

**JOHNSON GROUP MANAGEMENT SERVICES LIMITED**

**REPORTS AND FINANCIAL STATEMENTS**

**FOR THE 52 WEEKS ENDED**

**28TH DECEMBER 2002**

**REGISTERED NO. 19418**



**JOHNSON GROUP MANAGEMENT SERVICES LIMITED**

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**JOHNSON GROUP MANAGEMENT SERVICES LIMITED**

**DIRECTORS AND ADVISORS**

Directors

Michael Alan Sutton BA, FCA  
Dennis Albert Hargreaves  
Yvonne May Monaghan BSc, FCA  
Martin Frederick Gregson  
Carl William Cumiskey BA, ACA  
Stephen Anthony McKeever  
Paul Gerard Davis MBA, BA, FCCA  
Christine Ellen Jenkins MA  
Simon Richard Moate  
John Barrie Johnstone BA, FCA

Secretary

Yvonne May Monaghan BSc, FCA

Registered Office

Mildmay Road  
Bootle  
Merseyside  
L20 5EW

Bankers

The Royal Bank of Scotland  
1 Exchange Flags  
Liverpool L2 3XN

Auditors

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
8 Princes Parade  
St Nicholas Place  
Liverpool L3 1QJ

## **JOHNSON GROUP MANAGEMENT SERVICES LIMITED**

### **DIRECTORS' REPORT**

The Directors submit for consideration their annual report and the audited financial statements for the 52 weeks ended 28th December 2002.

### **ACTIVITIES AND BUSINESS REVIEW**

The principal activity of the Company is the provision of consultancy and management services to the Parent and fellow subsidiary companies in the Johnson Group and no change is envisaged. The results for the year are shown on page 8.

The Directors consider the financial position of the Company at 28th December 2002 to be satisfactory.

### **RESULTS**

The Company's turnover and loss from trading operations for the 52 weeks were as follows:

	<u>2002</u>	<u>2001</u>
	<u>£</u>	<u>£</u>
Turnover, net of VAT	2,075,000	2,020,000
Operating loss	(62,460)	(420,811)

The Directors do not recommend the payment of a dividend (2001: nil).

The loss transferred to reserves was £40,418 (2001: £387,070).

### **DIRECTORS**

A list of Directors of the Company is shown on page 1. Mr P G Davis was appointed on 22nd July 2002, Mrs C E Jenkins was appointed on 7th October 2002, Mr S R Moate was appointed on 1st October 2002 and Mr J Johnstone was appointed on 1st October 2002 and resigned on 1st January 2003. Mr R G F Zerny retired on 30th April 2002, Mr M R Barnsley resigned on 30th September 2002 and Mr J H Pearce resigned on 31st October 2002. In accordance with the Articles of Association Mr P G Davis, Mrs C E Jenkins and Mr S R Moate now retire and, being eligible, offer themselves for re-election.

## JOHNSON GROUP MANAGEMENT SERVICES LIMITED

### DIRECTORS' REPORT

#### **DIRECTORS' INTERESTS**

The interests of the Directors who were in office at 28th December 2002, together with the interests of their families, in the share capital of the Parent Company, Johnson Service Group PLC at the commencement, or date of appointment if later, and the close of the financial year, other than Mr M A Sutton who is also a director of that company were:

<u>Beneficial Interests</u>	Ordinary Shares of 10p each	Options over Ordinary Shares of 10p each	Remaining Award of Ordinary Shares of 10p each
<b>Mr D A Hargreaves</b>			
At 29.12.01.	1,337	20,798	6,841
At 28.12.02.	1,337	19,548	4,066
<b>Mrs Y M Monaghan</b>			
At 29.12.01.	4,936	32,171	8,216
At 28.12.02.	6,512	31,658	4,943
<b>Mr M F Gregson</b>			
At 29.12.01.	-	18,451	6,733
At 28.12.02.	-	18,451	3,813
<b>Mr C W Cumiskey</b>			
At 29.12.01.	724	6,947	3,335
At 28.12.02.	859	7,377	3,335
<b>Mr S A McKeever</b>			
At 29.12.01.	-	4,748	4,515
At 28.12.02.	-	4,748	4,515
<b>Mr P G Davis</b>			
Date of appointment	-	-	-
At 28.12.02.	7,000	25,000	-
<b>Mrs C E Jenkins</b>			
Date of appointment	1,551	-	-
At 28.12.02.	1,551	25,000	-
<b>Mr S R Moate</b>			
Date of appointment	-	-	-
At 28.12.02.	-	25,000	-
<b>Mr J B Johnstone</b>			
Date of appointment	-	-	-
At 28.12.02.	-	25,000	-

## **JOHNSON GROUP MANAGEMENT SERVICES LIMITED**

### **DIRECTORS' REPORT**

#### **DIRECTORS' INTERESTS (continued)**

The interests of Mr M A Sutton are shown in the Annual Report of Johnson Service Group Plc.

No changes have occurred in these interests since 28th December 2002.

During the year the following Directors have been granted or have exercised rights under options in respect of ordinary shares of 10p each in Johnson Service Group PLC:

	Options granted during the year	Options lapsed during the year	Options exercised during the year	Conditional Awards cancelled during year
Mr D A Hargreaves	-	1,250	-	2,775
Mr M R Barnsley	-	-	20,602	3,338
Mrs Y M Monaghan	837	-	1,350	3,273
Mr M F Gregson	-	-	-	2,920
Mr C W Cumiskey	1,780	-	1,350	-
Mr J H Pearce	1,618	-	900	-
Mr P G Davis	25,000	-	-	-
Mrs C E Jenkins	25,000	-	-	-
Mr S R Moate	25,000	-	-	-
Mr J Johnstone	25,000	-	-	-

A Long Term Incentive Plan is in place for eligible employees of the Group although no Conditional Award was made during the year. The Remaining Award shown above has not vested in the individuals and may be varied, subject to the rules of the Plan. The future vesting of the Award is subject to the achievement of specified long term performance criteria of the Group.

#### **EMPLOYMENT POLICIES**

The employment policies of the Company embody the principles of equal opportunity and are 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 Parent Company, Johnson Service Group PLC, operates an approved Savings Related Share Option Scheme for eligible employees.

The Company is committed to providing adequate training for employees at all levels and is constantly reviewing and improving its procedures.

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 they are retrained according to their abilities.

## **JOHNSON GROUP MANAGEMENT SERVICES LIMITED**

### **DIRECTORS' REPORT**

#### **HEALTH AND SAFETY**

The Board is aware of its responsibilities on all matters relating to health and safety of employees, customers, visitors to Company premises and others affected by the Company's activities. A working party advises Directors and senior executives on all relevant issues relating to the compliance with health and safety legislation. The Company has clearly defined health and safety policies which follow current best practices. In particular, these policies clearly define the Company's aspirations for health and safety affairs, including protecting the health and well being of its employees, arrangements for health and safety and the health and safety responsibilities of all categories of employees within the Company.

The policy is brought to the attention of all employees and copies of policy documents are available upon request to all interested parties.

A clearly defined system is in place to identify, assess and control significant risks faced by both employees and others. This is reviewed regularly by the Company's Health & Safety Manager.

A computer based health and safety management system has been adopted during the year, which produces a quantified measure of line management control of health and safety. This acts as the basis for setting health and safety targets and driving a process of continuous improvement.

Employees are consulted on health and safety matters. There are regular meetings of regional and site based committees which involve representatives of all levels of employees and health and safety representatives where appropriate.

#### **AUDITORS**

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1st January 2003, PricewaterhouseCoopers resigned on 18th February 2003 and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the annual general meeting.

#### **POLICY ON PAYMENT TO SUPPLIERS**

The Company fully supports the CBI initiative on payments to suppliers and has continued to apply the Prompt Payment Code in respect of all suppliers. The main features of the code are that payment terms are agreed at the outset of a transaction and are adhered to; that there is a clear and consistent policy that bills will be paid in accordance with the contract; and that there are no alterations to payment terms without prior arrangement. Copies of the Code can be obtained from the CBI. Trade creditor days of the Company for the year ended 28th December 2002 were 33 days, based on the ratio of Company trade creditors at the end of the year to the amounts invoiced during the year by trade creditors.

## **JOHNSON GROUP MANAGEMENT SERVICES LIMITED**

### **DIRECTORS' REPORT**

#### **STATEMENT OF 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 and Financial Reporting 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 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.

**By Order of the Board**

A handwritten signature in black ink, appearing to be 'Y M Monaghan', written in a cursive style.

Mrs Y M Monaghan  
Secretary

3rd March 2003



## **Independent auditors' report to the members of Johnson Group Management Services Limited**

We have audited the financial statements which comprise the profit and loss account, the balance sheet, the statement of total recognised gains and losses 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 and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report including the opinion has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

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 is not disclosed.

### **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 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 state of the Company's affairs at 28th December 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
Liverpool  
3rd March 2003

**JOHNSON GROUP MANAGEMENT SERVICES LIMITED**

**PROFIT AND LOSS ACCOUNT**

**FOR THE 52 WEEKS ENDED 28TH DECEMBER 2002**

	<u>Note</u>	<u>2002</u> £	<u>2001</u> £ Restated
<b>Turnover - continuing operations</b>	2	<u>2,075,000</u>	<u>2,020,000</u>
<b>Operating loss - continuing operations</b>	4	(62,460)	(420,811)
Net interest	7	45,663	(65,384)
<b>Loss on ordinary activities before taxation</b>		<u>(16,797)</u>	<u>(486,195)</u>
Taxation	8	<u>(23,621)</u>	<u>99,125</u>
<b>Retained loss</b>	16	<u>(40,418)</u>	<u>(387,070)</u>

**JOHNSON GROUP MANAGEMENT SERVICES LIMITED****BALANCE SHEET AS AT 28TH DECEMBER 2002**

	<u>Note</u>	<u>2002</u> £	<u>2001</u> £
<b>FIXED ASSETS</b>			Restated
Tangible assets	9	945,031	1,165,907
Investments	10	213,240	245,703
		<u>1,158,271</u>	<u>1,411,610</u>
<b>CURRENT ASSETS</b>			
Stocks of materials and stores	11	-	538
Debtors: Amounts falling due within one year	12	830,454	1,334,867
Amounts falling due after one year	12	2,018,424	1,894,010
Sub-total Debtors		2,848,878	3,228,877
Cash at bank and in hand		399,256	76,318
		<u>3,248,134</u>	<u>3,305,733</u>
<b>CURRENT LIABILITIES</b>			
Creditors: Amounts falling due within one year	13	1,539,227	1,521,673
<b>NET CURRENT ASSETS</b>		<u>1,708,907</u>	<u>1,784,060</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>2,867,178</u>	<u>3,195,670</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	14	1,569,718	1,857,792
<b>NET ASSETS</b>		<u>1,297,460</u>	<u>1,337,878</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	15	50,000	50,000
Share premium account	16	14,000	14,000
Profit and loss account	16	1,233,460	1,273,878
<b>EQUITY SHAREHOLDERS' FUNDS</b>	17	<u>1,297,460</u>	<u>1,337,878</u>

The financial statements on pages 8 to 23 were approved at a meeting of the Board of Directors on 3rd March 2003 and signed on their behalf by:

Y M Monaghan

DIRECTOR

**JOHNSON GROUP MANAGEMENT SERVICES LIMITED**

**STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

**FOR 52 WEEKS ENDED 28TH DECEMBER 2002**

	<u>Note</u>	<u>2002</u> £	<u>2001</u> £ Restated
Loss for the financial year		(40,418)	(387,070)
Total recognised gains and losses for the year		(40,418)	(387,070)
Prior year adjustment	1	255,333	
Total gains and losses recognised since last annual report		214,195	

## **JOHNSON GROUP MANAGEMENT SERVICES LIMITED**

### **STATEMENT OF ACCOUNTING POLICIES**

#### **BASIS OF ACCOUNTING**

The historical cost convention is used throughout these financial statements on a basis consistent with the prior year with the exception of the implementation of Financial Reporting Standard ("FRS") 19 "Deferred Taxation". The financial statements have been prepared in accordance with Accounting and Financial Reporting Standards applicable in the United Kingdom.

#### **TURNOVER AND INCOME RECOGNITION**

Turnover which represents the invoiced value of goods and services supplied up to the balance sheet date exclusive of VAT is recognised on an accruals basis.

#### **PROVISIONS**

##### **SELF INSURANCE**

Provision is made for the expected costs of uninsured incidents arising prior to the balance sheet date.

##### **PENSION COSTS**

The cost of providing retirement pensions, under both the defined benefit and defined contribution arrangements, 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. The difference between the charge to the profit and loss account and the contributions paid to the Schemes is shown as an asset or liability in the balance sheet. Variations from the regular cost are spread over the average remaining service lives of current employees who are members of the Schemes.

The Company has taken advantage of the transitional arrangement contained within FRS17, "Retirement Benefits".

##### **PRIVATE HEALTHCARE**

The cost of providing post retirement healthcare for eligible future retirees is charged to the profit and loss account over the periods benefiting from the employees' services with a corresponding amount shown as a balance sheet provision. The annual cost of post retirement cover for future retirees is determined in accordance with advice from an independent Actuary and is calculated annually by reference to the membership profile and claims experience.

The cost of private healthcare provision for current employees is charged to the profit and loss account on a cash basis and for current retirees is charged to the balance sheet provision.

The Company has taken advantage of the transitional arrangement contained within FRS17, "Retirement Benefits".

## **JOHNSON GROUP MANAGEMENT SERVICES LIMITED**

### **STATEMENT OF ACCOUNTING POLICIES**

#### **DEFERRED TAXATION**

Deferred taxation is accounted for on an undiscounted basis at expected tax rates on all differences arising from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements. A deferred tax asset is only recognised when it is more likely than not that the asset will be recoverable in the foreseeable future out of suitable taxable profits from which the underlying timing differences can be deducted.

#### **LONG TERM INCENTIVE PLAN**

The expected costs in connection with the provision of shares to the participants of the Long Term Incentive Plan are written off over the 3 year period over which the Performance Criteria are measured.

#### **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 life of plant and fixtures is two to ten years and of vehicles, four to five years.

#### **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.

Where assets are financed by leasing or hire purchase agreements which give rights approximating to ownership, the assets are treated as if they had been purchased outright. The capital element of outstanding lease or hire purchase 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 or hire purchase agreement and represents a constant proportion of the outstanding commitment.

#### **INVESTMENT IN OWN SHARES**

Ordinary shares in the Parent Company held by the Trustee of the Long Term Incentive Plan are included on the balance sheet at cost under fixed assets.

#### **CASH FLOW STATEMENT**

The Company has taken advantage of the exemption allowed under FRS 1 (Revised) for a wholly owned subsidiary of a company incorporated in Great Britain not to produce a cash flow statement. Details of the cash flows of the Company are included in the consolidated financial statements of the holding company, Johnson Service Group PLC.

#### **RELATED PARTY EXEMPTION**

The Company has taken advantage of the available exemption under FRS 8, Related Party Transactions, not to provide details of transactions with other Group Companies.

# **JOHNSON GROUP MANAGEMENT SERVICES LIMITED**

## **NOTES ON THE FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 28TH DECEMBER 2002**

#### **1. CHANGES IN ACCOUNTING POLICIES**

The Company has changed its accounting policy in respect of deferred taxation to comply with the provisions of FRS 19. The adoption of this new standard represents a change in accounting policy and the comparative figures have been restated accordingly.

The following adjustments have been made:

	<u>2001</u>
	£
Deferred taxation asset	255,333
Profit and loss reserve credit	(255,333)

The effect of the change in the accounting policy to adopt FRS 19 was to decrease tax on loss on ordinary activities by £39,173 (2001: increase £89,486) and to decrease (2001: increase) loss for the financial year by this amount.

#### **2. TURNOVER AND PROFIT BEFORE TAXATION**

The Company had only one class of business in the United Kingdom in 2002.

#### **3. OTHER OPERATING EXPENSES FROM CONTINUING OPERATIONS**

	<u>2002</u>	<u>2001</u>
	£	£
Consist of:		
Administrative expenses	<u>2,137,460</u>	<u>2,440,811</u>

# **JOHNSON GROUP MANAGEMENT SERVICES LIMITED**

## **NOTES ON THE FINANCIAL STATEMENTS**

### **4. OPERATING LOSS**

Operating loss is stated after charging / (crediting):

	<u>2002</u>	<u>2001</u>
	£	£
Depreciation of tangible fixed assets		
- owned assets	318,036	265,039
- assets held under finance agreements	390,304	390,304
Operating lease payments - plant and machinery	62,610	41,881
Group management charge	<u>(2,075,000)</u>	<u>(2,020,000)</u>
Auditors' remuneration		
- Audit services	11,500	13,400
- Non audit services	<u>92,580</u>	<u>171,140</u>

### **5. DIRECTORS AND EMPLOYEES**

Staff costs during the year:

Wages and salaries	2,313,132	1,382,955
Social security costs	287,587	256,635
Other pension costs (note 6)	272,701	30,560
	<u>2,873,420</u>	<u>1,670,150</u>

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

	Number	Number
Full time	64	65
Part time	6	7
	<u>70</u>	<u>72</u>



## JOHNSON GROUP MANAGEMENT SERVICES LIMITED

### NOTES ON THE FINANCIAL STATEMENTS

#### 5. DIRECTORS AND EMPLOYEES (continued)

##### Directors' Emoluments

	<u>2002</u>	<u>2001</u>
	£	£
Aggregate emoluments (excluding employers' pension contributions but including bonuses earned and benefits in kind)	543,951	450,715
Compensation for loss of office	205,916	-

Four Directors, other than Directors of the Parent Company, exercised share options in the year, (2001: four). No Directors were granted remaining awards under the Long Term Incentive Plan in 2002 (2001, nil).

Retirement benefits are accruing to all Directors under a defined benefit scheme at 28th December 2002 (2001, all).

##### Highest Paid Director

Aggregate emoluments	111,426	101,612
Defined benefit pension scheme. (Staff Scheme)		
Accrued pension at end of year.	26,000	23,670

The number of Ordinary shares comprising the Conditional Awards under the Long Term Incentive Plan and the extent to which they remain for the highest paid director are set out below:

	Number
Remaining award at 29th December 2001	8,216
Cancelled during the year	<u>(3,273)</u>
Remaining award at 28th December 2002	<u>4,943</u>

These relate to the 2000 Award Year which will vest in 2003, subject to the achievement of specified long term performance criteria of the Group.

## **JOHNSON GROUP MANAGEMENT SERVICES LIMITED**

### **NOTES ON THE FINANCIAL STATEMENTS**

#### **6. POST RETIREMENT BENEFITS**

##### **Pensions**

The Company is a wholly owned subsidiary of Johnson Service Group PLC which operates funded defined benefit schemes and defined contribution money purchase schemes on behalf of eligible employees of the Group. Pension costs of individual subsidiary companies are based on pension costs across the Group as a whole and accordingly the company is unable to assess its share of the assets and liabilities of the schemes on a consistent and reasonable basis.

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 valuations being as at 5th April 2002. Pension costs are assessed in accordance therewith. Particulars of the actuarial valuations of the Group schemes are contained in the financial statements of Johnson Service Group PLC.

The actuarial valuations at 5th April 2002 identified that the surplus on the Johnson Group Staff Pension Scheme has been eliminated and that on the Johnson Group Retirement Plan has been significantly reduced. The cash contribution holiday was discontinued in respect of the Johnson Group Staff Pension Scheme with effect from 1st July 2002. The Johnson Group Retirement Plan consists mainly of defined contribution arrangements and contributions to this part were 50% of the full rate from 1st January 2001 and were increased to 75% of the full rate with effect from 1st July 2002.

Under current accounting policies the decline in stock market values since the last valuations and the increase in accrued liabilities as a result of changes in financial conditions will be reflected in the Companies' financial statements prepared after the next triennial valuation.

When FRS 17 is adopted, for those employees who are members of Johnson Service Group PLC defined benefit pension schemes, the Company will account for contributions as if their section of the Group schemes were a defined contribution scheme because this scheme is a multi-employer scheme and the Company is unable to identify its share of the underlying assets and liabilities. The net pension liability calculated using the methodology required by FRS 17 of the Johnson Service Group PLC UK pension schemes at 28th December 2002 was £19.0 million.

##### **Private Healthcare**

Johnson Service Group PLC also operates an unfunded defined benefit private healthcare scheme for eligible retirees of the Group. Private healthcare costs of individual subsidiary companies are based on healthcare costs across the Group as a whole and accordingly the company is unable to assess its share of the assets and liabilities of the scheme on a consistent and reasonable basis.

The scheme is subject to an independent actuarial review which assesses the costs of providing the benefit for future retirees. Particulars of the actuarial review are contained in the financial statements of Johnson Service Group PLC.

**JOHNSON GROUP MANAGEMENT SERVICES LIMITED****NOTES ON THE FINANCIAL STATEMENTS****7. NET INTEREST**

	<u>2002</u>	<u>2001</u>
	£	£
Interest payable in respect of finance leases	(1,229)	(17,201)
Other interest receivable / (payable)	178	(7,721)
Notional interest on pension contribution provision	(4,751)	(56,172)
Notional interest on post retirement healthcare benefit	(13,091)	(14,560)
	<u>(18,893)</u>	<u>(95,654)</u>
Less: interest receivable on loan to Parent Company	64,556	30,270
	<u>45,663</u>	<u>(65,384)</u>

**8. TAXATION**

	<u>2002</u>	<u>2001</u>
	£	£
		Restated
<i>Current taxation</i>		
U.K. Corporation tax at 30% (2001: 30%)	38,646	(119,413)
Adjustment in relation to prior years	24,148	16,133
Current tax charge / (credit)	<u>62,794</u>	<u>(103,280)</u>
<i>Deferred taxation</i>		
Origination and reversal of timing differences	(14,735)	4,155
Adjustment in relation to prior years	(24,438)	-
Deferred tax (credit) / charge	<u>(39,173)</u>	<u>4,155</u>
Total charge / (credit) for taxation	<u>23,621</u>	<u>(99,125)</u>

## JOHNSON GROUP MANAGEMENT SERVICES LIMITED

### NOTES ON THE FINANCIAL STATEMENTS

#### 8. TAXATION (continued)

The tax for the period is higher (2001: higher) than the standard rate of corporation tax in the UK. The differences are explained below:

Loss on ordinary activities before tax	<u>(16,797)</u>	<u>(486,195)</u>
Loss on ordinary activities before tax multiplied by standard rate of corporation tax in the UK of 30% (2001: 30%)	(5,039)	(145,859)
<i>Factors affecting charge for the period:</i>		
Expenses not deductible for tax purposes	28,950	30,600
Capital allowances in excess of / (less than) depreciation	51	(4,121)
Movements in other timing differences	14,684	(33)
Adjustments to tax in respect of prior periods	<u>24,148</u>	<u>16,133</u>
Current tax charge / (credit) for the year	<u>62,794</u>	<u>(103,280)</u>

Adoption of FRS 19 has required a change in the method of accounting for deferred tax. As a result the comparative for taxation has been restated from the previously reported amount of £(188,611) to £(99,125). The impact of adopting FRS 19 on the 2002 results is a decrease to the tax charge of £39,173.

## JOHNSON GROUP MANAGEMENT SERVICES LIMITED

### NOTES ON THE FINANCIAL STATEMENTS

#### 9. TANGIBLE FIXED ASSETS

	Plant, Fixtures And Transport £
<b>COST</b>	
At 30th December 2001	2,540,995
Additions	494,268
Intra Group Additions	226,832
Disposals	(305,637)
<b>At 28th December 2002</b>	<b>2,956,458</b>
<b>DEPRECIATION</b>	
At 30th December 2001	1,375,088
Charge for the year	708,340
Intra Group Additions	199,348
Disposals	(271,349)
<b>At 28th December 2002</b>	<b>2,011,427</b>
<b>NET BOOK VALUE</b>	
<b>At 28th December 2002</b>	<b>945,031</b>
At 29th December 2001	1,165,907

The net book value of tangible assets includes £195,149 (2001: £585,453) in respect of assets held under finance arrangements.

#### 10. INVESTMENTS

	<u>2002</u> £	<u>2001</u> £
Investment in 72,305 Ordinary shares in Johnson Service Group PLC (2001: 83126) at cost (Nominal value £7,231 (2001: £8,313))	213,240	245,703

##### **Investment in own shares**

The Group operates a Long Term Incentive Plan for the benefit of senior executives. When conditional awards, based on 25% of annual salary, are made sufficient shares are purchased by the Trustee of the Plan to satisfy those awards. Shares will be transferred to employees, at nil cost, if their individual targets and the relevant Performance Criteria are met.

## **JOHNSON GROUP MANAGEMENT SERVICES LIMITED**

### **NOTES ON THE FINANCIAL STATEMENTS**

#### **10. INVESTMENTS (continued)**

The Performance Criteria are that:

- i) The Parent Company's share price growth has exceeded the growth of the Small Cap. index over a consecutive 3 year period commencing with the December preceding the Award Year in respect of which the Award was made, and
- ii) The growth in the Group's earnings per share from the Financial Year ending immediately before the Award Year compared with that 3 years later has exceeded the growth in the Retail Price Index (all items) by 3% per annum compound.

No Awards have been made in respect of 2002 (2001: nil).

The market value of the shares at 28th December 2002 was £210,769 (2001: £263,925). Dividends on the shares held by the Trust have been waived. No provision for impairment has been made as the change in market value is temporary.

The number of shares held by the Trustee exceeded the number of shares comprising the Conditional and Remaining Awards due to participants. Accordingly the Company requested the Trustee to transfer some of the unallocated shares to beneficiaries of the Trust. The cost of the shares transferred to the beneficiaries, who are employees of the Company, has been included in staff costs.

#### **11. STOCKS**

	<u>2002</u>	<u>2001</u>
	£	£
Stocks of materials and stores	-	538

#### **12. DEBTORS**

	<u>2002</u>	<u>2001</u>
	£	£
<b>Amounts falling due within one year:</b>		
		Restated
Amounts owed by Group undertakings	177,400	568,824
Other debtors	507,091	657,359
Prepayments and accrued income	145,963	108,684
	<u>830,454</u>	<u>1,334,867</u>
<b>Amounts falling due after more than one year:</b>		
Amounts owed by Group undertakings	1,638,587	1,553,346
Deferred tax	379,837	340,664
	<u>2,018,424</u>	<u>1,894,010</u>

**JOHNSON GROUP MANAGEMENT SERVICES LIMITED****NOTES ON THE FINANCIAL STATEMENTS****13. CREDITORS**

	<u>2002</u>	<u>2001</u>
<b>Amounts falling due within one year:</b>	<b>£</b>	<b>£</b>
Trade Creditors	66,301	14,483
Other creditors	473,115	434,655
Obligations under finance leases	-	136,861
Other taxation and social security	160,328	124,047
Accruals	839,483	811,627
	<u>1,539,227</u>	<u>1,521,673</u>

**14. PROVISIONS FOR LIABILITIES AND CHARGES**

	Pension Contributions £	Private Healthcare £	Self Insurance £	Total £
At 30th December 2001	683,524	218,191	956,077	1,857,792
Utilised during year	(516,912)	(16,224)	(859,020)	(1,392,156)
Charged during year	564,240	-	522,000	1,086,240
Notional interest	4,751	13,091	-	17,842
At 28th December 2002	<u>735,603</u>	<u>215,058</u>	<u>619,057</u>	<u>1,569,718</u>

**Deferred taxation asset**

The provision for deferred tax has been restated as at 29th December 2001 following the adoption of FRS 19. The deferred tax balance comprises the following:

	<u>2002</u>	<u>2001</u>
	<b>£</b>	<b>£</b>
		Restated
Accelerated capital allowances	(64,181)	(56,983)
Pension contributions	(220,681)	(205,057)
Private healthcare	(64,517)	(65,457)
Other timing differences	(30,458)	(13,167)
Total asset for deferred taxes	<u>(379,837)</u>	<u>(340,664)</u>
29th December 2001 as previously reported	(85,331)	
Prior year adjustment - FRS 19	(255,333)	
29th December 2001 as restated	<u>(340,664)</u>	
Deferred tax charge in profit and loss account (note 8)	(39,173)	
28th December 2002	<u>(379,837)</u>	

The deferred tax asset of £379,837 (2001:£340,664) is included in debtors (note 12).

# **JOHNSON GROUP MANAGEMENT SERVICES LIMITED**

## **NOTES ON THE FINANCIAL STATEMENTS**

### **14. PROVISIONS FOR LIABILITIES AND CHARGES (continued)**

#### **Self Insurance**

The provision in respect of general insurance is expected to be fully utilised within five years, except for any claims resulting in litigation.

### **15. CALLED UP SHARE CAPITAL**

	At 28th December 2002		At 29th December 2001	
	Authorised	Allotted, called up and fully paid	Authorised	Allotted, called up and fully paid
	£	£	£	£
50,000 Ordinary Shares of £1 each	50,000		50,000	
50,000 Ordinary Shares of £1 each		50,000		50,000

### **16. RESERVES**

	Share premium account	Profit and loss account
	£	£
At 30th December 2001, as previously reported	14,000	1,018,545
Prior year adjustment - FRS 19	-	255,333
30th December 2001 restated	14,000	1,273,878
Loss for the year	-	(40,418)
At 28th December 2002	14,000	1,233,460



## **JOHNSON GROUP MANAGEMENT SERVICES LIMITED**

### **NOTES ON THE FINANCIAL STATEMENTS**

#### **17. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<u>2002</u>	<u>2001</u>
	£	£
		Restated
Loss for the financial year	<u>(40,418)</u>	<u>(387,070)</u>
Opening shareholders' funds as previously reported	1,082,545	1,380,129
Prior year adjustment - FRS 19	<u>255,333</u>	<u>344,819</u>
Opening shareholders' funds as restated	<u>1,337,878</u>	<u>1,724,948</u>
Closing shareholders' funds	<u>1,297,460</u>	<u>1,337,878</u>

#### **18. FUTURE COMMITMENTS**

##### **CAPITAL**

There were no capital commitments at 28th December 2002 (2001: Nil).

##### **REVENUE**

Plant and machinery operating leases which expire:

	<u>2002</u>	<u>2001</u>
	£	£
Within 1 year	<u>3,076</u>	<u>23,919</u>

#### **19. CONTINGENT LIABILITY**

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

#### **20. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The Company's ultimate parent undertaking and controlling party is Johnson Service Group PLC. Copies of the parent's consolidated Financial Statements may be obtained from The Secretary, Johnson Service Group PLC, Mildmay Road, Bootle, Merseyside L20 5EW.