

TRENCHERWOOD GROUP SERVICES LTD

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31st DECEMBER 1998**



TRENCHERWOOD GROUP SERVICES LIMITED

FINANCIAL STATEMENTS

YEAR ENDED 31st DECEMBER 1998

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DIRECTORS AND ADVISERS

Directors

M.J. Stansfield A.R.I.C.S.
N.J. Townsend
R.J.R. Brooke
C.R.Davis
P.D. Crispin

Company Secretary

G.M. Brown F.C.A

Registered Office

Trencherwood House,
21 - 23 The Broadway,
Newbury,
Berkshire RG14 1AS

REPORT OF THE DIRECTORS

The Directors present their Annual Report together with the accounts of the Company for the year ended 31st December 1998.

Principal activities and Business review

The company provides administrative services for the Trencherwood group in the United Kingdom.

The Directors consider the year's results to be satisfactory and that the Company's financial resources are sufficient for its future plans.

Result and Dividend

The profit before taxation for the year amounted to £16,000 (1997 £11,000).

The directors do not recommend the payment of a final dividend.

Directors

The Directors of the Company who have served during the year, are as follows:

M.J. Stansfield A.R.I.C.S.
N.J. Townsend
R.J.R. Brooke
C.R.Davis
P.D. Crispin

No director had any interest in the share capital of the company at 31st December 1998.

Mr M.J. Stansfield and Mr N.J. Townsend are also directors of Wilson Bowden plc, and their interests in the share capital of the holding company are disclosed in that company's accounts.

No other director had any interest in the share capital of the ultimate parent company.

REPORT OF THE DIRECTORS

Donations

Donations during the year for educational purposes, to charity and to local causes amounted to £975 (1997 £294). No donations were made for political purposes.

Supplier payment policy

The Company's policy with regard to the payment of suppliers is to advise suppliers when placing orders of the Company's payment terms or, alternatively, to agree payment terms prior to order.

It is policy to pay in accordance with agreed arrangements which, within the industry, include the evaluation by surveyors of the value of work completed and retentions for remedial work.

The Company's trade creditor days for the year were 37 (1997 27) working days based on the ratio of the Company's trade creditors at the end of the year to the amounts invoiced during the year.

Year 2000

We have continued work on the year 2000 issue during 1998. We have now completed very detailed and onerous checks on our own hardware and software. No business critical issues arose from that process but we have identified a list of detailed modifications and have these well in hand.

We have conducted exhaustive enquiries into the product supplied to customers and are satisfied that, with the assurances received from suppliers and our own research, we have identified no significant problems or liabilities arising from earlier years.

We continue to work with our suppliers to try to ensure that their own compliance arrangements give us comfort as to their ability to continue to supply us in the year 2000, and we are putting appropriate contingency arrangements in place.

Given the nature of the work involved the additional cost is not easily identifiable but most of it is in the areas of hardware replacement or software upgrades, both of which we would have undertaken in any event. Outside those areas the cost is not material.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution proposing the reappointment of Deloitte & Touche as auditors to the Company will be put to the Annual General Meeting.

BY ORDER OF THE BOARD



G M Brown
Secretary
25th February 1999

Statement of Directors' Responsibilities in Relation to the Financial Statements

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that in preparing the financial statements, the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed and that the statements have been prepared on the going concern basis.

The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Report of the Auditors to the Members of Trencherwood Group Services Ltd.

We have audited the financial statements on pages 5 to 12 which have been prepared under accounting policies set out on page 7.

Respective responsibilities of directors and auditors

As described above the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

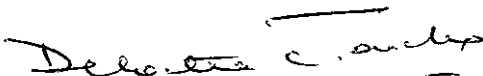
Basis of opinion

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 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.

Opinion

In our opinion the financial statements give a true and fair view of the affairs of the company at 31 December 1998 and of the profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**Deloitte & Touche**

Chartered Accountants and Registered Auditors

BIRMINGHAM

25th February 1999

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31st DECEMBER 1998

		1998	1997
	<u>Note</u>	<u>£'000</u>	<u>£'000</u>
Turnover	1	1,885	1,740
Cost of sales		(695)	(512)
Gross profit		1,190	1,228
Net operating expenses		(1,174)	(1,217)
Operating profit		16	11
Profit on ordinary activities before taxation	2	16	11
Taxation on profit on ordinary activities	3	(3)	(3)
Retained profit for the financial year	10	13	8

All amounts relate to continuing operations

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 31 DECEMBER 1998**

There are no recognised gains and losses for the year other than the profit for the financial year of £13,000 (1997 £8,000).

**RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS
FOR THE YEAR ENDED 31 DECEMBER 1998**

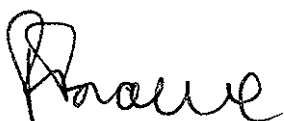
	1998 <u>£'000</u>	1997 <u>£'000</u>
Profit for the financial year	13	8
Equity shareholders' funds at 1st January	102	94
Equity shareholders' funds at 31 December	115	102

BALANCE SHEET

AS AT 31st DECEMBER 1998

	Note	1998 £'000	1997 £'000
FIXED ASSETS			
Tangible assets	4	84	54
CURRENT ASSETS			
Debtors due in less than one year	5	404	1,544
Cash at bank and in hand		7,117	2,006
		<u>7,521</u>	<u>3,550</u>
CREDITORS: Amounts falling due within one year	6	<u>(7,490)</u>	<u>(3,502)</u>
NET CURRENT ASSETS		<u>31</u>	<u>48</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>115</u>	<u>102</u>
CAPITAL AND RESERVES			
Called up share capital	9	-	-
Profit and loss account	10	115	102
EQUITY SHAREHOLDERS' FUNDS		<u>115</u>	<u>102</u>

The financial statements were approved by the board on 25th February 1999 and signed on its behalf by :



R.J.R. Brooke - Director

NOTES TO THE ACCOUNTS**FOR THE YEAR ENDED 31st DECEMBER 1998**

1. Accounting Policies

The accounts have been prepared in accordance with applicable Accounting Standards in the United Kingdom. The principal accounting policies of the Company have remained unchanged from the previous year, and are set out below.

Basis of Accounting

The accounts are prepared under the historical cost convention. A summary of the more important accounting policies are set out below.

Turnover

Turnover comprises the total value of administration expenses recharged to group companies.

Depreciation

Depreciation is provided on the original cost of assets in equal annual instalments at the following rates :

Plant	20%
Fixtures & equipment	15 - 33%
Motor vehicles	25%
Computer equipment	33%

Deferred Taxation

The Company does not provide for deferred taxation unless there is a reasonable probability that the liability will crystallise in the foreseeable future.

Cash Flow Statement

The Company is a wholly owned subsidiary of Wilson Bowden plc and the cash flows of the Company are included in the consolidated group cash flow statement of Wilson Bowden plc. Consequently the Company is exempt under the terms of Financial Reporting Standard No. 1 from the requirement to publish a cash flow statement.

Pensions

The Group operates a number of defined contribution pension schemes for certain employees. The Company's contributions to the schemes are charged against profits in the year in which the contributions are made.

Operating Leases

The costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the lease term.

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31st DECEMBER 1998

2. Profit on ordinary activities before taxation**1998****1997****£'000****£'000**

Is stated after charging :

Depreciation	28	24
Operating Lease - Land & Buildings	62	62
Operating Lease - Hire of vehicles	134	80

The audit fee has been borne by the immediate parent undertaking, Trencherwood PLC.

3. Taxation**1998****1997****£'000****£'000**

Corporation tax at 31% (1997 31.5%)

Current

3

3

33**4. Fixed Assets**

	Motor Vehicles £'000	Plant & Equipment £'000	Total £'000
Cost			
At 1st January 1998	25	532	557
Additions	33	25	58
At 31st December 1998	<u>58</u>	<u>557</u>	<u>615</u>
Depreciation			
At 1st January 1998	2	501	503
Provision for the year	8	20	28
At 31st December 1998	<u>10</u>	<u>521</u>	<u>531</u>
Net book value			
At 31st December 1998	<u>48</u>	<u>36</u>	<u>84</u>
At 31st December 1997	<u>23</u>	<u>31</u>	<u>54</u>

NOTES TO THE ACCOUNTS

5. Debtors falling due in less than one year

	1998 £'000	1997 £'000
Other debtors	404	1,544
	<u>404</u>	<u>1,544</u>

6. Creditors : Amounts falling due within one year

	1998 £'000	1997 £'000
Trade creditors	19	15
Amounts owed to group undertakings	7,426	3,445
Taxation and social security	13	12
Other creditors	32	30
	<u>7,490</u>	<u>3,502</u>

7. Operating Lease Commitments

At 31 December 1998 the company had annual commitments under operating leases expiring as follows :-

	1998 £'000	1997 £'000
Land & Buildings		
Over 5 years	78	78
Motor Vehicles		
Within one year	24	11
Between two and five years inclusive	77	54
	<u>179</u>	<u>143</u>

NOTES TO THE ACCOUNTS

8. Deferred taxation

Provision / (asset) at 30% (1997 31%)

	<u>Amounts provided</u>		<u>Contingent amounts not provided</u>	
	<u>1998 £'000</u>	<u>1997 £'000</u>	<u>1998 £'000</u>	<u>1997 £'000</u>
Accelerated Capital allowances	-	-	(19)	(22)

9. Called up share capital

There were no changes in share capital during the year.

	<u>Authorised £</u>	<u>Allotted Called up & Fully Paid £</u>
100 Ordinary shares of £1 each	100	100

NOTES TO THE ACCOUNTS

10. Profit and loss account

	£'000
At 1st January 1998	102
Retained profit	13
	<hr/>
At 31 December 1998	115
	<hr/>

11. Staff costs

	1998	1997
	£'000	£'000
Employee costs (including directors) :		
Wages and salaries	1,237	960
Social security costs	112	93
Other pension costs	47	43
	<hr/>	<hr/>
	1,396	1,096
	<hr/>	<hr/>

The average monthly number of persons employed by the Company during the year was as follows :

	1998	1997
	Number	Number
Sales	13	10
Administration	14	14
Production	37	26
	<hr/>	<hr/>
	64	50
	<hr/>	<hr/>

Certain employees hold contracts of service with the company but work for subsidiary undertakings. Any recharges made in respect of these costs are disclosed within the subsidiaries' financial statements.

NOTES TO THE ACCOUNTS

12. Directors' remuneration	1998	1997
	<u>£'000</u>	<u>£'000</u>
Aggregate Emoluments	112	130
Aggregate pension contributions to money purchase schemes	11	9
Highest paid director :		
Emoluments	61	56
Company pension contributions to money purchase schemes	7	6

Pension benefits are accruing to two directors (1997 : two) under the groups money purchase pension schemes.

13. Pensions

The Group operates a number of defined contribution pension schemes for certain employees, under which the Company has no obligation, other than to make regular contributions to independent investment managers, at a pre-determined proportion of each participating employee's salary. The Company's contribution to these defined contribution pension schemes amounted to £47,500 (1997 £43,000) and are charged against the profits of the year in which the contributions are made.

14. Contingent Liabilities

The company has guaranteed payments of loans and bank guarantees made to the holding company and fellow subsidiary undertakings. At 31st December 1998 £8,119,488 was outstanding under these loans and overdrafts (1997 £2,563,855).

15. Related Party Transactions

As the company is wholly owned by Wilson Bowden PLC, it has taken advantage of the exemption under FRS8 'Related Party Disclosures' not to disclose transactions with other companies in the group.

16. Ultimate Parent Company

The ultimate parent company is Wilson Bowden plc, a company incorporated in Great Britain and registered in England.

Copies of the accounts for Wilson Bowden plc are available from the company secretary at Wilson Bowden House, Leicester Road, Ibstock, Leicester LE67 6WB.