Jani-Jack Limited

Directors' report and financial statements

31 December 1998
Registered number 1065048

Directors' report and financial statements

Contents

Directors' report

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

Principal activities

The principal activity of the company continues to be the manufacture and sale of light industrial and commercial cleaning equipment combined with precision engineering.

Business review

The results for the year are set out on page 5.

Year 2000

The directors have instigated a Group - wide programme to review all of its computer systems and microprocessor reliant equipment. The aim of this review is to minimise the risk of the potential effects of computers, software and equipment malfunctioning as a consequence of the millennium date change.

This review has identified the following categories of potential risk:

- the Group's own computer systems;
- the Group's own manufacturing or control systems with embedded microprocessors; and
- the possibility of the Group's business partners encountering problems within their own businesses.

The Group's review is progressing to plan with the costs of rectifying any problems identified being met out of existing operating budgets for maintenance, repairs and renewals. As a result it is not possible to separately quantify the costs involved. At this stage it does not appear any additional resources will be required to complete the project.

The directors believe that the review and any necessary remedial work will be completed by mid 1999 but recognise that, with an issue as large and complex as this, it is not possible for any organisation to guarantee that unforeseen problems will not arise.

Dividends and transfer to reserves

The profit for the period was £185,000 *(1997: £61,000)*. The directors do not propose a dividend *(1997: £85,000)* leaving a profit of £185,000 *(1997: £24,000 deficit)* to be transferred to reserves.

Directors' report *(continued)*

Directors and directors' interest

The directors who held office during the year were as follows:

P Frost
C Papadopoulos
A J Christopher

C Papadopoulos and A J Christopher are directors of Addis Group Limited in the accounts of which their interests in the share capital of group companies is shown. The other director had no interest in any group companies at the year end.

Employees

The company continued its procedures for communicating and consulting with employees during the year, including involving them in matters which affect their interest as employees.

The policy of the company is to achieve a high standard of health, safety and welfare at work for all employees.

The engagement and continuing employment of disabled persons remained part of the company's policy. Where such individuals have the appropriate experience, ability and qualifications to do the job, they are offered equal opportunities for training, career developments and promotion as are offered to those who are not disabled.

Auditors

In accordance with section 386 of the Companies Act 1985, the company has elected to dispense with the obligation to appoint auditors annually. Accordingly KPMG are deemed to be re-appointed for the succeeding financial year.

By order of the board

A J Christopher
Secretary

River Bank
Swansea
SA1 7DD

4 MARCH 1999

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 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 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.

KPMG

Marlborough House
Fitzalan Court
Fitzalan Road
Cardiff
CF2 1TE
United Kingdom

Report of the auditors to the members of Jani-Jack Limited

We have audited the financial statements on pages 5 to 14.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of 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 state of the company's affairs as at 31 December 1998 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

4 March 1999

Chartered Accountants
Registered Auditors

Profit and loss account
for the year ended 31 December 1998

	Note	**12 months to 31 December 1998 £000**	9 months to 31 December 1997 £000
Turnover	*2*	**4,166**	2,203
Cost of sales	*4*	**(2,666)**	(1,325)
Gross profit		**1,500**	878
Distribution costs		**(657)**	(268)
Administrative expenses		**(573)**	(536)
Operating profit		**270**	74
Interest receivable and similar income		**43**	25
Interest payable and similar charges	*3*	**(3)**	(3)
Profit on ordinary activities before taxation		**310**	96
Tax on profit on ordinary activities	*7*	**(125)**	(35)
Retained profit on ordinary activities after taxation being profit for the financial period		**185**	61
Dividend paid		**-**	(85)
		185	(24)
Balance brought forward		**1,093**	1,117
Balance carried forward		**1,278**	1,093

There were no recognised gains or losses in either financial period other than those passing through the profit and loss account.

Balance sheet
at 31 December 1998

	Note	1998		1997	
		£000	**£000**	£000	£000
Fixed assets					
Tangible assets	*8*		**853**		940
Investments	*9*		**5**		5
			858		945
Current assets					
Stocks	*10*	**384**		357	
Debtors	*11*	**738**		548	
Cash at bank and in hand		**637**		546	
		1,759		1,451	
Creditors: amounts falling due within one year	*12*	**(839)**		(803)	
Net current assets			**920**		648
Net assets			**1,778**		1,593
Capital and reserves					
Called up share capital	*14*		**500**		500
Profit and loss account			**1,278**		1,093
Shareholders' funds	*15*		**1,778**		1,593

These financial statements were approved by the board of directors on 4 MARCH 1999 and were signed on its behalf by:

C Papadopoulos
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. Under Financial Reporting Standard 1 (Revised) the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary.

The company is exempt from preparing group accounts under section 228 of the Companies Act 1985, as a result their financial statements present information about the company, not its group.

Fixed assets and depreciation

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	- 30 years
Leasehold buildings	- 15 years
Fixtures and fittings	- 5 to 10 years
Plant and machinery	- 3 to 7 years
Motor vehicles	- 4 years

No depreciation is provided on freehold land.

Concessions, patents, licences and trademarks are amortised over their respective unexpired periods.

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction or the rates of exchange at which they were contracted to be settled. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

Leased assets

Where the company enters into a lease which entails substantially all the risks and rewards of ownership of an assets, the lease is treated as a "finance lease". The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as "operating leases" and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Notes *(continued)*

1 Accounting policies *(continued)*

Pension costs

The group operates a defined benefit pension scheme, the Addis Housewares Limited Pension Scheme, covering the majority of its permanent employees. The scheme funds are administered by trustees and are independent of the group's finances. The scheme is fully funded and contributions are paid to the scheme in accordance with the recommendations of independent actuaries. The group's contributions are charged against profits, so as to give a constant periodic rate of charge over the period during the group derives benefit from the employees services.

Research and development expenditure

Expenditure on research and development is written off against profits in the period in which it is incurred.

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost had mainly been determined using the first in, first out basis. Work in progress and finished goods include materials, direct labour and an appropriate proportion of production overhead expenses.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability or asset will crystallise.

Turnover

Turnover represents the amounts (excluding value added tax) and other sales derived from the provision of goods and services to customers during the period.

Related parties

The company has taken advantage of the exemptions under Financial Reporting Standard 8 from the requirement to disclose transactions with related parties which are members of the same group.

Notes *(continued)*

2 Analysis of turnover

Turnover and profit on ordinary activities before taxation arise solely from the principal activity of the company.

The company has not disclosed an analysis of turnover by market as the directors consider that this will be seriously prejudicial to the company.

3 Interest payable

	12 months to 31 December 1998 £000	9 months to 31 December 1997 £000
On bank loans and overdrafts	**3**	3

4 Profit on ordinary activities before taxation

		12 months to 31 December 1998	9 months to 31 December 1997
Profit on ordinary activities before taxation is stated after charging		**£000**	£000
Auditors' remuneration	- audit work	**7**	7
	- other services	**1**	1
Depreciation of tangible fixed assets:			
Equipment on hire purchase		**9**	6
Other assets		**145**	106
Amounts payable under operating lease in respect of other assets		**42**	30
Research and development		**3**	1

Notes *(continued)*

5 Staff numbers and costs

The average number of persons employed full time by the company (including directors) during the period, analysed by category, was as follows:

	Number of employees	
	12 months to 31 December 1998	9 months to 31 December 1997
Manufacturing and distribution	**41**	39
Selling, marketing and administration	**25**	24
	66	63

The aggregate payroll costs of these persons were as follows:

	12 months to 31 December 1998 £000	9 months to 31 December 1997 £000
Wages and salaries	**967**	665
Social security costs	**83**	58
Other pension costs	**12**	5
	1,062	728

6 Remuneration of directors

	12 months to 31 December 1998 £000	9 months to 31 December 1997 £000
Directors' emoluments excluding pension contributions	**41**	30
Pension contributions to defined contributions schemes	-	-
Retirement benefits are accruing to the following number of directors under defined contribution schemes	-	-

Notes *(continued)*

7 Taxation

	12 months to 31 December 1998 £000	9 months to 31 December 1997 £000
On profit for the financial period:		
UK corporation tax	**110**	33
Deferred taxation	-	-
Prior period adjustments:		
UK corporation tax	**15**	2
Deferred taxation	-	-
	125	35

8 Tangible fixed assets

	Leasehold £000	Freehold land and buildings £000	Plant and equipment £000	Motor vehicles £000	Office equipment £000	Total £000
Cost						
At beginning of period	4	1,249	1,665	41	226	3,185
Additions	-	-	10	-	59	69
Disposals	-	-	(44)	-	(4)	(48)
At end of period	4	1,249	1,631	41	281	3,206
Depreciation and diminution in value						
At beginning of period	-	801	1,237	25	182	2,245
Charge for period	-	10	118	6	20	154
On disposals	-	-	(44)	-	(2)	(46)
At end of period	-	811	1,311	31	200	2,353
Net book value						
At 31 December 1998	**4**	**438**	**320**	**10**	**81**	**853**
At 31 December 1997	4	448	428	16	44	940

Net book value above includes £Nil *(prior year £19,687)* in respect of plant and machinery being acquired under finance leases.

Included in freehold land and buildings is land at a cost of £180,000 which is not depreciated.

Notes *(continued)*

9 Fixed asset investments

This represents the cost of the company's investment in the entire issued share capital of JA & MF Engineering Limited, its subsidiary undertaking. That company is registered in England and Wales and has been dormant throughout the period.

10 Stocks

	1998	1997
	£000	£000
Raw materials and consumables	**109**	98
Work in progress	**126**	124
Finished goods and goods for resale	**149**	135
	384	357

11 Debtors

	1998	1997
	£000	£000
Trade debtors	**667**	512
Prepayments and accrued income	**28**	20
Other debtors	**26**	12
Amounts owed by group undertakings	**17**	4
	738	548

Notes *(continued)*

12 Creditors: amounts falling due within one year

	1998 **£000**	1997 £000
Bank loans	**-**	2
Trade creditors	**223**	222
Amounts owed to group undertakings	**340**	339
Taxation and social security	**101**	58
Other creditors	**39**	49
Accruals and deferred income	**136**	133
	839	803

13 Deferred tax

At the period end the potential asset at 30% *(1997: 31%)* is as follows:

	1998 **£000**	1997 £000
Differences between accumulated depreciation and capital allowances	**(12)**	(9)
Other timing differences	**(8)**	(8)
	(20)	(17)

14 Called up share capital

	1998 **£000**	1997 £000
Authorised, allotted, called up and fully paid		
500,000 Ordinary shares of £1 each	**500**	500

15 Reconciliation of shareholders' funds

	1998 **£000**	1997 £000
At beginning of year	**1,593**	1,617
Profit for financial period	**185**	61
Dividend	**-**	(85)
	1,778	1,593

Notes *(continued)*

16 Pensions

The group operates a funded defined benefit pension scheme for the majority of its employees, the Addis Housewares Limited Pension Scheme in which the company participates.

Contributions and pension costs are assessed in accordance with the advice of a professionally qualified actuary. The method adopted is the "projected unit credit" method. The principal assumptions adopted by the actuary in providing this advice are as follows:

Investment returns	:	9% per annum
Pay increases	:	6.25% per annum
Pension increases	:	3% per annum
Equity dividend increases	:	4.75% per annum

Whilst no formal valuation of the Scheme is yet due the actuary has estimated that the funding level amounted to approximately 142% at 1 July 1996, the date the Scheme commenced, on the assumptions initially used for accounting purposes.

The pension cost for the year was £12,000 *(1997: £5,000)*, the balance sheet provision at the end of the year was £17,000 *(1997: £5,000)*.

17 Contingent liabilities

The company is contingently liable for an unlimited joint and several guarantee in respect of certain bank loans and overdrafts of itself and other group companies.

18 Commitments

(i) Contracted capital commitments at 31 December 1998 for which no provision has been made were £Nil *(1997: £3,000)*.

(ii) Annual commitments under non-cancellable operating leases for plant and machinery are as follows:

	1998	1997
	£000	£000
Lease expiring:		
Within one year	**2**	1
Between two and five years	**55**	**28**
	57	29

19 Ultimate parent undertaking

The only group into which the results of the company are consolidated is that headed by Addis Group Limited, the ultimate parent undertaking at 31 December 1998, which is registered in England and Wales. Copies of the financial statements of that company are available from Companies House, Crown Way, Maindy, Cardiff.