

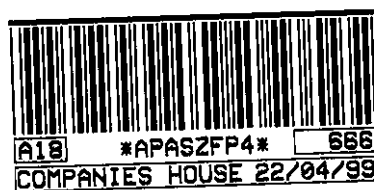
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LYON SERVICES LIMITED

REPORT AND ACCOUNTS
FOR THE YEAR ENDED
31 AUGUST 1998

REGISTRAR'S COPY

Company Number: 1617359



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Directors	N R Bomford P R Siddons S P M Hughes (resigned 23 March 1998) N A Shryane
Company Secretary	N A Shryane
Registered Office	5 High Street Harrow-on-the-Hill Middlesex HA1 3HP
Bankers	National Westminster Bank plc St Ann's Road Branch 315 Station Road Harrow Middlesex HA1 2AD
Auditors	Littlejohn Frazer Chartered Accountants and Registered Auditors 1 Park Place Canary Wharf London E14 4HJ
Solicitors	Lee & Pembertons 45 Pont Street London SW1X 0BX

The Directors have pleasure in presenting their Report together with the Accounts for the year ended 31 August 1998.

Activities

The principal activities of the Company continue to be the letting of school premises, facilities and equipment. The commercial activities of the Sports Complex at John Lyon School are also undertaken by Lyon Services Limited. The Company also supplied gas to Harrow School for part of the year.

During the year, the Company was entitled to receive royalties from the Harrow International School in Thailand.

Results and Dividends

The trading results of the Company are given on page 5 of the Accounts. The Directors do not recommend the payment of a dividend.

Review of the Business

The results for the year compare favourably with those for the previous period of seventeen months which included two summer holidays when a significant percentage of turnover is usually generated.

However, profits were depressed because of material write offs amounting to £24,000 relating to prior years' trading.

The payment under Deed of Covenant amounted to £58,605 (1996/97: £57,369).

Fixed Assets

Details of tangible fixed assets are given in Note 8 to the Accounts.

Directors

The Directors during the year were as follows:

N R Bomford
P R Siddons
S P M Hughes (resigned 23 March 1998)
N A Shryane

None of the Directors had a beneficial interest in the share capital of the Company at 1 September 1997 or at 31 August 1998.

Charitable and Political Contributions

During the year the Company made no contributions to charitable organisations other than the amounts paid to the Keepers and Governors of the Free Grammar School of John Lyon under Deed of Covenant (see note 6). The Company made no donations to political organisations.

Millennium

A programme is underway to address the impact of the Millennium date change on the Company's business. This covers all systems that incorporate a calendar, both financial and operational and includes seeking assurances from the Company's key suppliers. Wherever necessary and possible, changes to ensure that systems are Year 2000 compliant are being incorporated into upgrades of software. All aspects of the Millennium programme are expected to be completed on time.

Auditors

A resolution proposing the reappointment of Littlejohn Frazer as the Company's auditors will be put to the Annual General Meeting.

By Order of the Board


N A Shryane

Secretary

28 January 1999

To the Members of Lyon Services Limited

We have audited the Accounts on pages 5 to 13 which have been prepared under the Accounting Policies set out on pages 7 and 8.

Respective Responsibilities of Directors and Auditors

As described on page 7 the Company's Directors are responsible for the preparation of Accounts that give a true and fair view of the state of affairs of the Company at the end of the financial period and of its profit or loss for the financial period. It is our responsibility to form an independent opinion, based on our audit of those Accounts, and to report our opinion to you.

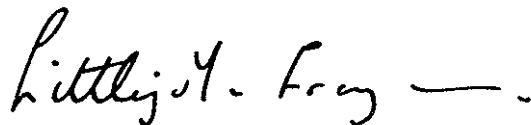
Basis of Opinion

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 Accounts. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the Accounts 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 Accounts 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 Accounts.

Opinion

In our opinion the Accounts give a true and fair view of the state of the Company's affairs as at 31 August 1998 and of its results for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Littlejohn Frazer

Chartered Accountants
and Registered Auditors

1 Park Place
Canary Wharf
London E14 4HJ

28 January 1999

LYON SERVICES LIMITED

PROFIT AND LOSS ACCOUNT
Year ended 31 August 1998

	Note	1997/98 (12 months)	1996/97 (17 months)
Turnover	1		
Continuing operations		1,122,867	1,648,270
Discontinued operations		67,465	165,914
		<hr/>	<hr/>
		1,190,332	1,814,184
Cost of sales	2	(873,947)	(1,435,749)
		<hr/>	<hr/>
Gross Profit		316,385	378,435
Administration expenses	2	(221,721)	(290,495)
		<hr/>	<hr/>
		94,664	87,940
Other operating income		4,000	8,000
		<hr/>	<hr/>
Operating Profit	3	98,664	95,940
Interest receivable	4	9,513	4,801
Interest payable	5	(49,572)	(39,672)
		<hr/>	<hr/>
Profit on Ordinary Activities before Taxation	1	58,605	61,069
Payments under Deed of Covenant	6	(58,605)	(57,369)
		<hr/>	<hr/>
		-	3,700
Taxation	7	-	-
		<hr/>	<hr/>
Profit on Ordinary Activities after Taxation		-	3,700
Balance at beginning of period		487	(3,213)
		<hr/>	<hr/>
Balance at end of period		£487	£487
		<hr/>	<hr/>

The Company had no recognised gains or losses other than the profit on ordinary activities after taxation stated above.

The Accounting Policies and Notes on pages 7 to 13 form part of these Accounts.


LYON SERVICES LIMITED

BALANCE SHEET
At 31 August 1998

	Note	1998	1997
Fixed Assets			
Tangible assets	8	207,771	105,631
Investments	9	1	1
		<hr/>	<hr/>
		207,772	105,632
Current Assets			
Stocks	10	247,088	198,725
Debtors and prepayments	11	586,132	670,481
Cash at bank and in hand		10,159	102,000
		<hr/>	<hr/>
		843,379	971,206
Creditors: due within one year	12	(971,958)	(962,255)
		<hr/>	<hr/>
Net Current (Liabilities)/Assets		(128,579)	8,951
		<hr/>	<hr/>
Total Assets		79,193	114,583
Creditors: due after one year	13	(78,704)	(114,094)
		<hr/>	<hr/>
Net Assets		£489	£489
		<hr/>	<hr/>
Represented by:			
Called-up share capital	15	2	2
Profit and Loss Account		487	487
		<hr/>	<hr/>
		£489	£489
		<hr/>	<hr/>

Approved by the Board on 28 January 1999.


P R Siddons


N A Shryane

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) Directors
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The Accounting Policies and Notes on pages 7 to 13 form part of these Accounts.

Statement of Directors' Responsibilities

Company law requires the Directors to prepare Accounts for each financial period which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing those Accounts the Directors are required to:

- select suitable Accounting Policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the Accounts;
- prepare the Accounts on a going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for maintaining 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 Accounts comply with the Companies Act 1985. They 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. The Accounting Policies selected are set out below.

Accounting Policies

Basis of Accounting

The Accounts are prepared under the historical cost basis of accounting and comply with applicable Accounting Standards. The Company takes advantage of the small company exemption and does not prepare a Cashflow Statement.

Turnover

Turnover represents amounts invoiced to customers excluding VAT.

Depreciation

Depreciation is provided on all tangible fixed assets, at rates calculated to write off the cost of each asset, less any estimated residual value, evenly over its expected useful life. The expected useful lives of the principal categories are as follows:

Farm building	- 40 years
Tours Museum	- 10 years
Plant and machinery	- 5 to 7 years
Furniture and equipment	- 20 years
Computers	- 5 years

Stocks

Stocks are valued at the lower of cost and net realisable value.

Textbook production costs are being amortised over five years which is considered to be the useful economic life of the textbooks.

Leasing Commitments

Assets obtained under finance leases are capitalised in the Balance Sheet and are depreciated over their expected useful lives.

The interest element of the rental obligation is charged to the Profit and Loss Account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Leased Assets

Assets purchased for the purpose of leasing on to Harrow School are disclosed as Debtors (Finance Lease Receivables) in the Balance Sheet.

The profit element of the rental payments received is credited to the Profit and Loss Account over the period of the lease and represents a constant proportion of the balance of capital receipts outstanding.

Pension Contributions

Defined Contribution Scheme

The pension costs are charged to the Profit and Loss Account as they fall due under the rules of the scheme.

Defined Benefit Scheme

The pension and post retirement benefit costs are charged to the Profit and Loss Account so as to spread the cost of pensions over the employees working lives with the company.

1. Turnover and Pre-Tax Profit

	1997/98 (12 Months)	1996/97 (17 Months)	1997/98 (12 Months)	1996/97 (17 Months)
	Turnover		Profit/(loss) before taxation	
Letting of school premises, facilities and equipment	660,168	1,030,697	9,805	63,499
Harrow International School	-	30,000	(4,734)	(26,184)
Sales of books and stationery	363,558	504,816	7,608	(24,357)
Farming	4,150	5,936	3,100	7,179
Tours	30,325	51,953	11,682	17,214
Sports subscriptions	64,666	24,868	31,144	23,718
	<hr/>	<hr/>	<hr/>	<hr/>
Continuing operations	1,122,867	1,648,270	58,605	61,069
Discontinued operations	67,465	165,914	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	£1,190,332	£1,814,184	£58,605	£61,069
	<hr/>	<hr/>	<hr/>	<hr/>

The turnover and loss before taxation are wholly attributable to operations in the United Kingdom.

2. Employees

	1997/98 (12 Months)	1996/97 (17 Months)
Staff costs are included in:		
Cost of sales	144,782	78,816
Administration expenses	84,309	138,895
	<hr/>	<hr/>
	£229,091	£217,711
	<hr/>	<hr/>
Wages and salaries	205,054	189,925
Social security costs	14,192	15,261
Pension contributions	9,845	12,525
	<hr/>	<hr/>
	£229,091	£217,711
	<hr/>	<hr/>

One Director received remuneration from the Company during the year in respect of his services as a Director of £2,500 (1997 - £15,484).

Average number of employees during the year	No.	No.
Shop, office and management	7	7
Other Employees	—	—

11 employees (1996/97 - 17) worked during the year on a part time or occasional basis.

3. Operating Profit

This is stated after charging:

Auditors' remuneration	- under provision period ended 31 August 1997	£ 20,931	£ -
	- provision for current year	£ 8,000	£ 19,223
	- other services	£ 1,964	£ -
Depreciation		£ 16,440	£ 18,033
		<hr/>	<hr/>
and after crediting:			
Grant from Harrow School to Harrow School Farm		£ 4,000	£ 8,000
		<hr/>	<hr/>

4. Interest Receivable	1998 (12 Months)	1997 (17 Months)
Bank interest (Treasury accounts)	9,460	359
Other interest receivable	53	4,442
	<u>£9,513</u>	<u>£4,801</u>
 5. Interest Payable		
Overdrawn Treasury Account with The Keepers and Governors of The Free Grammar School of John Lyon	45,067	37,999
Finance leases	4,505	1,673
	<u>£49,572</u>	<u>£39,672</u>
 6. Deed of Covenant		
	<u>£58,605</u>	<u>£57,369</u>

The Company has entered into a Deed of Covenant under which it has agreed to pay The Keepers and Governors of The Free Grammar School of John Lyon a sum equal to the income of the Company for each accounting period less Income Tax at the basic rate for the financial periods up to 31 August 2003.

7. Taxation

No Corporation Tax was payable or receivable in 1997/98 or 1996/97.

8. Tangible Fixed Assets

Cost	Farm building	Tours Museum	Plant and machinery	Furniture and equipment	Total
At 1 September 1997	18,875	-	116,853	23,458	159,186
Additions	-	110,910	4,204	3,466	118,580
	<u>18,875</u>	<u>110,910</u>	<u>121,057</u>	<u>26,924</u>	<u>277,766</u>
Depreciation					
At 1 September 1997	5,191	-	33,351	15,013	53,555
Provided during the year	472	-	11,729	4,239	16,440
	<u>5,663</u>	<u>-</u>	<u>45,080</u>	<u>19,252</u>	<u>69,995</u>
Net Book Value					
At 31 August 1998	<u>£13,212</u>	<u>£110,910</u>	<u>£75,977</u>	<u>£7,672</u>	<u>£207,771</u>
At 31 August 1997	<u>£13,684</u>	<u>£ -</u>	<u>£83,502</u>	<u>£8,445</u>	<u>£105,631</u>

The net book value of tangible fixed assets includes an amount of £49,648 (1997 - £66,009) in respect of assets held under finance leases. The depreciation charge for the year on assets held under finance leases amounted to £11,223 (1997 - £10,006).

The Tours Museum came into operation in November 1998 and will be depreciated from that date.

9. Investments

Subsidiary Company

Eton and Harrow Educational Services Limited, a company registered in England.

Lyon Services Limited holds 100% of the issued ordinary share capital of Eton and Harrow Educational Services Limited under a Declaration of Trust that the holding is for the joint benefit of itself and Eton College Services Limited.

This Company has been dormant since incorporation and its name is used only in connection with the marketing of summer camps.

10. Stocks

Finished goods and goods for resale

Letting activities - text book production and books	31,408	-
- other	30,790	28,986
Bookshop	175,274	160,849
Tours	9,616	8,890
	<hr/>	<hr/>
	£247,088	£198,725
	<hr/>	<hr/>

11. Debtors

Trade debtors	327,987	329,516
Finance lease receivables	165,603	114,708
Prepayments and accrued income	92,542	226,257
	<hr/>	<hr/>

£586,132 £670,481

The cost of assets acquired for the purpose of letting under finance leases is £165,603 (1997 - £114,708).

Finance Lease Receivables

Amounts receivable within one year	33,120	22,942
Amounts receivable after more than one year	132,483	91,766
	<hr/>	<hr/>
	£165,603	£114,708
	<hr/>	<hr/>

12. Creditors: amounts falling due within one year

Bank overdraft	-	58,826
Trade creditors	210,778	186,410
Other taxes and social security	19,984	3,340
Accruals	8,000	7,680
Other creditors	42,262	158,146
Amounts due to The Keepers and Governors of The Free Grammar School of John Lyon:		
Prepayment of power supply	13,581	19,716
Treasury balances	547,604	304,000
Other	81,127	209,003
Amount due on finance leases (note 14)	12,789	15,134
Amounts due to John Lyon School	35,833	-
	<hr/>	<hr/>
	£971,958	£962,255
	<hr/>	<hr/>

Interest is charged at 1.5% over the National Westminster Bank base rate on balances overdrawn on the Treasury Accounts with The Keepers and Governors of The Free Grammar School of John Lyon.

13. Creditors: amounts falling due after more than one year	1998	1997
Amounts due to The Keepers and Governors of The Free Grammar School of John Lyon	40,103	62,641
Amount due on finance leases (note 14)	38,601	51,453
	<hr/>	<hr/>
	£78,704	£114,094
	<hr/>	<hr/>

No terms for the repayment of the amounts due to The Keepers and Governors, which are interest free, have been agreed.

14. Obligations under Finance Leases

Due within one year	16,587	20,456
Due within two and five years	42,615	59,049
	<hr/>	<hr/>
	59,202	79,505
Less: Finance charges allocated to future periods	(7,812)	(12,918)
	<hr/>	<hr/>
	£51,390	£66,587
	<hr/>	<hr/>

Obligations under Finance Leases are shown as:

Current obligations	12,789	15,134
Non-current obligations	38,601	51,453
	<hr/>	<hr/>
	£51,390	£66,587
	<hr/>	<hr/>

15. Called-up Share Capital	1998	1997	1998	1997
	Authorised		Allotted, called-up and fully paid	
Ordinary shares of £1 each	£100	£100	£2	£2
	<hr/>	<hr/>	<hr/>	<hr/>

16. Pension Scheme

The Company pays into a pension scheme operated by Harrow School.

The scheme provides benefits based on final pensionable pay. The assets of the scheme are held separately from those of the Company, being invested with an insurance company (Sun Life). Contributions to the scheme are charged to the Profit and Loss Account so as to spread the cost of the pensions over employees' working lives.

The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 1 September 1997. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rate of increases in salaries. It was assumed that the investment return would be 8.5% per annum and that salary increases would average 7% per annum.

The pension charge for the period was £8,225 (1996/97 - £9,543).

The most recent actuarial valuation showed that the market value of the scheme's assets was £1,816,660 and that the actuarial value of these assets represented 93% of the benefits that had accrued to members, after allowing for the expected increases in earnings. On 1 September 1997 the contribution of the Company was 10.6% of pensionable salaries with a view to increasing the funding level to 100% over a 12 year period (which corresponds to the Average Remaining Service Life of the members). The employees contribution rate remained at 4% of pensionable earnings.

The Company also paid into a personal pension plan held by one of the Directors. The payment for the period was £1,620 (1996/97 - £2,982).

17. Parent Undertaking

The Company is a wholly owned subsidiary of The Keepers and Governors of The Free Grammar School of John Lyon.