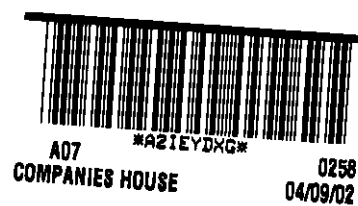


Stalbridge Linen Services Limited

Annual Report

for the year ended 29 December 2001

Registered number: 3053333



Stalbridge Linen Services Limited

Contents

	Pages
Directors and advisers	1
Directors report	2 - 5
Auditors report	6
Profit and loss account	7
Balance sheet	8
Notes to the financial statements	9 - 21

Stalbridge Linen Services Limited

1

Directors and advisers

Chairman

P M Robinson

Directors

R G F Zerny

M A Sutton BA FCA

C Sander

D R Smith

A J Mulholland

Y M Monaghan BSC FCA

Company Secretary

M R Searle

Registered Office

Christy's Lane

Shaftesbury

Dorset

SP7 8PH

Auditors

PricewaterhouseCoopers

8 Princes Parade

St Nicholas Place

Liverpool

L3 1QJ

Solicitors

Dibb Lupton Alsop

Liverpool

Bankers

National Westminster Bank PLC

Liverpool

**Directors' report
for the year ended 29 December 2001**

The directors submit for consideration their report and the audited financial statements for the year ended 29 December 2001.

Activities and business review

On the 30th September 2001, as part of the parent company's objective of consolidating its UK textile rental businesses, the company sold its trade and assets to Johnsons Apparelmaster Limited for £23m. From that date, the company ceased trading. The directors anticipate this non-trading position will continue for the foreseeable future.

Results

The company's turnover and operating profit were as follows:

	52 weeks to 29 December 2001 £	53 weeks to 30 December 2000 £
Turnover	12,333,088	14,830,015
Operating profit	2,547,871	3,706,645

The directors have proposed and paid an interim dividend of £7,000,000. (2000 – £nil). The directors do not propose a final dividend (2000: £nil).

The remaining profit of £6,922,886 will be transferred to reserves.

Tangible fixed assets

The movements in tangible fixed assets during the year are set out in note 10 to the financial statements.

Directors

The directors of the company are listed on page 1.

Directors' report for the year ended 29 December 2001 (continued)

Directors' interests

The directors' interests of Messrs Zerny and Sutton in the share capital of the parent company, Johnson Service Group PLC, are shown in the annual report of the parent. The directors' interests of those other directors in office during the year, including options granted, exercised or lapsed during the year, were as follows:

	Ordinary Shares of 10p each	Options over ordinary shares of 10p each	Remaining award of ordinary shares of 10p each	
C Sander				
At 31.12.2000	9,738	26,858	10,911	
At 29.12.2001	7,748	8,051	10,911	
Mrs Y M Monaghan				
At 31.12.2000	1,675	45,313	8,216	
At 29.12.2001	4,936	32,171	8,216	
D R Smith				
At 31.12.2000	-	5,160	2,806	
At 29.12.2001	1,394	5,447	2,806	
A J Mulholland				
At 31.12.2000	-	-	2,806	
At 29.12.2001	128	733	2,806	
	Options granted during the year	Options lapsed during the year	Options exercised during the year	Conditional awards cancelled during the year
C Sander	587	-	19,394	-
Y M Monaghan	1,467	-	14,609	-
D R Smith	1,278	-	991	-
A J Mulholland	733	-	-	-

A Long Term Incentive Plan is in place for eligible employees of the Group. A conditional award as shown was made during the year and will remain subject to the achievement of certain profit targets and other criteria. The award shown above has not vested in the individual and may be varied subject to the rules of the scheme.

**Directors' report
for the year ended 29 December 2001 (continued)**

Employment policy

The employment policy of the company embodies the principles of equal opportunity and is tailored to meet the needs of its business and the local area in which it operates. 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 company newsletters. The 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 scheme is in operation for eligible employees.

Suitable procedures are in operation to support the company'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.

Policy on payment to suppliers

The company fully supports the CBI initiative on payments to suppliers and has adopted the prompt payment code in respect of all of its suppliers. Further information and copies of the code can be obtained from the CBI.

The company had no trade creditors at the end of the year.

Company status

The parent company, Johnson Service Group PLC, is not a close company within the meaning of the Income and Corporation Taxes Act 1988 and there has been no change in this respect since the end of the financial period.

Euro

The introduction of the Euro will have no material impact on the company in the foreseeable future.

**Directors' report
for the year ended 29 December 2001 (continued)**

Directors' responsibilities

The directors are required by the Companies Act 1985 to prepare financial statements which give a true and fair view of the state of affairs of the company at the end of each financial year and of its profit for the year. In preparing the financial statements on a going concern basis, the directors ensure that applicable Accounting Standards have been followed and that appropriate accounting policies, consistently applied and supported by judgements and estimates which are both reasonable and prudent, have been used.

The directors are also responsible for maintaining adequate accounting records and for ensuring that an appropriate system of internal control is in operation to provide them with reasonable assurance that the assets of the company are properly safeguarded and that fraud and other irregularities will be prevented or detected.

Auditors

A resolution to reappoint PricewaterhouseCoopers as auditors to the company will be proposed at the Annual General Meeting.

By order of the board

M. R. Searle

M. R. Searle
Company Secretary
22nd February 2002

Stalbridge Linen Services Limited

6

Independent auditors' report to the members of Stalbridge Linen Services Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes which have been prepared under the historical cost convention and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards issued by the Auditing Practices Board and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the financial statements give a true and fair view and are 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 or the Listing Rules regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

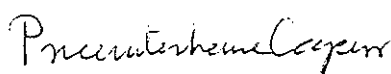
Basis of audit opinion

We conducted our audit in accordance with auditing standards 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. 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 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 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 29th December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Liverpool
22nd February 2002

**Profit and loss account
for the year ended 29 December 2001**

	Note	52 weeks to 29 December 2001 £	53 weeks to 30 December 2000 £
Turnover			
Discontinued operations	1	12,333,088	14,830,015
Cost of sales		(6,272,632)	(7,069,977)
Gross profit		6,060,456	7,760,038
Operating expenses	2	(3,512,585)	(4,053,393)
Operating profit – discontinued operations	3	2,547,871	3,706,645
Profit on disposal of discontinued operations	5	11,870,781	-
Net interest receivable	6	223,372	155,083
Profit on ordinary activities before taxation		14,642,024	3,861,728
Tax on profit on ordinary activities	7	(719,138)	(1,438,194)
Profit on ordinary activities after taxation		13,922,886	2,423,534
Dividend	8	(7,000,000)	-
Retained profit for the financial period	17	6,922,886	2,423,534

All turnover and operating profits are derived from discontinued operations.

The company has no recognised gains and losses other than the profits above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the profit on ordinary activities before taxation and the retained profit for the period stated above, and their historical cost equivalents.

The notes on pages 11 to 21 form an integral part of the financial statements.

Stalbridge Linen Services Limited

8

Balance sheet at 29 December 2001

	Notes	29 December 2001 £	30 December 2000 £
Fixed assets			
Textile rental items	9	-	2,508,902
Tangible fixed assets	10	-	2,225,729
Investment	11	-	23,017
		-	4,757,648
Current assets			
Stock	12	-	190,937
Debtors due within one year	13	-	3,244,801
Debtors due after more than one year	13	16,076,434	3,752,973
		16,076,434	6,997,774
Cash at bank and in hand		-	715
		16,076,434	7,189,426
Creditors:			
Amounts falling due within one year	14	(719,138)	(3,512,664)
Net current assets		15,357,296	3,676,762
Net assets		15,357,296	8,434,410
Capital and reserves			
Called up share capital	16	2	2
Profit and loss account	17	15,357,294	8,434,408
Equity shareholders' funds	18	15,357,296	8,434,410

The notes on pages 11 to 21 form an integral part of the financial statements.

The financial statements on pages 7 to 21 were approved by the Board of Directors on 22 February 2002 and were signed on its behalf by:



P M Robinson
Director

Statement of accounting policies

a) Basis of accounting

The historical cost convention, has been used throughout these financial statements and, except as stated, on a basis consistent with prior years. The financial statements have been prepared in accordance with Accounting and Financial Reporting Standards applicable to the United Kingdom.

b) Turnover

Turnover represents the invoiced value of goods supplied exclusive of VAT. Textile rental income is recognised on an accruals basis representing contract arrangements.

c) Pensions costs

The cost of providing retirement pensions is charged to the profit and loss account over the periods benefiting from the employees' services. The regular pension cost is determined in accordance with advice from a professionally qualified independent actuary and is a substantially level percentage of the current and expected future pensionable payroll. Variations from regular cost are spread over the remaining service lives of those current employees who are members of the schemes.

d) Textile rental items

Textile rental items which principally comprise workwear garments, cabinet towels, line, dust mats and washroom products, are initially treated as stock. On issue to customer textile rental items are transferred to fixed assets and are stated at invoiced cost less depreciation calculated on a straight line basis over the estimated lives of the items in circulation which average approximately three years. Issued textile 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.

e) Other tangible fixed assets

Tangible fixed assets are stated at cost less depreciation which is calculated to write off these assets by equal annual instalments, over their estimated useful lives. The estimated useful lives of plant and fixtures is three to ten years and of vehicles is three to four years.

Statement of accounting policies (continued)

f) Investment in parent company

Ordinary shares in the parent company held by the Trustees of the Long Term Incentive Plan are included in the balance sheet of the company at cost under fixed assets. The expected costs in connection with the provisions of shares to the participants of the Long Term Incentive Plan are written off over a three year period, this being the period over which the performance criteria are measured.

g) 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.

The capital element of outstanding lease 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 agreement and represents a constant proportion of the outstanding commitment.

h) Stocks

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

i) Deferred taxation

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

j) Cash flow statement and related party disclosures

The company has taken advantage of the exemption allowed under FRS 1 for a wholly owned subsidiary of a company incorporated in Great Britain not to produce a cash flow statement. Details of the cash flow of the company are included in the consolidated financial statements of the holding company, Johnson Service Group PLC, which are publicly available. The company is also exempt under FRS 8 from disclosing related party transactions with entities that are part of the Johnson Service Group PLC.

**Notes to the financial statements
for the year ended 29 December 2001**

1 Turnover and profit before taxation

No segmental analysis of turnover or profit before taxation is given on the basis that the company has only one class of business, the provision of linen services, and operates in only one geographical segment, the United Kingdom.

2 Operating expenses – discontinued activities

	2001	2000
	£	£
Other operating expenses		
Distribution costs	1,696,014	1,836,716
Administrative expenses	1,816,571	2,216,677
	3,512,585	4,053,393

3 Operating profit – discontinued activities

Operating profit is stated after charging:

	2001	2000
	£	£
Depreciation of textile rental items	1,629,617	1,940,122
Depreciation of tangible fixed assets	362,757	388,508
Auditors' remuneration and expenses for:		
Audit	12,000	13,000
Other services	2,277	1,750
Operating lease payments:		
Plant and machinery	34,342	101,661
Loss on disposal of fixed assets	5,276	11,566
Staff costs	4,849,729	5,347,747

**Notes to the financial statements
for the year ended 29 December 2001 (continued)**

4 Directors and employees

- (a) The average number of persons employed by the company during the year until it ceased trading was:

	2001 Number	2000 Number
Full time	443	363
Part time	8	8
	451	371

- (b) The staff costs relating to these employees were:

	2001 £	2000 £
Wages and salaries	4,408,887	4,849,105
Social security costs	353,686	397,668
Other pension costs	87,156	100,974
	4,849,729	5,347,747

- (c) Directors' emoluments:

	2001 £	2000 £
Aggregate emoluments (excluding employers pension contributions but including bonuses earned and benefits in kind)	78,044	126,356

3 directors exercised (2000: 2) share options in respect of Johnson Service Group PLC during the year. Retirement benefits accrue to all directors under defined benefit pension schemes.

**Notes to the financial statements
for the year ended 29 December 2001 (continued)**

5 Profit on disposal of discontinued operations

The profit on disposal relates to the transfer of the trade and assets of the company to Johnsons Apparelmaster Limited for consideration of £23 million.

	£
Tangible assets	2,651,368
Textile rental items	2,678,347
Investments	23,017
Stocks	333,021
Debtors	3,972,929
Cash	516,383
Net intercompany balances	3,585,505
Creditors	(2,463,793)
Provisions	(167,558)
	11,129,219
Cash consideration	23,000,000
Profit on disposal	11,870,781

6 Interest receivable and similar income

	2001 £	2000 £
Interest receivable on:		
Loan to parent company	204,684	156,187
Corporation Tax overpayment	24,059	-
	228,743	156,187
Less: interest payable:		
Overdue tax	-	2
Notional Pension interest	5,371	1,102
	223,372	155,083

Notes to the financial statements for the year ended 29 December 2001 (continued)

7 Tax on profit on ordinary activities

	2001 £	2000 £
United Kingdom current corporation tax at 30% (2000: 30%)		
Current	804,409	1,166,364
Adjustment in respect of prior year	(85,271)	271,830
	719,138	1,438,194

8 Dividend

	2001 £	2000 £
The directors proposed and paid an interim dividend of £3,500,000 per share (2000: £nil)	7,000,000	-
The directors do not recommend a final dividend (2000: £nil).		

**Notes to the financial statements
for the year ended 29 December 2001 (continued)**

9 Textile rental items

	Textile rental items £
Cost	
At 30 December 2000	4,413,252
Additions	1,832,83
Special Charges	(33,777
Disposals	(6,212,31
At 29 December 2001	-
Depreciation	
At 30 December 2000	1,904,350
Charge for the year	1,629,617
Disposals	(3,533,967)
At 30 December 2001	-
Net book value	
At 29 December 2001	-
At 30 December 2000	2,508,902

**Notes to the financial statements
for the year ended 29 December 2001 (continued)**

10 Other tangible fixed assets

		Plant and machinery, transport and office equipment £
Cost		
At 30 December 2000		6,100,940
Additions	Intra Group	308,056
	Other	580,458
Disposals	Intra Group	(6,885,093)
	Other	(104,361)
At 29 December 2001		-
Depreciation		
At 30 December 2000		3,875,211
Charge for the year		362,757
Additions	Intra Group	94,482
On disposals	Intra Group	(4,233,725)
	Other	(99,085)
At 29 December 2001		-
Net book value		
At 29 December 2001		-
At 30 December 2000		2,225,729

11 Investment in shares

	2001 £	2000 £
Investment in (2000: 6,492) ordinary shares in Johnson Service Group PLC	-	23,017

The group operates a Long Term Incentive Plan for the benefit of senior executives. When conditional awards are made, sufficient shares are purchased by the Trustees of the Plan to satisfy these awards. The shares purchased under this plan were disposed of in the year to Johnsons Apparelmaster Limited.

**Notes to the financial statements
for the year ended 29 December 2001 (continued)**

12 Stocks

	2001	2000
	£	£
New linen stocks	-	124,960
Stocks of other materials and stores	-	65,977
	-	190,937

13 Debtors

	2001	2000
	£	£
Amounts falling due within one year:		
Trade debtors	-	3,100,408
Prepayments	-	144,393
	-	3,244,801
Amounts falling due after more than one year:		
Amounts owed by parent company	16,076,434	3,752,973
Total debtors	16,076,434	6,997,774

**Notes to the financial statements
for the year ended 29 December 2001 (continued)**

14 Creditors: amounts falling due within one year

	2001	2000
	£	£
Bank overdraft	-	7,124
Trade creditors	-	479,421
Amounts owed to fellow subsidiaries	719,138	631,915
Corporation tax	-	1,176,298
Other taxation and social security	-	570,285
Other creditors and accruals	-	647,621
	719,138	3,512,664

15 Provisions for liabilities and charges

Deferred taxation

Deferred taxation provided in the financial statements and the total potential liability including the amounts for which provision has been made are as follows:

	Amount provided		Total potential liability	
	2001	2000	2001	2000
	£	£	£	£
Tax effect of timing differences				
- excess of tax allowance over depreciation	-	-	-	127,000
Other	-	-	-	(87,000)
	-	-	-	40,000

**Notes to the financial statements
for the year ended 29 December 2001 (continued)**

16 Called up share capital

	2001	2000
	£	£
Authorised		
100 ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
2 ordinary shares of £1 each	2	2

17 Profit and loss account

	£
At 30 December 2000	8,434,408
Retained profit for the financial period	6,922,886
At 29 December 2001	15,357,294

18 Reconciliation of movements in equity shareholders' funds

	2001	2000
	£	£
Profit for the period	6,922,886	2,423,534
Opening shareholders' funds	8,434,410	6,010,876
Closing shareholders' funds	15,357,296	8,434,410

**Notes to the financial statements
for the year ended 29 December 2001 (continued)**

19 Future commitments

	2001	2000
	£	£
Capital expenditure		
Contracted but not provided for	-	465,378

Revenue expenditure

At 29 December 2001 the company had annual commitments under non-cancellable operating leases as follows:

	2001		2000	
	Land and Buildings	Other	Land and Buildings	Other
	£	£	£	£
Expiring within 1 year	-	-	-	19,884
Expiring between 2-5 years	-	-	-	7,130
Expiring in over 5 years	-	-	119,000	5,491
	-	-	119,000	32,505

Pensions

The company is a wholly owned subsidiary of Johnson Service Group PLC, which operates funded defined benefit schemes and money purchase schemes on behalf of eligible employees of the group. The pension cost of the company is based on an allocation of the pension costs across the group as a whole.

The assets of the schemes are held in separate trustee administered funds. The schemes are subject to independent actuarial valuations every three years, the latest valuation being as at 5 April 1999. Pension costs are assessed in accordance therewith. Particulars of the actuarial valuation of the group schemes are contained in the financial statements of Johnson Service Group PLC.

**Notes to the financial statements
for the year ended 29 December 2001 (continued)**

20 Contingent liability

A composite bank guarantee has been given to National Westminster Bank PLC in respect of liabilities of certain other group companies in the UK and Ireland.

21 Ultimate holding company

The company's ultimate holding company is Johnson Service Group PLC, a company incorporated and registered in England and Wales.

Copies of the ultimate holding company's consolidated financial statements may be obtained from the Company Secretary, Johnson Service Group PLC, Mildmay Road, Bootle, Merseyside, L20 5EW.

The company entered into a cross guarantee arrangement in favour of The Royal Bank of Scotland PLC regarding the banking facilities of the Group. No loss is expected to result from this arrangement.