Registered no: 62893

John Weiss & Son Limited

Annual report

for the year ended 31 December 1998

John Weiss & Son Limited

Annual report
for the year ended 31 December 1998

John Weiss & Son Limited

Directors and advisers

Directors

Mr W Inäbnit
Mr M Long

Secretary and registered office

Mr R Bethel
89 Alston Drive
Bradwell Abbey
Milton Keynes
MK13 9HF

Registered auditors

PricewaterhouseCoopers
Abacus House
Castle Park
Cambridge
CB3 0AN

Solicitors

Dennis Faulkner & Alsop
6 Cheyne Walk
Northampton
NN1 5PT

Bankers

Barclays Bank plc
PO Box 12
Harlow
Essex
CM20 1ET

Directors' report for the year ended 31 December 1998

The directors present their report and the audited financial statements for the year ended 31 December 1998.

Principal activities

The principal activity of the company is the distribution of ophthalmic and micro-otology instruments.

Review of the business and future developments

With a 70% turnover of staff during the previous year, 1998 has been a recovery year where new management and staff have been developing a sustainable cohesive team approach to the business.

We have completed a review of our core business, internal organisation and policies and have strengthened the management and control of our supply chain.

Sales and marketing have clear direction with a "key" account strategy and emphasis on customer service with efficient and effective delivery of that service.

The company is now in a good position to further recover and we are looking forward to improved performance as a result of a more analytical and professional business approach.

Dividends

The directors do not recommend the payment of a dividend.

Directors

The directors of the company at 31 December 1998 are listed on page 1.

Directors' interests

The interests of the directors of the company at 31 December 1998 in the shares of the company were as follows:

	Ordinary shares of £1 each			
	31 December 1998		31 December 1997	
	Number	**Amount**	Number	Amount
		£		£
Mr Walter Inäbnit (as nominee)	**200**	**200**	200	200

No other director had any interest in the shares of the company.

The interests of the directors in the shares of the ultimate parent company are not disclosed as it is incorporated outside Great Britain.

Year 2000

The company has engaged an outside agency to assess its computer systems and the risk that the Year 2000 issue will cause disruption to the business or financial loss. This assessment has indicated that there is not a serious risk of significant disruption to the business or financial loss due to problems with the company's own systems. Where equipment is not already compliant, action is planned to implement amendments. The cost of this work has not yet been determined but is not expected to be significant.

Auditors

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors.

The company has passed a resolution dispensing with the requirement to reappoint the auditors on an annual basis.

By order of the board

Marvin Long

M Long
Director

Statement of 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 and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to

- select suitable accounting policies and then 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 financial statements;
- 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. 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.

By order of the board

Marvin Long

M Long
Director

Report of the auditors to the members of John Weiss & Son Limited

We have audited the financial statements on pages 7 to 19 which have been prepared under the historical cost convention and the accounting policies set out on pages 10 and 11.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report including, as described on page 4, the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and our profession's ethical guidance.

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. 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.

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.

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 state of the company's affairs at 31 December 1998 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Cambridge, 11 May 1999

Profit and loss account
for the year ended 31 December 1998

	Notes	1998 £	1997 £
Turnover	2	**2,326,601**	2,011,914
Cost of sales		**1,398,279**	1,179,845
Gross profit		**928,322**	832,069
Other operating expenses	3	**1,016,959**	1,155,760
Operating loss		**(88,637)**	(323,691)
Investment income	7	**133**	9
Interest payable and similar charges	8	**(6,337)**	(15,801)
Loss on ordinary activities before and after taxation	9	**(94,841)**	(339,483)
Loss for the year		**(94,841)**	(339,483)

All revenue and expenses included in the profit and loss account relate to continuing operations.

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

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

Balance sheet
at 31 December 1998

	Notes	1998 £	1997 £
Fixed assets			
Tangible assets	11	**67,810**	85,282
Current assets			
Stocks	12	**696,565**	754,217
Debtors	13	**460,882**	385,943
Cash at bank and in hand		**10,295**	4,775
		1,167,742	1,144,935
Creditors: amounts falling due within one year	14	**714,336**	601,113
Net current assets		**453,406**	543,822
Total assets less current liabilities		**521,216**	629,104
Creditors: amounts falling due after more than one year	15	**519,338**	532,385
		1,878	96,719
Capital and reserves			
Called up share capital	17	**20,000**	20,000
Profit and loss account	19	**(18,122)**	76,719
Equity shareholders' funds	18	**1,878**	96,719

The financial statements on pages 7 to 19 were approved by the board of directors on 31st March 1999 and were signed on its behalf by:

M Long
Director

John Weiss & Son Limited

Cash flow statement for the year ended 31 December 1998

	Notes	1998 £	1997 £
Net cash inflow from continuing operating activities	20	**81,590**	14,745
Returns on investments and servicing of finance			
Interest received		**133**	9
Interest paid		**(5,646)**	(11,465)
Interest paid on finance leases		**(691)**	(4,336)
		(6,204)	(15,792)
Taxation			
UK corporation tax paid		-	-
Capital expenditure			
Purchase of tangible fixed assets		**(30,743)**	(52,144)
Sale of tangible fixed assets		**3,300**	33,240
		(27,443)	(18,904)
Financing			
Payment of principal under finance leases	22	**(5,978)**	(4,297)
Repayment of loans	22	**(8,978)**	-
		(14,956)	(4,297)
Increase/(decrease) in cash	21	**32,987**	(24,248)

Notes to the financial statements for the year ended 31 December 1998

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies of the company, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Basis of preparation - going concern

These financial statements have been prepared on the going concern basis because in the opinion of the directors it is appropriate to do so. The company reported a loss before taxation during the year of £94,841 (1997: £339,483) but the company has been internally restructured and the directors have considered budgets and cashflow forecasts which indicate that the company will continue to be able to meet its liabilities as they fall due. The company is dependent on the support of its parent undertaking Clement Clarke (Holdings) Limited which has been provided by way of a loan. The parent undertaking has indicated that this loan will not be recalled until the company has sufficient resources to repay it.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

Depreciation is calculated so as to write off the cost of tangible fixed assets over the expected useful economic lives of the assets concerned on a straight line basis. The principal annual rates used for this purpose are:

	%
Leasehold improvements	10
Plant and machinery	8 - 33
Fixtures, fittings, tools and equipment	10 - 50
Motor vehicles	33⅓
Computer equipment	33⅓

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost is determined on a first in first out basis and includes transport and handling costs. Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of realisation. Provision is made where necessary for obsolete, slow moving and defective stocks.

Foreign currencies

Trading transactions denominated in foreign currencies are translated into sterling at the exchange rate ruling when the transaction was entered into. Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the exchange rates ruling at the balance sheet date. Exchange gains or losses are taken to the profit and loss account in the year in which they arise.

Turnover

Turnover, which excludes value added tax and trade discounts, represents the invoiced value of goods and services supplied.

Deferred taxation

Provision is made for deferred taxation, using the liability method, on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Pension costs

The company and its fellow subsidiary operate a contributory defined benefit scheme covering the majority of permanent employees. The scheme is valued every three years by an independent actuary, on both a discontinuance and a going concern basis, the rates of contribution being determined by the actuary. In the intervening years the actuary reviews the continuing appropriateness of the rates. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the year during which the company benefits from the employees' services.

Finance and operating leases

Costs in respect of operating leases are charged on a straight line basis over the lease term. Where fixed assets are financed by leasing arrangements, which transfer to the company substantially all the benefits and risks of ownership, the assets are treated as if they had been purchased outright and are included in tangible fixed assets. The capital element of the leasing commitments is shown as obligations under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

2 Turnover

The geographical analysis of turnover by destination is set out below:

	1998 £	1997 £
United Kingdom	1,691,879	1,425,007
Rest of Europe	400,371	259,857
North America	19,995	23,415
Africa and Middle East	88,813	104,603
Asia	91,660	162,550
Australasia	29,051	33,388
South America	4,832	3,094
	2,326,601	2,011,914

3 Other operating expenses

	1998 £	1997 £
Distribution costs	462,737	621,045
Administrative expenses	554,222	534,715
	1,016,959	1,155,760

4 Directors' emoluments

	1998 £	1997 £
Aggregate emoluments	58,899	71,897

Retirement benefits accrued to one (1997: two) director during the year under a defined benefit scheme.

5 Employee information

The average monthly number of persons (including executive directors) employed by the company during the year was:

	1998 Number	1997 Number
Selling and distribution	12	11
Administration	7	9
	19	20

	1998 £	1997 £
Staff costs (for the above persons)		
Wages and salaries	404,760	453,272
Social security costs	40,149	35,777
Other pension costs (see note 6)	11,376	9,703
	456,285	498,752

6 Pension costs

The company and its fellow subsidiary operate a defined benefits pension scheme for UK employees which was established from 1 April 1990. The assets of the scheme are held separately from those of the company and are invested by independent fund managers appointed by the trustees.

An actuarial valuation of the scheme was carried out as at 1 April 1996 by Messrs Punter Southall Kerr & Co, consulting actuaries. The results of that valuation have been used for the purposes of these financial statements.

The principal actuarial assumptions adopted for the valuation were a long-term rate of investment earnings of 9% per annum, an allowance for salary inflation of 7.5% per annum, dividend increases of 4.75% and an allowance for pension increases of 3% per annum. These increases are guaranteed. Regular costs have been determined using the projected unit method.

The pension charge for the company during the year was £11,376 (1997: £9,703). On the stated assumptions the actuarial value of the assets was sufficient to cover 86% of the benefits accrued to members. The market value of the scheme's assets at the valuation date (being the value of transfers due from the earlier scheme) was approximately £1,505,000.

7 Investment income

	1998 £	1997 £
Bank interest	**133**	9

8 Interest payable and similar charges

	1998 £	1997 £
Interest payable to group companies	**1,800**	7,200
Interest on bank overdraft	**2,169**	4,265
Interest payable under finance leases	**691**	4,336
Interest payable on other loans	**1,677**	-
	6,337	15,801

9 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging/(crediting):

	1998 £	1997 £
Auditors' remuneration for audit	**8,000**	10,575
Auditors' remuneration for non-audit services	**2,500**	1,000
Operating lease rentals:		
Hire of plant and machinery	**7,638**	16,330
Other operating leases	**27,650**	27,613
Depreciation charge for the year:		
Tangible owned fixed assets	**34,223**	25,044
Tangible fixed assets held under finance leases	**9,167**	26,213
Loss/(profit) on disposal of tangible fixed assets	**1,525**	(7,291)

10 Tax on loss on ordinary activities

There is no tax charge during the year due to the availability of losses.

11 Tangible fixed assets

	Leasehold improvements	Plant and machinery	Fixtures fittings, tools and equipment	Computer equipment	Motor vehicles	Total
	£	£	£	£	£	£
Cost						
At 1 January 1998	43,322	21,625	152,968	29,670	53,729	301,314
Additions	-	2,797	16,618	11,328	-	30,743
Disposals	-	-	-	-	(13,360)	(13,360)
At 31 December 1998	**43,322**	**24,422**	**169,586**	**40,998**	**40,369**	**318,697**
Depreciation						
At 1 January 1998	43,322	9,833	127,103	824	34,950	216,032
Charge for year	-	5,017	17,469	11,737	9,167	43,390
Disposals	-	-	-	-	(8,535)	(8,535)
At 31 December 1998	**43,322**	**14,850**	**144,572**	**12,561**	**35,582**	**250,887**
Net book value						
At 31 December 1998	**-**	**9,572**	**25,014**	**28,437**	**4,787**	**67,810**
Net book value						
At 31 December 1997	-	11,792	25,865	28,846	18,779	85,282

The net book value of motor vehicles includes an amount of £4,787 in respect of assets held under finance leases (1997: £18,779).

12 Stocks

	1998	1997
	£	£
Finished goods and goods for resale	**696,565**	754,217

13 Debtors

	1998	1997
	£	£
Amounts falling due within one year:		
Trade debtors	**415,553**	331,876
Amounts owed by group companies	**20,749**	14,112
Other debtors	**350**	11,743
Prepayments and accrued income	**24,230**	28,212
	460,882	385,943

14 Creditors: amounts falling due within one year

	1998 £	1997 £
Bank loans and overdrafts	-	27,467
Obligations under finance leases	**3,080**	5,978
Other loans (see note 15)	**9,968**	8,979
Trade creditors	**348,117**	259,866
Amounts owed to group companies	**223,959**	132,197
Corporation tax	-	-
Other taxation and social security	**25,902**	15,417
Accruals and deferred income	**73,724**	89,558
Other creditors	**29,586**	61,651
	714,336	601,113

15 Creditors: amounts falling due after more than one year

	1998 £	1997 £
Amounts owed to parent companies	**509,063**	509,063
Obligations under finance leases repayable by instalments:		
In one to two years	-	3,080
Other loans repayable by instalments:		
In one to two years	**10,275**	9,967
In two to five years	-	10,275
	519,338	532,385

There are no fixed terms of repayment for the amounts owed to the parent company but the balance must be repaid by the year 2039. Interest was payable on £80,000 (1997: £80,000) of the immediate parent company loan at 6%.

The other loan is unsecured and is repayable in 36 monthly instalments.

16 Provisions for liabilities and charges

Deferred taxation

At the balance sheet date there was a potential deferred tax asset of £121,069 (1997: £125,817). No asset has been recognised or provision made as it is thought unlikely that the asset or liability will crystallise.

17 Called up share capital

	1998 £	1997 £
Authorised		
20,000 ordinary shares of £1 each	**20,000**	20,000
Allotted, called up and fully paid		
20,000 ordinary shares of £1 each	**20,000**	20,000

18 Reconciliation of movements in shareholders' funds

	1998 £	1997 £
Loss for the year	**(94,841)**	(339,483)
Opening shareholders' funds	**96,719**	436,202
Closing shareholders' funds	**1,878**	96,719

19 Reserves

	Profit and loss account £
At 1 January 1998	76,719
Loss for the year	(94,841)
At 31 December 1998	**(18,122)**

20 Reconciliation of operating loss to net cash inflow from continuing operating activities

	1998 £	1997 £
Operating loss	**(88,637)**	(323,691)
Depreciation of tangible fixed assets	**43,390**	51,257
Loss/(profit) on disposal of tangible fixed assets	**1,525**	(7,271)
Decrease in stocks	**57,652**	119,415
(Increase)/decrease in trade debtors	**(83,677)**	112,143
(Increase)/decrease in amounts owed by group companies	**(6,637)**	19,835
Decrease/(increase) in other debtors	**11,393**	(2,654)
Decrease/(increase) in prepayments and accrued income	**3,982**	(296)
Increase/(decrease) in trade creditors	**88,251**	(63,728)
Increase in amounts owed to group companies	**91,762**	113,153
Increase/(decrease) in other taxation and social security	**10,485**	(13,486)
(Decrease) in accruals and deferred income	**(15,834)**	(46,502)
(Decrease)/increase in other creditors	**(32,065)**	56,570
Net cash inflow from continuing operating activities	**81,590**	14,745

21 Reconciliation of net cash flow to movement in net debt

	1998 £	1998 £	1997 £	1997 £
Increase/(decrease) in cash in year	**32,987**		(24,248)	
Cash outflow from decrease in debt and lease financing	**14,956**		4,297	
Change in net debt resulting from cash flows		**47,943**		(19,951)
New finance leases		-		-
Movement in net debt in the year		**47,943**		(19,951)
Net debt at 1 January		**(570,034)**		(550,083)
Net debt at 31 December		**(522,091)**		(570,034)

22 Analysis of changes in net debt

	At 1 January 1998 £	Cash flow £	**At 31 December 1998 £**
Cash in hand and at bank	4,775	5,520	**10,295**
Overdraft	(27,467)	27,467	**-**
	(22,692)	32,987	**10,295**
Debt due after one year	(529,305)	9,967	**(519,338)**
Debt due within one year	(8,979)	(989)	**(9,968)**
Finance leases	(9,058)	5,978	**(3,080)**
Total	**(570,034)**	**47,943**	**(522,091)**

23 Financial commitments

At 31 December 1998 the company had annual commitments under non-cancellable operating leases in respect of plant and machinery as follows:

	1998	1997
	£	£
Expiring between one and two years	1,711	-
Expiring between two and five years inclusive	10,646	4,088
Expiring in over five years	-	3,709

In addition the company leases certain land and buildings on short term leases. The rents payable under these leases are subject to renegotiation at various intervals specified in the leases. The company pays all insurance, maintenance and repairs of these properties. The total annual rental payable under these leases is as follows:

	1998	1997
	£	£
Expiring in over five years	27,650	16,900

Cross guarantee

The company has entered into a cross guarantee arrangement with its immediate parent company and its fellow subsidiary, by which it undertakes to discharge upon demand all monies and liabilities owing to the group's bankers. At 31 December 1998, the fellow subsidiaries had overdrafts of £1,755,896 (1997: £1,414,591).

Deferred duty bond

The company had deposited with its bankers a £40,000 bond in favour of HM Customs & Excise as guarantee of payment of deferred duty.

24 Related party transactions

The company has taken advantage of the exemption available to 90% subsidiaries under Financial Reporting Standard 8 ("Related Party Disclosures") not to disclose transactions with other group companies.

25 Ultimate parent company

The directors regard Clement Clarke (Holdings) Limited, incorporated in England, as the immediate parent company, and Haag-Streit Holding AG, incorporated in Switzerland, as the ultimate parent company and controlling undertaking.

Copies of the consolidated accounts for Clement Clarke (Holdings) Limited may be obtained from the Secretary, Clement Clarke (Holdings) Limited, Edinburgh Way, Harlow, Essex, CM20 2ED.

Detailed profit and loss account for the year ended 31 December 1998

	1998 £	1998 £	1997 £	1997 £
Turnover		**2,326,601**		2,011,914
Cost of sales:				
Purchases	**1,272,359**		1,062,888	
Movement in stocks of finished goods	**57,652**		108,485	
Stock provision	**66,938**		-	
Freight and carriage inwards	-		8,275	
Tools and workshop expenses	**1,330**		197	
		(1,398,279)		(1,179,845)
Gross profit		**928,322**		832,069
Selling and distribution				
Publications	**38,046**		57,738	
Exhibitions	**45,723**		54,104	
Postage, carriage and packing	**6,505**		36,525	
Motor and travel	**94,911**		80,934	
Salaries	**223,506**		251,611	
Bad debts	**13,756**		107,264	
Telephone	**10,365**		16,592	
Agents' commission	**15,674**		164	
Entertaining	**2,481**		1,761	
Sundry expenses	**11,770**		14,352	
		(462,737)		(621,045)
		465,585		211,024
Administration expenses				
Accountancy and audit	**17,429**		10,575	
Bank charges	**6,338**		15,449	
Legal and professional fees	**(3,724)**		44,323	
Insurance	**14,122**		12,056	
Equipment rental	**7,638**		16,330	
Heat and light	**3,801**		4,616	
Printing and stationery	**22,079**		13,346	
Postage and telephone	**10,651**		8,821	
Carried forward	**78,334**	**465,585**	125,516	211,024

Detailed profit and loss account for the year ended 31 December 1998

	1998		1997	
	£	£	£	£
Brought forward	78,334	465,585	125,516	211,024
Administration expenses (continued)				
Recruitment and training	31,732		24,675	
Rent and rates	34,106		34,587	
Repairs and maintenance	13,589		7,181	
Depreciation	43,376		51,257	
Loss/(profit) on disposal of fixed assets	1,525		(7,291)	
Subscriptions and donations	6,538		2,255	
Salaries and wages	253,935		247,139	
Loss/(profit) on foreign exchange transactions	4,520		(11,540)	
Sundry office expenses	11,380		14,264	
Motor and travel	37,694		26,599	
Research and development expenses	1,275		8,561	
Sundry office equipment	192		2,818	
Staff bonus	24,915		-	
Consultancy	2,630		8,694	
Relocation expenses	8,481		-	
		(554,222)		(534,715)
		(88,637)		(323,691)
Bank interest received		133		9
Interest payable and similar charges				
Intercompany loan interest	1,800		7,200	
Bank interest	2,169		4,265	
Finance lease interest	691		4,336	
Loan interest	1,677		-	
		(6,337)		(15,801)
Loss on ordinary activities before taxation		(94,841)		(339,483)
Taxation on loss on ordinary activities		-		-
Loss for the year		(94,841)		(339,483)