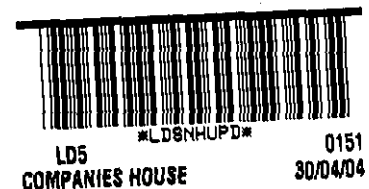


LODGE SERVICE (NORTHERN) LIMITED
FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31st JULY 2003

Company Registration Number 00541701

BREBNER ALLEN & TRAPP
Chartered Accountants & Registered Auditors
The Quadrangle
180 Wardour Street
London
W1F 8LB



LODGE SERVICE (NORTHERN) LIMITED
COMPANY INFORMATION

The board of directors	J S Lodge S R Lodge O Dale-Jones
Company secretary	S R Lodge
Registered office	Bank House 15 Gosditch Street Cirencester Gloucestershire GL7 2AG
Auditors	Brebner Allen & Trapp Chartered Accountants & Registered Auditors The Quadrangle 180 Wardour Street London W1F 8LB
Bankers	National Westminster Bank plc 34 High Street Cheadle Cheshire SK8 1AF

LODGE SERVICE (NORTHERN) LIMITED**THE DIRECTORS' REPORT****YEAR ENDED 31st JULY 2003**

The directors have pleasure in presenting their report and the financial statements of the company for the year ended 31st July 2003.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the company during the year was that of the provision of services to the Retail and Distributive Trades.

The directors are pleased with the results for the year. On 1st August 2003 the company ceased to trade and transferred its trade, assets and undertakings to Lodge Services Management Limited a fellow subsidiary undertaking.

RESULTS AND DIVIDENDS

The trading results for the year, and the company's financial position at the end of the year are shown in the attached financial statements.

The directors have not recommended a dividend.

DIRECTORS

The directors who served the company during the year were as follows:

J S Lodge
S R Lodge
O Dale-Jones

The directors have no interest in the share capital of the company. The directors interests in the share capital of the parent undertaking are shown in the directors' report of that company.

Mr O Dale-Jones has no interest in the share capital of the parent undertaking.

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the profit or loss for the year then ended.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on page 8, and then apply them on a consistent basis, making judgements and estimates that are prudent and reasonable. The directors must also prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

LODGE SERVICE (NORTHERN) LIMITED

THE DIRECTORS' REPORT *(continued)*

YEAR ENDED 31st JULY 2003

AUDITORS

The previous auditors, Wellers, resigned during the year and the directors appointed Brebner Allen & Trapp in their place.

A resolution to re-appoint Brebner Allen & Trapp as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the companies Act 1985.

Signed on behalf of the directors

A handwritten signature in black ink, appearing to read 'S R Lodge', written over a horizontal line.

S R Lodge
Director

28th April 2004

LODGE SERVICE (NORTHERN) LIMITED
INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS
YEAR ENDED 31st JULY 2003

We have audited the financial statements on pages 6 to 12 which have been prepared under the historical cost convention and the accounting policies set out on page 8.

This report is made solely to the company's shareholders, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's shareholders those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with United Kingdom 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 judgements 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.

LODGE SERVICE (NORTHERN) LIMITED**INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS** *(continued)***YEAR ENDED 31st JULY 2003**

However, we were not appointed auditors of the company in respect of the preceding years' financial statements and in consequence it was not possible for us to perform the auditing procedures necessary to obtain sufficient appropriate audit evidence as regards those items specified below included in the preceding years financial statements.

In the preceding year, in light of failure to maintain adequate controls on the financial records of the company, the numerous occasions on which the financial entries were corrupted or lost through system failure and lack of evidence, no evidence is available to support the comparative figures for trade debtors and trade creditors of £200,084 and £8,651 respectively.

In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Qualified opinion arising from limitation in audit scope

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31st July 2003, and (except for any adjustments which may have been found to be necessary had we been able to obtain sufficient audit evidence concerning trade debtors and trade creditors as at 31st July 2002) of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

In respect alone of the limitation of our work relating to trade debtors and trade creditors as at 31st July 2002 we have not obtained all the information and explanations that we considered necessary for the purpose of our audit.

In respect of the limitation of our work in respect of the year ended 31st July 2002 in our opinion the company did not maintain proper accounting records and we are unable to form an opinion as to whether the comparatives at 31st July 2002 give a true and fair view of the company's affairs or of its loss for the year then ended.

In all other respects, in our opinion the financial statements have been prepared in accordance with the Companies Act 1985.

The Quadrangle
180 Wardour Street
London
W1F 8LB

28th April 2004

Brebner, Allen & Trapp
BREBNER ALLEN & TRAPP
Chartered Accountants
& Registered Auditors

LODGE SERVICE (NORTHERN) LIMITED
PROFIT AND LOSS ACCOUNT
YEAR ENDED 31st JULY 2003

	Note	2003 £	2002 £
TURNOVER		486,106	1,212,837
Cost of sales		<u>34,843</u>	<u>—</u>
GROSS PROFIT		451,263	1,212,837
Administrative expenses		1,069,905	1,234,402
Other operating income	2	<u>(650,250)</u>	<u>—</u>
OPERATING PROFIT/(LOSS)	3	31,608	(21,565)
Interest payable	6	<u>1,478</u>	<u>1,812</u>
PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION		30,130	(23,377)
Tax on profit/(loss) on ordinary activities		<u>7,307</u>	<u>—</u>
RETAINED PROFIT/(LOSS) FOR THE FINANCIAL YEAR		22,823	(23,377)
Balance brought forward		<u>42,120</u>	<u>65,497</u>
Balance carried forward		<u><u>64,943</u></u>	<u><u>42,120</u></u>

All of the activities of the company are classed as continuing.

The company has no recognised gains or losses other than the results for the year as set out above.

LODGE SERVICE (NORTHERN) LIMITED

BALANCE SHEET

31st JULY 2003

	Note	2003 £	2002 £
FIXED ASSETS			
Tangible assets	7	21,418	38,284
CURRENT ASSETS			
Debtors	8	185,494	217,227
Cash in hand		4,232	2,719
		<u>189,726</u>	<u>219,946</u>
CREDITORS: Amounts falling due within one year	9	<u>136,293</u>	<u>205,922</u>
NET CURRENT ASSETS		<u>53,433</u>	<u>14,024</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>74,851</u>	<u>52,308</u>
CREDITORS: Amounts falling due after more than one year	10	<u>6,160</u>	<u>6,440</u>
		<u>68,691</u>	<u>45,868</u>
CAPITAL AND RESERVES			
Called-up equity share capital	13	1,499	1,499
Other reserves		2,249	2,249
Profit and loss account		64,943	42,120
SHAREHOLDERS' FUNDS	14	<u>68,691</u>	<u>45,868</u>

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

These financial statements were approved by the directors on the 28th April 2004 and are signed on their behalf by:


 S R Lodge
 Director

LODGE SERVICE (NORTHERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st JULY 2003

1. ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared under the historical cost convention.

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (revised) from including a cash flow statement in the financial statements on the grounds that the company is small.

Turnover

The turnover shown in the profit and loss account represents amounts invoiced during the year, exclusive of Value Added Tax.

Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Office Equipment	-	15% on cost
Motor Vehicles	-	33% reducing balance
Computer Equipment	-	33% on cost

Hire purchase agreements

Assets held under hire purchase agreements are capitalised and disclosed under tangible fixed assets at their fair value. The capital element of the future payments is treated as a liability and the interest is charged to the profit and loss account at a constant rate of charge on the balance of capital repayments outstanding.

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease.

Pension costs

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

2. OTHER OPERATING INCOME

	2003	2002
	£	£
Other operating income	<u>650,250</u>	<u>—</u>

LODGE SERVICE (NORTHERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st JULY 2003

3. OPERATING PROFIT/(LOSS)

Operating profit/(loss) is stated after charging/(crediting):

	2003	2002
	£	£
Directors' emoluments	39,720	19,000
Depreciation of owned fixed assets	5,145	7,422
Depreciation of assets held under hire purchase agreements	5,748	9,110
Profit on disposal of fixed assets	(2,510)	—
Auditors' fees	4,000	1,500
Operating lease costs:		
Land and buildings	<u>8,000</u>	<u>8,315</u>

4. PARTICULARS OF EMPLOYEES

The aggregate payroll costs of the above were:

	2003	2002
	£	£
Wages and salaries	884,723	916,491
Social security costs	68,685	69,227
Other pension costs	5,554	7,348
	<u>958,962</u>	<u>993,066</u>

5. DIRECTORS' EMOLUMENTS

The directors' aggregate emoluments in respect of qualifying services were:

	2003	2002
	£	£
Aggregate emoluments	<u>39,720</u>	<u>19,000</u>

6. INTEREST PAYABLE

	2003	2002
	£	£
Finance charges	<u>1,478</u>	<u>1,812</u>

LODGE SERVICE (NORTHERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st JULY 2003

7. TANGIBLE FIXED ASSETS

	Office Equipment £	Motor Vehicles £	Computer Equipment £	Total £
COST				
At 1st August 2002	20,290	72,369	6,732	99,391
Additions	417	—	—	417
Disposals	—	(22,982)	—	(22,982)
At 31st July 2003	<u>20,707</u>	<u>49,387</u>	<u>6,732</u>	<u>76,826</u>
DEPRECIATION				
At 1st August 2002	15,066	41,157	4,884	61,107
Charge for the year	1,369	8,191	1,333	10,893
On disposals	—	(16,592)	—	(16,592)
At 31st July 2003	<u>16,435</u>	<u>32,756</u>	<u>6,217</u>	<u>55,408</u>
NET BOOK VALUE				
At 31st July 2003	<u>4,272</u>	<u>16,631</u>	<u>515</u>	<u>21,418</u>
At 31st July 2002	<u>5,224</u>	<u>31,212</u>	<u>1,848</u>	<u>38,284</u>

Hire purchase agreements

Included within the net book value of £21,418 is £11,671 (2002 - £19,086) relating to assets held under hire purchase agreements. The depreciation charged to the financial statements in the year in respect of such assets amounted to £5,748 (2002 - £9,110).

8. DEBTORS

	2003 £	2002 £
Trade debtors	2,333	200,084
Amounts owed by group undertakings	104,667	15,898
Other debtors	78,494	1,245
	<u>185,494</u>	<u>217,227</u>

LODGE SERVICE (NORTHERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st JULY 2003

9. CREDITORS: Amounts falling due within one year

	2003	2002
	£	£
Trade creditors	—	8,651
Amounts owed to group undertakings	84,144	144,047
Corporation tax	3,880	2,733
Other taxation and social security	21,667	28,564
Hire purchase agreements	6,440	9,923
Other creditors	20,162	12,004
	<u>136,293</u>	<u>205,922</u>

10. CREDITORS: Amounts falling due after more than one year

	2003	2002
	£	£
Hire purchase agreements	—	6,440
Other creditors	6,160	—
	<u>6,160</u>	<u>6,440</u>

11. COMMITMENTS UNDER HIRE PURCHASE AGREEMENTS

Future commitments under hire purchase agreements are as follows:

	2003	2002
	£	£
Amounts payable within 1 year	6,440	9,923
Amounts payable between 1 and 2 years	—	6,440
	<u>6,440</u>	<u>16,363</u>

12. RELATED PARTY TRANSACTIONS

Control

Control of the company throughout the year vested with the parent undertaking Lodge Service International Limited (incorporated in England and Wales).

Related Party Transactions

Amounts due to and from group undertakings are aggregated as permitted by FRS 8 and shown separately in debtors (note 7) and creditors (note 8).

In accordance with FRS 8, exemption is taken not to disclose transactions in the year between group undertakings where 90% or more of the voting rights are controlled within the group and the consolidated financial statements in which Lodge Service (Northern) Limited is included are publicly available.

LODGE SERVICE (NORTHERN) LIMITED

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31st JULY 2003

13. SHARE CAPITAL

Authorised share capital:

	2003	2002
	£	£
40,000 Ordinary shares of £0.05 each	2,000	2,000
3,000 6 % Redeemable Cumulative shares of £1 each	3,000	3,000
	<u>5,000</u>	<u>5,000</u>

Allotted, called up and fully paid:

	2003		2002	
	No	£	No	£
Ordinary shares of £0.05 each	<u>29,980</u>	<u>1,499</u>	<u>29,980</u>	<u>1,499</u>

14. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2003	2002
	£	£
Profit/(Loss) for the financial year	22,823	(23,377)
Opening shareholders' equity funds	45,868	69,245
Closing shareholders' equity funds	<u>68,691</u>	<u>45,868</u>

15. POST BALANCE SHEET EVENTS

On 1st August 2003 the company transferred its trade, assets and undertakings to Lodge Service Management Limited, a fellow group undertaking.

16. CONTINGENT LIABILITIES

The company has given a guarantee in respect of the borrowings of a fellow subsidiary undertaking, Lodge Service Management Limited. The maximum liability at 31st July 2003 amounted to £95,491 (2002: £13,343).