleaning (Specialty Garments), First Aid and Corporate. The operations of the US and Canadian Rental and Cleaning reporting segment are referred to by the Company as its industrial laundry operations and the locations related to this reporting segment are referred to as industrial laundries . The Company refers to its US and Canadian Rental and Cleaning, MFG, and Corporate segments combined as its core laundry operations .

Interim Financial Information

These Consolidated Financial Statements have been prepared by the Company without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations; however, the Company believes that the information furnished reflects all adjustments (consisting only of normal recurring adjustments) which are, in the opinion of management, necessary for a fair statement of results for the interim period. It is suggested that these Consolidated Financial Statements be read in conjunction with the financial statements and the notes, thereto, included in the Company s Annual Report on Form 10-K for the fiscal year ended August 25, 2007. Results for an interim period are not indicative of any future interim periods or for an entire fiscal year.

Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. Intercompany balances and transactions are eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. These estimates are based on historical information, current trends, and information available from other sources. Actual results could differ from these estimates.

Fiscal Year

The Company s fiscal year ends on the last Saturday in August. For financial reporting purposes, fiscal 2008 will consist of 53 weeks, whereas fiscal 2007 consisted of 52 weeks. The additional week is included in the second quarter of fiscal 2008. As a result, the quarterly and six-month periods ended March 1, 2008 consisted of 14 weeks and 27 weeks, respectively, as compared to the quarterly and six-month periods ended February 24, 2007 which consisted of 13 weeks and 26 weeks, respectively.

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and bank short-term investments with maturities of less than ninety days.

Financial Instruments

The Company s financial instruments, which may expose the Company to concentrations of credit risk, include cash and cash equivalents, receivables, accounts payable, notes payable and long-term obligations. Each of these financial instruments is recorded at cost, which approximates its fair value.

Revenue Recognition and Allowance for Doubtful Accounts

The Company recognizes revenue from rental operations in the period in which the services are provided. Direct sales revenue is recognized in the period in which the product is shipped. Management judgments and estimates are used in determining the collectability of accounts receivable and evaluating the adequacy of the allowance for doubtful accounts. The Company considers specific accounts receivable and historical bad debt experience, customer credit worthiness, current economic trends and the age of outstanding balances as part of its evaluation. Changes in estimates are reflected in the period they become known. If the financial condition of the Company s customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Material changes in its estimates may result in significant differences in the amount and timing of bad debt expense recognition for any given period.

Inventories and Rental Merchandise in Service

Inventories are stated at the lower of cost or market value, net of any reserve for excess and obsolete inventory. Judgments and estimates are used in determining the likelihood that new goods on hand can be sold to customers or used in rental operations. Historical inventory usage and current revenue trends are considered in estimating both excess and obsolete inventories. If actual product demand and market conditions are less favorable than those projected by management, additional inventory write-downs may be required. The Company uses the first-in, first-out (FIFO) method to value its inventories, which primarily consist of finished goods.

Rental merchandise in service is amortized, primarily on a straight-line basis, over the estimated service lives of the merchandise, which range from 6 to 36 months. In establishing estimated lives for merchandise in service, management considers historical experience and the intended use of the merchandise. Material differences may result in the amount and timing of operating profit for any period if management makes significant changes to these estimates.

Property and Equipment

Property and equipment are recorded at cost. Expenditures for maintenance and repairs are expensed as incurred, while expenditures for renewals and betterments are capitalized. The Company provides for depreciation on the straight-line method based on the following estimated useful lives:

Buildings	30-40 years
Leasehold improvements	Shorter of useful life or term of lease
Machinery and equipment	3-10 years
Motor vehicles	3-5 years

In accordance with Statements of Financial Accounting Standards (SFAS) No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets,* long-lived assets, including property and equipment, are evaluated for impairment whenever events or circumstances indicate an asset may be impaired. There were no material impairments of property and equipment in the twenty-seven weeks ended March 1, 2008 or the year ended August 25, 2007.

Goodwill and Other Intangible Assets

In accordance with SFAS No. 142*, Goodwill and Other Intangible Assets*, goodwill is not amortized. SFAS No. 142 requires that companies test goodwill for impairment on an annual basis. Management completes its annual impairment test in the fourth quarter of each fiscal year. In addition, SFAS No. 142 also requires that companies test goodwill if events occur or circumstances change that would more likely than not reduce the fair value of a reporting unit to which goodwill is assigned below its carrying amount. The Company s evaluation considers changes in the operating environment, competitive information, market trends, operating performance and cash flow modeling. There were no impairments of goodwill in the year ended August 25, 2007 and no events or circumstances in the twenty-seven weeks ended March 1, 2008 that would indicate that there may have been any impairment of goodwill during such period. Future events could cause management to conclude that impairment indicators exist and that goodwill or other intangibles associated with previously acquired businesses are impaired. Any resulting impairment loss could have a material impact on the Company s financial condition and results of operations.

Definite-lived intangible assets are amortized over their useful lives, which are based on management s estimates of the period that the assets will generate revenue. Definite-lived intangible assets are evaluated for impairment in accordance with SFAS No. 144. There were no impairments of definite-lived intangible assets in the twenty-seven weeks ended March 1, 2008 or the year ended August 25, 2007.

Environmental and Other Contingencies

The Company is subject to legal proceedings and claims arising from the conduct of its business operations, including environmental matters, personal injury, customer contract matters and employment claims. Accounting principles generally accepted in the United States require that a liability for contingencies be recorded when it is probable that a liability has occurred and the amount of the liability can be reasonably estimated. Significant judgment is required to determine the existence of a liability, as well as the amount to be recorded. The Company regularly consults with attorneys and outside consultants to ensure that all of the relevant facts and circumstances are considered before a contingent liability is recorded. The Company records accruals for environmental and other contingencies based on enacted laws, regulatory orders or decrees, the Company s estimates of costs, insurance proceeds, participation by other parties, the timing of payments, and the input of outside consultants and attorneys.

The estimated liability for environmental contingencies has been discounted using risk-free interest rates ranging from 4% to 5% over periods ranging from ten to thirty years. The estimated current costs, net of legal settlements with insurance carriers, have been adjusted for the estimated impact of inflation at 3% per year. Changes in enacted laws, regulatory orders or decrees, management s estimates of costs, insurance proceeds, participation by other parties, the timing of payments and the input of outside consultants and attorneys based on changing legal or factual circumstances could have a material impact on the amounts recorded for environmental and other contingent liabilities. Refer to Note 6 of the Consolidated Financial Statements for additional discussion and analysis.

Asset Retirement Obligations

The Company follows the provisions of SFAS No. 143*, Accounting for Asset Retirement Obligations,* which generally applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or the normal operation of a long-lived asset. Under this accounting method, the Company recognizes asset retirement obligations in the period in which they are incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset.

The Company has recognized as a liability the present value of the estimated future costs to decommission its nuclear laundry facilities in accordance with the provisions of SFAS No. 143. The Company depreciates, on a straight-line basis, the amount added to property and equipment and recognizes accretion expense in connection with the discounted liability over the various remaining lives which range from approximately one to twenty-four years.

The estimated liability has been based on historical experience in decommissioning nuclear laundry facilities, estimated useful lives of the underlying assets, external vendor estimates as to the cost to decommission these assets in the future, and federal and state regulatory requirements. The estimated current costs have been adjusted for the estimated impact of inflation at 3% per year. The liability has been discounted using credit-adjusted risk-free rates that range from approximately 3% to 7%. Revisions to the liability could occur due to changes in the Company s estimated useful lives of the underlying assets, estimated dates of decommissioning, changes in decommissioning costs, changes in federal or state regulatory guidance on the decommissioning of such facilities, or other changes in estimates. Changes due to revised estimates will be recognized by adjusting the carrying amount of the liability and the related long-lived asset if the assets are still in service, or charged to expense in the period if the assets are no longer in service.

Insurance

The Company is self-insured for certain obligations related to health, workers compensation, vehicles and general liability programs. The Company also purchases stop-loss insurance policies to protect itself from catastrophic losses. Judgments and estimates are used in determining the potential value associated with reported claims and for events that have occurred, but have not been reported. The Company s estimates consider historical claims experience and other factors. The Company s liabilities are based on estimates, and, while the Company believes that its accruals are adequate, the ultimate liability may be significantly different from the amounts recorded. Changes in claims experience, the Company s ability to settle claims or other estimates and judgments used by management could have a material impact on the amount and timing of expense for any period.

Supplemental Executive Retirement Plan and other Pension Plans

The Company accounts for its Supplemental Executive Retirement Plan and other pension plans in accordance with SFAS No. 87*, Employers Accounting for Pensions,* as amended by SFAS No. 158*, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans*. Under SFAS No. 87, pension expense is recognized on an accrual basis over employees estimated service periods. Pension expense calculated under SFAS No. 87 is generally independent of funding decisions or requirements.

The calculation of pension expense and the corresponding liability requires the use of a number of critical assumptions, including the expected long-term rate of return on plan assets and the assumed discount rate. Changes in these assumptions can result in different expense and liability amounts, and future actual experience can differ from these assumptions. Pension expense increases as the expected rate of return on pension plan assets decreases. Future changes in plan asset returns, assumed discount rates and various other factors related to the participants in the Company s pension plans will impact the Company s future pension expense and liabilities. The Company cannot predict with certainty what these factors will be in the future.

Income Taxes

The Company accounts for income taxes in accordance with SFAS No. 109*, Accounting for Income Taxes*. Deferred income taxes are provided for temporary differences between the amounts recognized for income tax and financial reporting purposes at currently enacted tax rates. The Company computes income tax expense by jurisdiction based on its operations in each jurisdiction.

On August 26, 2007, the Company adopted FASB Interpretation (FIN) No. 48, *Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109*, which fundamentally changed the way the Company is required to treat its uncertain tax positions for financial accounting purposes. Refer to Recent Accounting Pronouncements , in this Note 1 to the Consolidated Financial Statements and Note 7, Income Taxes , for further discussion regarding the Company s adoption of FIN No. 48.

Net Income Per Share

The Company computes net income per share under the provisions of SFAS No. 128, *Earnings per Share*, and Emerging Issues Task Force (EITF) Issue No. 03-6, *Participating Securities and the Two-Class Method under FASB Statement No. 128*. EITF Issue No. 03-6 requires that income per share for each class of common stock be calculated assuming 100% of the Company s earnings are distributed as dividends to each class of common stock based on their respective dividend rights, even though the Company does not anticipate distributing 100% of its earnings as dividends. The Common Stock of the Company has a 25% dividend preference to the Class B Common Stock. The effective result is that the basic earnings per share for the Common Stock will be 25% greater than the basic earnings per share of the Class B Common Stock.

The Class B Common Stock may be converted at any time on a one-for-one basis into Common Stock at the option of the holder of the Class B Common Stock. Diluted earnings per share for the Company s Common Stock assumes the conversion of all the Company s Class B Common Stock into Common Stock and the exercise of outstanding stock options under the Company s stock based employee compensation plans.

The following table shows how net income is allocated using this method (in thousands):

	Fourteen weeks ended March 1, 2008	**Thirteen weeks ended February 24, 2007**	**Twenty-seven weeks ended March 1, 2008**	**Twenty-six weeks ended February 24, 2007**
Net income available to shareholders	$15,281	$6,960	$31,755	$20,706
Allocation of net income for Basic:				
Common Stock	$11,984	$5,455	$24,903	$16,226
Class B Common Stock	3,297	1,505	6,852	4,480
	$15,281	$6,960	$31,755	$20,706

The diluted earnings per share calculation assumes the conversion of all the Company s Class B Common Stock into Common Stock, so no allocation of earnings to Class B Common Stock is required.

The following table illustrates the weighted average number of Common and Class B Common shares outstanding during the fourteen and twenty-seven weeks ended March 1, 2008 and the thirteen and twenty-six weeks ended February 24, 2007 and is utilized in the calculation of earnings per share (in thousands):

	Fourteen weeks ended March 1, 2008	**Thirteen weeks ended February 24, 2007**	**Twenty-seven weeks ended March 1, 2008**	**Twenty-six weeks ended February 24, 2007**
Weighted average number of Common shares Basic	14,359	14,319	14,356	14,313
Add: effect of dilutive potential common shares				
Common Stock options and restricted stock	70	104	72	83
Add: effect assuming conversion of Class B Common shares into Common Stock	4,937	4,939	4,937	4,940
Weighted average number of Common shares Diluted	19,366	19,362	19,365	19,336

Weighted average number of Class B Common shares				
Basic	4,937	4,939	4,937	4,940

Stock options to purchase 16,500 shares of Common Stock were not included in the calculation of diluted earnings per share for the fourteen and twenty-seven weeks ended March 1, 2008 because they were anti-dilutive. For the thirteen and twenty-six weeks ended February 24, 2007, there were no shares of Common Stock excluded from the calculation of diluted earnings per share as they were not anti-dilutive.

Stock Based Compensation

The Company adopted an incentive stock option plan (the Plan) in November 1996 and has reserved 800,000 shares of Common Stock for issuance under the Plan. All options issued to management are recommended to the Board of Directors by the Compensation Committee and approved by the Board of Directors. Such options are generally granted on the date of approval. All options issued to the Company s non-employee members of the Board of Directors are recommended to the Board of Directors by the Compensation Committee and approved by the Board of Directors. Such options are granted on the third business day following the annual shareholders' meeting. All options are exercisable at a price equal to the fair market value of the Company s Common Stock on the date of grant.

Options granted prior to fiscal 2003 were subject to a proportional four-year vesting schedule and expire eight years from the grant date. Beginning in fiscal 2003, option grants are subject to a five-year cliff-vesting schedule under which options become vested or exercisable after five years from the date of grant and expire ten years after the grant date. Options granted to the Company s non-employee directors are fully vested as of the date of grant.

The Company accounts for its stock based compensation under the provisions of SFAS No. 123(r), *Share-Based Payment*. The fair value recognition provisions of this statement require that the share-based compensation cost be measured at the grant date based on the value of the award and be recognized as expense over the requisite service period, which is generally the vesting period. Determining the fair value of share-based awards at the grant date requires judgment, including estimating expected dividends, share price volatility and the amount of share-based awards that are expected to be forfeited. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model.

Compensation expense for all option grants is recognized ratably over the related vesting period. Certain options were granted during fiscal 2008, 2007, 2006 and 2005 to non-employee members of the Board of Directors of the Company, which were fully vested upon grant and expire eight years after the grant date. Compensation expense related to the fiscal 2008, 2007 and 2006 grants were recognized on the date of grant. Stock-based compensation, as accounted for under SFAS 123(r), has been recorded in the consolidated statements of operations in operating costs and selling and administrative expenses.

For the fourteen and twenty-seven weeks ended March 1, 2008, there were 6,000 and 6,500 shares of Common Stock issued as a result of the exercise of Common Stock options, respectively. For the thirteen and twenty-six weeks ended February 24, 2007, there were 20,275 and 19,350 shares of Common Stock issued as a result of the exercise of Common Stock options, respectively.

Foreign Currency Translation

The functional currency of our foreign operations is the local country s currency. Transaction gains and losses, including gains and losses on our intercompany transactions, are included in selling and administrative expenses, in the accompanying consolidated statements of income. Assets and liabilities of operations outside the United States are translated into U.S. dollars using period-end exchange rates. Revenues and expenses are translated at the average exchange rates in effect during each month of the fiscal year. The effects of foreign currency translation adjustments are included in shareholders equity as a component of accumulated other comprehensive income in the accompanying consolidated balance sheets.

The Company included in selling and administrative expenses its net foreign currency transaction gains (losses) totaling ($0.0) million and $0.4 million for the fourteen and twenty-seven weeks ended March 1, 2008, respectively, and net foreign currency transaction gains totaling $0.1 million and $0.0 million for the thirteen and twenty-six weeks ended February 24, 2007, respectively.

Recent Accounting Pronouncements

On August 26, 2007, the Company adopted FIN No. 48, *Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109*, which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with FAS No. 109, *Accounting for Income Taxes*. FIN No. 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. It also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure and transition. There were no significant adjustments to the Company s Consolidated Financial Statements as a result of the implementation of FIN No. 48. The Company s adoption of FIN No. 48 is more fully described in Note 7 to the Consolidated Financial Statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements.* SFAS No. 157 defines fair value, establishes a framework for measuring fair value under GAAP and expands disclosures about fair value measurements. This statement does not require any new fair value measurements; rather, it applies under other accounting pronouncements that require or permit fair value measurements. This statement is effective for fiscal years beginning after November 15, 2007, and all interim periods within those fiscal years and must be applied prospectively as of the beginning of the fiscal year in which this statement is initially applied, with any transition adjustment recognized as a cumulative-effect adjustment to the opening balance of retained earnings. However, on February 12, 2008, the FASB issued Staff Position 157-2 which delays the effective date of Statement 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis. For items within its scope, this Staff Position defers the effective date of Statement 157 to fiscal years beginning after November 15, 2008. The Company is currently evaluating the impact SFAS No. 157 will have on its Consolidated Financial Statements.

In February 2007, the FASB issued SFAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities*, which permits an entity to measure certain financial assets and financial liabilities at fair value. Under SFAS No. 159, entities that elect the fair value option will report unrealized gains and losses in earnings at each subsequent reporting date. The fair value option may be elected on an instrument-by-instrument basis, with a few exceptions, as long as it is applied to the instrument in its entirety. The fair value option election is irrevocable, unless a new election date occurs. SFAS No. 159 also establishes presentation and disclosure requirements to help financial statement users understand the effect of the entity's election on its earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007, and the Company does not expect that its adoption will have a material effect on its Consolidated Financial Statements.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), *Business Combinations*, (SFAS No. 141R). SFAS No. 141R will change how business acquisitions are accounted for and will impact financial statements both on the acquisition date and in subsequent periods. SFAS No. 141R is effective for fiscal years beginning after December 15, 2008. Early adoption is not permitted. The Company is currently evaluating the impact, if any, this statement will have on its Consolidated Financial Statements.

2. Acquisitions

During the twenty-seven weeks ended March 1, 2008, the Company completed 4 acquisitions with an aggregate purchase price of approximately $37.0 million. The results of operations of these acquisitions have been included in the Company s consolidated financial results since their respective acquisition dates. None of these acquisitions was significant, individually or in the aggregate, in relation to the Company s consolidated financial results and, therefore, pro forma financial information has not been presented.

3. Derivative Instruments and Hedging Activities

The Company accounts for its derivative instruments in accordance with SFAS No. 133, *Accounting for Derivative Instruments and Hedging Activities*. In January 2008, the Company entered into an interest rate swap agreement to manage its exposure to interest rate movements and the related effect on its variable rate debt. The Company concluded that the interest rate swap met the criteria to qualify as a cash flow hedge under SFAS No. 133. Accordingly, the Company has reflected all changes in the fair value of the swap agreement in accumulated other comprehensive income, a component of shareholders equity. The swap agreement, with a notional amount of $100.0 million, matures on March 14, 2011. The Company will pay a fixed rate of 3.51% and receive a variable rate tied to the three month LIBOR rate. For both the fourteen and twenty-seven weeks ended March 1, 2008, the Company recorded in accumulated other comprehensive income a loss of $1.4 million related to the change in the fair value of this interest rate swap, net of the recorded income tax benefit.

4. Employee Benefit Plans

Defined Contribution Retirement Savings Plan

The Company has a defined contribution retirement savings plan with a 401(k) feature for all eligible employees not under collective bargaining agreements. The Company matches a portion of the employee s contribution and can make an additional contribution at its discretion. Contributions charged to expense under the plan for the fourteen weeks ended March 1, 2008 and the thirteen weeks ended February 24, 2007 were $ 2.8 and $2.3 million, respectively. Contributions charged to expense under the plan for the twenty-seven weeks ended March 1, 2008 and the twenty-six weeks ended February 24, 2007 were $5.4 and $4.6 million, respectively.

Supplemental Executive Retirement Plan and Other Pension Plans

The Company maintains an unfunded Supplemental Executive Retirement Plan (SERP) for certain eligible employees of the Company, a non-contributory defined benefit pension plan (UniFirst Plan) covering union employees at one of its locations, and a frozen pension plan (Textilease Plan) the Company assumed in connection with its acquisition of Textilease Corporation in fiscal 2004. For both the fourteen weeks ended March 1, 2008 and the thirteen weeks ended February 24, 2007, the amounts charged to expense related to these plans was $0.4 million. For both the twenty-seven weeks ended March 1, 2008 and the twenty-six weeks ended February 24, 2007, the amounts charged to expense related to these plans was $0.7 million.

5. Asset Retirement Obligations

The Company accounts for its asset retirement obligations under the provisions of SFAS No. 143, which generally applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or the normal operation of a long-lived asset. Accordingly, the Company recognizes asset retirement obligations in the period in which they are incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. The Company continues to depreciate, on a straight-line basis, the amount added to property and equipment and recognizes accretion expense in connection with the discounted liability over the various remaining lives which range from approximately one to twenty-four years.

A reconciliation of the Company s liability is as follows (in thousands):

Beginning balance as of August 25, 2007	$7,437
Accretion expense	247
Asset retirement costs incurred	(12)
Ending balance as of March 1, 2008	$7,672

As of March 1, 2008, the $7.6 million asset retirement obligation is included in accrued liabilities in the accompanying consolidated balance sheet.

6. Commitments and Contingencies

The Company and its operations are subject to various federal, state and local laws and regulations governing, among other things, the generation, handling, storage, transportation, treatment and disposal of hazardous waste and other substances. In particular, industrial laundries use and must dispose of detergent waste water and other residues, and, in the past, used perchloroethylene and other dry cleaning solvents. The Company is attentive to the environmental concerns surrounding the disposal of these materials and has, through the years, taken measures to avoid their improper disposal. In the past, the Company has settled, or contributed to the settlement of, actions or claims brought against the Company relating to the disposal of hazardous materials and there can be no assurance that the Company will not have to expend material amounts to remediate the consequences of any such disposal in the future.

Accounting principles generally accepted in the United States require that a liability for contingencies be recorded when it is probable that a liability has occurred and the amount of the liability can be reasonably estimated. Significant judgment is required to determine the existence of a liability, as well as the amount to be recorded. The Company regularly consults with attorneys and outside consultants to ensure that all of the relevant facts and circumstances are considered, before a contingent liability is recorded. Changes in enacted laws, regulatory orders or decrees, management s estimates of costs, insurance proceeds, participation by other parties, the timing of payments and the input of outside consultants and attorneys based on changing legal or factual circumstances could have a material impact on the amounts recorded for environmental and other contingent liabilities.

Under environmental laws, an owner or lessee of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances located on, or in, or emanating from, such property, as well as related costs of investigation and property damage. Such laws often impose liability without regard to whether the owner or lessee knew of, or was responsible for the presence of such hazardous or toxic substances. There can be no assurances that acquired or leased locations have been operated in compliance with environmental laws and regulations or that future uses or conditions will not result in the imposition of liability upon the Company under such laws or expose the Company to third-party actions such as tort suits. The Company continues to address environmental conditions under terms of consent orders negotiated with the applicable environmental authorities or otherwise with respect to sites located in or related to Woburn, Massachusetts, Somerville, Massachusetts, Springfield, Massachusetts, Uvalde, Texas, Stockton, California, three sites related to former operations in Williamstown, Vermont, as well as a number of additional locations that it acquired as part of its acquisition of Textilease Corporation in September 2003.

The Company has accrued certain costs related to the sites described above as it has been determined that the costs are probable and can be reasonably estimated. The Company continues to investigate environmental conditions at the Somerville, Massachusetts site. The full nature and extent of those conditions, and of the remedial solutions that may be employed to address them, have not yet been finally determined. In the interim, as the investigation proceeds, the Company is implementing measures to mitigate potential impacts in the vicinity of the site. The Company also has potential exposure related to an additional parcel of land (the Central Area) related to the Woburn, Massachusetts site discussed above. Currently, the consent order for the Woburn, Massachusetts site discussed above does not define or require any remediation work in the Central Area. The Company has not accrued for this contingency as the Company believes, at this time, the liability is not probable and the amount of such contingent liability cannot be reasonably estimated.

The Company routinely reviews and evaluates sites that may require remediation and monitoring and determines its estimated costs based on various estimates and assumptions. These estimates are developed using its internal sources or by third party environmental engineers or other service providers. Internally developed estimates are based on:

Management s judgment and experience in remediating and monitoring the Company s sites;

Information available from regulatory agencies as to costs of remediation and monitoring;

The number, financial resources and relative degree of responsibility of other potentially responsible parties (PRPs) who may be liable for remediation and monitoring of a specific site; and

The typical allocation of costs among PRPs.

There is usually a range of reasonable estimates of the costs associated with each site. The Company s accruals reflect the amount within the range that constitutes its best estimate. Where it believes that both the amount of a particular liability and the timing of the payments are reliably determinable, the Company adjusts the cost in current dollars using a rate of 3% for inflation until the time of expected payment and discounts the cost to present value using risk-free rates of interest ranging from 4% to 5%.

For environmental liabilities that have been discounted, the Company includes interest accretion, based on the effective interest method, in operating costs on the consolidated statements of income. The changes to the Company s environmental liabilities for the twenty-seven weeks ended March 1, 2008 are as follows (in thousands):

Beginning balance as of August 25, 2007	$15,683
Costs incurred for which reserves have been provided	(1,730)
Insurance proceeds received	65
Interest accretion	392
Balance as of March 1, 2008	$14,410

Anticipated payments and insurance proceeds of currently identified environmental remediation liabilities as of March 1, 2008, for the next five fiscal years and thereafter, as measured in current dollars, are reflected below (in thousands).

Fiscal year ended August	**2008**	**2009**	**2010**	**2011**	**2012**	**Thereafter**	**Total**
Estimated costs current dollars	$4,936	2,436	1,456	1,041	996	10,750	21,615
Estimated insurance proceeds	(201)	(266)	(266)	(273)	(266)	(3,874)	(5,146)

Net anticipated costs	$4,735	2,170	1,190	768	730	6,876	16,469
Effect of Inflation							3,976
Effect of Discounting							(6,035)
Balance as of March 1, 2008							14,410

Estimated insurance proceeds are primarily received from an annuity received as part of a legal settlement with an insurance company. Annual proceeds of approximately $0.3 million are deposited into an escrow account which funds remediation and monitoring costs for three sites related to former operations in Williamstown, Vermont. Annual proceeds received but not expended in the current year accumulate in this account and may be used in future years for costs related to this site through the year 2027. As of March 1, 2008, the balance in this escrow account, which is held in a trust and is not recorded on the Company s consolidated balance sheet, was approximately $2.3 million. Also included in estimated insurance proceeds are amounts the Company is entitled to receive pursuant to legal settlements as reimbursements from three insurance companies for estimated costs at the site in Uvalde, Texas.

The Company s nuclear garment decontamination facilities are licensed by the Nuclear Regulatory Commission (NRC), or, in certain cases, by the applicable state agency, and are subject to regulation by federal, state and local authorities. There can be no assurance that such regulation will not lead to material disruptions in the Company s garment decontamination business.

From time to time, the Company is also subject to legal proceedings and claims arising from the conduct of its business operations, including litigation related to charges for certain ancillary services on invoices, personal injury claims, customer contract matters, employment claims and environmental matters as described above.

While it is impossible to ascertain the ultimate legal and financial liability with respect to contingent liabilities, including lawsuits and environmental contingencies, the Company believes that the aggregate amount of such liabilities, if any, in excess of amounts accrued or covered by insurance, will not have a material adverse effect on the consolidated financial position or results of operation of the Company. It is possible, however, that the Company s future financial position or results of operations for any particular future period could be materially affected by changes in the Company s assumptions or strategies related to these contingencies or changes out of the Company s control.

7. Income Taxes

The Company s effective income tax rate was 38.5% for the fourteen and twenty-seven weeks ended March 1, 2008 as compared to 39.3% for the thirteen and twenty-six weeks ended February 24, 2007. The decrease in the effective tax rate from the prior year was due to the Company s utilization of net operating losses available in certain states.

As noted in Note 1, Recent Accounting Pronouncements , the Company adopted FIN No. 48 in fiscal 2008. FIN No. 48 addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under FIN No. 48, companies may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. FIN No. 48 also provides guidance on derecognition, classification, interest and penalties on income taxes, accounting in interim periods and requires increased disclosures. There were no significant adjustments to the Company s Consolidated Financial Statements as a result of the implementation of FIN No. 48.

As of August 26, 2007, there was $3.2 million in total unrecognized tax benefits, which if recognized, would favorably impact the Company s effective tax rate. The Company recognizes interest and penalties related to uncertain tax positions as a component of income tax expense which is consistent with the recognition of these items in prior reporting periods. As of August 26, 2007, the Company had accrued a total of $1.1 million in interest and penalties in its current accrued liabilities. As of March 1, 2008, there have been no material changes in the amount of unrecognized tax benefits, or the amount of accrued interest and penalties.

The Company has a significant portion of its operations in the United States and Canada. It is required to file federal income tax returns as well as state income tax returns in a majority of the U.S. domestic states and also in the Canadian provinces of Alberta, British Columbia, Ontario, Saskatchewan and Quebec. At times, the Company is subject to audits in these jurisdictions, which, by nature, are sometimes complex and can require several years to resolve. The final resolution of any such tax audit could result in either a reduction in the Company s accruals or an increase in its income tax provision, both of which could have a material impact on the consolidated results of operations in any given period.

All U.S. and Canadian federal income tax examinations have substantially concluded through fiscal years 2004 and 2001, respectively. With a few exceptions, we are no longer subject to state and local income tax examinations for periods prior to fiscal 2003. The Company is not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will change significantly in the next 12 months.

8. Long-Term Obligations

The Company has a $225.0 million unsecured revolving credit agreement (Credit Agreement) with a syndicate of banks, which matures on September 13, 2011. Under the Credit Agreement, the Company is able to borrow funds at variable interest rates based on the Eurodollar rate or the bank s prime rate, as selected by the Company. Availability of credit requires compliance with certain financial and other covenants, including a maximum funded debt ratio and minimum interest coverage as defined in the Credit Agreement. The Company generally tests its compliance with these financial covenants on a fiscal quarterly basis. At March 1, 2008, the interest rates applicable to the Company s borrowings under the Credit Agreement were calculated as LIBOR plus 50 basis points at the time of the respective borrowing and ranged from 3.62% to 3.68%. As of March 1, 2008, the Company had outstanding borrowings of approximately $51.4 million, letters of credit of $32.3 million and $141.3 million available for borrowing.

On June 14, 2004, the Company issued $75.0 million of fixed rate notes pursuant to a Note Purchase Agreement (2004 Note Agreement) with a seven year term (June 2011) bearing interest at 5.27% (Fixed Rate Notes). The Company also issued $90.0 million of floating rate notes which were repaid in September 2005 and September 2006.

On September 14, 2006, the Company issued $100.0 million of floating rates notes (Floating Rate Notes) pursuant to a Note Purchase Agreement (2006 Note Agreement). The Floating Rate Notes mature on September 14, 2013, bear interest at LIBOR plus 50 basis points and may be repaid at face value two years from the date of issuance. The proceeds from the issuance of the Floating Rate Notes were used to first repay the outstanding floating rate notes under the 2004 Note Agreement in the amount of $75.0 million and then to pay down outstanding amounts under the Credit Agreement.

As of March 1, 2008, the Company was in compliance with all covenants under the 2004 Note Agreement, 2006 Note Agreement and the Credit Agreement.

In January 2008, the Company entered into an interest rate swap agreement to manage its exposure to interest rate movements and the related effect on its variable rate debt. The swap agreement, with a notional amount of $100.0 million, matures on March 14, 2011. The Company will pay a fixed rate of 3.51% and receive a variable rate tied to the three month LIBOR rate. The Company has accounted for this instrument as a cash flow hedge under SFAS No. 133 and as a result, has recorded all changes in the fair value of the swap agreement in accumulated other comprehensive income, a component of shareholders equity. For additional details on the interest rate swap, see Note 3 to these Consolidated Financial Statements.

9. Shareholders Equity

The Company has two classes of common stock: Common Stock and Class B Common Stock. Each share of Common Stock is entitled to one vote, is freely transferable, and is entitled to a cash dividend equal to 125% of any cash dividend paid on each share of Class B Common Stock. Each share of Class B Common Stock is entitled to ten votes and can be converted to Common Stock on a share-for-share basis. However, until converted to Common Stock, Class B Common shares are not freely transferable.

For the twenty-seven weeks ended March 1, 2008, there were no shares of Class B Common Stock converted to Common Stock. For the twenty-six weeks ended February 24, 2007, there were 3,000 shares of Class B Common Stock converted to Common Stock.

10. Comprehensive Income

The components of comprehensive income are as follows (in thousands):

	Fourteen weeks ended March 1, 2008	Thirteen weeks ended February 24, 2007	Twenty-seven weeks ended March 1, 2008	Twenty-six weeks ended February 24, 2007
Net income	$15,281	$6,960	$31,755	$20,706
Other comprehensive income (loss):				
Foreign currency translation adjustments	737	(811)	4,154	(1,637)
Change in value of interest rate swap, net	(1,363)		(1,363)	
Comprehensive income	$14,655	$6,149	$34,546	$19,069

11. Segment Reporting

SFAS No. 131, *Disclosures about Segments of an Enterprise and Related Information*, establishes standards for reporting information regarding operating segments in annual financial statements and requires selected information of those segments to be presented in interim financial reports issued to stockholders. Operating segments are identified as components of an enterprise for which separate discrete financial information is available for evaluation by the chief operating decision-maker, or decision-making group, in making decisions on how to allocate resources and assess performance. The Company s chief operating decision maker, as defined under SFAS No. 131, is the Company s chief executive officer. The Company has six operating segments based on the information reviewed by its chief executive officer: US Rental and Cleaning, Canadian Rental and Cleaning, Manufacturing (MFG), Corporate, Specialty Garments Rental and Cleaning (Specialty Garments) and

First Aid. The US Rental and Cleaning and Canadian Rental and Cleaning operating segments have been combined to form the US and Canadian Rental and Cleaning reporting segment, and as a result, the Company has five reporting segments.

The US and Canadian Rental and Cleaning reporting segment purchases, rents, cleans, delivers and sells, uniforms and protective clothing and non-garment items in the United States and Canada. The laundry locations of the US and Canadian Rental and Cleaning reporting segment are referred to by the Company as industrial laundries or industrial laundry locations.

The MFG operating segment designs and manufactures uniforms and non-garment items solely for the purpose of providing these goods to the US and Canadian Rental and Cleaning reporting segment. MFG revenues are generated when goods are shipped from the Company s manufacturing facilities to other Company locations. These revenues are recorded at a transfer price which is typically in excess of the actual manufacturing cost. The transfer price is determined by management and may not necessarily represent the fair value of the products manufactured. Products are carried in inventory and subsequently placed in service and amortized at this transfer price. On a consolidated basis, intercompany revenues and income are eliminated and the carrying value of inventories and rental merchandise in service is reduced to the manufacturing cost. Income before income taxes from MFG net of the intercompany MFG elimination offsets the merchandise amortization costs incurred by the US and Canadian Rental and Cleaning reporting segment as the merchandise costs of this reporting segment are amortized and recognized based on inventories purchased from MFG at the transfer price which is above the Company s manufacturing cost.

The Corporate operating segment consists of costs associated with the Company s distribution center, sales and marketing, information systems, engineering, materials management, manufacturing planning, finance, budgeting, human resources, other general and administrative costs and interest expense. The revenues generated from the Corporate operating segment represent certain direct sales made by the Company directly from its distribution center. The products sold by this operating segment are the same products rented and sold by the US and Canadian Rental and Cleaning reporting segment. The majority of expenses accounted for within the Corporate segment relate to costs of the US and Canadian Rental and Cleaning segment, with the remainder of the costs relating to the Specialty Garment and First Aid segments.

The Specialty Garments operating segment purchases, rents, cleans, delivers and sells, specialty garments and non-garment items primarily for nuclear and clean room applications. The First Aid operating segment sells first aid cabinet services and other safety supplies.

The Company refers to the US and Canadian Rental and Cleaning, MFG, and Corporate reporting segments combined as its core laundry operations, which is included as a subtotal in the following table (in thousands):

	US and Canadian Rental and Cleaning	**MFG**	**Net Interco MFG Elim**	**Corporate**	**Subtotal Core Laundry Operations**	**Specialty Garments**	**First Aid**	**Total**
Fourteen weeks ended March 1, 2008								
Revenues	$242,269	$ 21,106	$ (21,106)	$ 2,276	$ 244,545	$ 17,127	$ 8,616	$ 270,288
Income (loss) from operations	$37,077	$ 6,680	$ 374	$ (17,181)	$ 26,950	$ 364	$ 312	$ 27,626
Interest (income) expense, net	$(633)	$	$	$ 3,412	$ 2,779	$	$	$ 2,779
Income (loss) before taxes	$37,710	$ 6,680	$ 374	$ (20,593)	$ 24,171	$ 364	$ 312	$ 24,847
Thirteen weeks ended February 24, 2007								
Revenues	$200,023	$ 20,046	$ (20,046)	$ 2,027	$ 202,050	$ 12,924	$ 7,393	$ 222,367

Income (loss) from operations	$ 23,919	$ 6,396	$ (4)	$ (16,005)	$ 14,306	$ (450)	$ 61	$ 13,917
Interest (income) expense, net	$ (488)	$	$	$ 2,948	$ 2,460	$	$	$ 2,460
Income (loss) before taxes	$ 24,407	$ 6,396	$ (4)	$ (18,953)	$ 11,846	$ (450)	$ 61	$ 11,457

	US and Canadian Rental and Cleaning	MFG	Net Interco MFG Elim	Corporate	Subtotal Core Laundry Operations	Specialty Garments	First Aid	Total
Twenty-seven weeks ended March 1, 2008								
Revenues	$ 461,933	$ 44,920	$ (44,920)	$ 4,724	$ 466,657	$ 34,382	$ 16,509	$ 517,548
Income (loss) from operations	$ 74,167	$ 15,608	$ (1,707)	$ (33,392)	$ 54,676	$ 2,419	$ 309	$ 57,404
Interest (income) expense, net	$ (1,143)	$	$	$ 6,913	$ 5,770	$	$	$ 5,770
Income (loss) before taxes	$ 75,310	$ 15,608	$ (1,707)	$ (40,305)	$ 48,906	$ 2,419	$ 309	$ 51,634
Twenty-six weeks ended February 24, 2007								
Revenues	$ 395,506	$ 43,015	$ (43,015)	$ 4,008	$ 399,514	$ 30,104	$ 15,126	$ 444,744
Income (loss) from operations	$ 55,067	$ 14,695	$ (2,274)	$ (31,213)	$ 36,275	$ 2,495	$ 630	$ 39,400
Interest (income) expense, net	$ (931)	$	$	$ 6,247	$ 5,316	$	$	$ 5,316
Income (loss) before taxes	$ 55,998	$ 14,695	$ (2,274)	$ (37,460)	$ 30,959	$ 2,495	$ 630	$ 34,084

The Company s long-lived assets as of March 1, 2008 and August 25, 2007, revenues for the periods ended March 1, 2008 and February 24, 2007, and income before income taxes for the periods ended March 1, 2008 and February 24, 2007 were attributed to the following countries (in thousands):

	March 1, 2008	August 25, 2007
Long-lived assets		
United States	$ 624,695	$ 585,149
Europe, Canada, and Mexico (1)	43,632	39,094
Total	$ 668,327	$ 624,243

	Fourteen weeks ended March 1,	Thirteen weeks ended	Twenty-seven weeks ended	Twenty-six weeks ended