

**JSSPINNACLE GROUP LIMITED**  
**(formerly known as Pinnacle Group Limited)**

**DIRECTORS' REPORT AND FINANCIAL  
STATEMENTS**

**for the period 1 November 1997 to 31 December 1998**



**Company number 3256483**

# **JSSPINNACLE GROUP LIMITED**

## **DIRECTORS' REPORT**

**for the period ended 31 December 1998**

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### **FINANCIAL STATEMENTS**

The directors present their report and financial statements for the period ended 31 December 1998 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

### **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the profit or loss of the company for the 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 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.

### **PRINCIPAL ACTIVITY AND REVIEW OF BUSINESS**

The company was formed as an investment company and has acted as a holding company for a number of companies acquired as part of a management buy-out transaction and through the subsequent merger with the professional services division of Jackson-Stops & Staff.

The company's business developed satisfactorily during the period and at the end of the period the group was in a satisfactory financial position to continue its development.

### **RESULTS AND DIVIDENDS**

The profit for the period after taxation amounted to **£516,473** (1997: £338,914). During the period a preference dividend of £164,114 was paid, and a final preference dividend of £42,672 has been proposed by the directors. Following the conversion of 1,402,631 'A' preference shares and 1,647,369 'B' preference shares, accrued amounts relating to dividends and premia due on redemption totalling £188,598 were written back to the Profit & Loss account.

# **JSSPINNACLE GROUP LIMITED**

## **DIRECTORS' REPORT**

**for the period ended 31 December 1998**

### **DIRECTORS,**

The directors during the period were as follows:

GA Blott	(appointed 4 August 1998)
OH Inskip	
T Saunders	
DS Davies	(appointed 4 August 1998)
PMA Lloyd	(appointed 4 August 1998)
AJ Adams	
NJ Medhurst	(resigned 27 February 1998)
JA Swinney	(appointed 5 January 1998, resigned 4 August 1998)
LA Childs	(appointed 5 January 1998, resigned 4 August 1998)

### **DIRECTORS' INTERESTS IN SHARES**

The beneficial interests of the directors who held office at 31 December 1998 in the shares of JSSPinnacle Group Limited were as follows:

	31 December 1998		'A' Ord	31 October 1997		
	Ord	Pref		'B' Ord	'A' Pref	'B' Pref
OH Inskip	-	355,051	-	-	-	355,051
Owen Inskip						
Settlement Trust	138,646	1,067,318	87,500	50,000	-	1,067,318
T Saunders	19,465	-	-	14,000	-	63,000

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

### **YEAR 2000**

The company has an active programme to deal with the risks and uncertainties associated with the Year 2000 problem. This programme is designed to ensure that the company's systems and operations are able to cope with the Year 2000 problem. Where any actions required are not yet complete, plans are being finalised to ensure that they are completed within an appropriate timescale. The cost of dealing with the Year 2000 problem is not expected to be material and is being absorbed within current operational budgets.

### **CHANGE OF YEAR END**

The company changed its year end from 31 October to 31 December and hence these accounts are prepared for a 14 month period. The comparatives are for a 12 month period.

**JSSPINNACLE GROUP LIMITED**

**DIRECTORS' REPORT**

**for the period ended 31 December 1998**

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**AUDITORS**

Our auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998. Subsequently, Coopers & Lybrand resigned and the directors appointed PricewaterhouseCoopers to fill the vacancy. A resolution to re-appoint the new firm, PricewaterhouseCoopers, as auditors will be proposed at the annual general meeting.

This report was approved by the Board on 4 August 1999.



Director

**REPORT OF THE AUDITORS**  
**to the members of JSSPinnacle Group Limited**

We have audited the financial statements on pages 5 to 15 which have been prepared under the historical cost convention and the accounting policies set out on page 7.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Annual Report including, as described on page 1, 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' remunerations 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 profit for the period then ended, and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers*

**PricewaterhouseCoopers**  
**Chartered Accountants and Registered Auditors**  
Bristol

*4 August* 1999

# JSSPINNACLE GROUP LIMITED

## PROFIT AND LOSS ACCOUNT for the period ended 31 December 1998

	Notes	1 November 1997 to 31 December 1998 £	30 September 1996 to 31 October 1997 £
<b>Turnover</b>		<b>110,000</b>	-
Cost of sales		-	-
<b>Gross profit</b>		<b>110,000</b>	-
Administrative expenses		(1,398,673)	(155,136)
<b>Operating loss</b>	2	<b>(1,288,673)</b>	(155,136)
Income from shares in group undertakings		1,982,835	738,158
Interest receivable and similar income	3	10,334	559
Interest payable and similar charges	4	(417,677)	(354,495)
<b>Profit on ordinary activities before taxation</b>		<b>286,819</b>	229,086
Tax on profit on ordinary activities	5	229,654	159,828
<b>Profit on ordinary activities after taxation</b>		<b>516,473</b>	388,914
Dividends in respect of non-equity shares	6	(18,188)	(285,966)
<b>Retained profit for the period</b>	13	<b>498,285</b>	102,948

There are no recognised gains or losses for the financial period other than as stated in the profit and loss account, and therefore no separate statement of total recognised gains and losses has been presented.

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

# JSSPINNACLE GROUP LIMITED

## BALANCE SHEET as at 31 December 1998

	Notes	£	1998 £	£	1997 £
<b>FIXED ASSETS</b>					
Investments	7		10,868,873		8,931,673
<b>CURRENT ASSETS</b>					
Debtors	8	1,350,174		47,150	
Cash at Bank		100,424		-	
		1,450,598		47,150	
<b>CREDITORS: amounts falling due within one year</b>	9	(1,452,517)		(2,847,427)	
<b>Net current liabilities</b>			(1,919)		(2,800,277)
<b>Total assets less current liabilities</b>			10,866,954		6,131,396
<b>CREDITORS: amounts falling due after more than one year</b>	10		(2,950,000)		(2,728,448)
<b>Net assets</b>			7,916,954		3,402,948
<b>CAPITAL AND RESERVES</b>					
<b>Attributable to equity interests</b>					
Called up share capital	12		752,738		250,000
Share Premium			3,748,548		-
Capital Redemption Reserve			1,392,066		-
Profit and loss account	13		601,233		102,948
			6,494,585		352,948
<b>Attributable to non-equity interests</b>					
Called up share capital	12		1,422,369		3,050,000
<b>Total shareholders' funds</b>	14		7,916,954		3,402,948

The financial statements on pages 5 to 15 were approved by the Board on 4 August 1999.



Director

**JSSPINNACLE GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**1 ACCOUNTING POLICIES**

**Accounting convention**

The financial statements have been prepared under the historical cost convention and in accordance with applicable Accounting Standards.

**Turnover**

Turnover represents managements fees charged to subsidiary undertakings.

**Investments**

Fixed asset investments are stated at cost less provision for permanent diminution in value.

**Deferred taxation**

Provision is made for deferred taxation using the liability method to take account of timing differences between the incidence of income and expenditure for taxation and accounting purposes, except to the extent that the directors consider that a liability to taxation is unlikely to crystallise.

**Pension costs**

Employees participate in two defined contribution pension schemes. The company's pension contributions under these schemes are charged against income in the year in which the obligation to make contributions arises.

**Cash flow statement**

A cash flow statement has not been presented as advantage has been taken of the exemption conferred by Financial Reporting Standard 1.

**Consolidated financial statements**

The company is a subsidiary of a company whose financial statements are consolidated into group financial statements prepared within the EC and has therefore taken the exemption from preparing consolidated financial statements itself.



**JSSPINNACLE GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

<b>2</b>	<b>OPERATING LOSS</b>		
	is stated after charging/(crediting):	<b>1998</b>	<b>1997</b>
		<b>£</b>	<b>£</b>
	Loss/(Profit) on sale of fixed asset investments	<b>333,380</b>	<b>(34,854)</b>
	Auditors' remuneration - for audit services	<b>5,000</b>	<b>4,500</b>
	- for non-audit services	<b>3,667</b>	<b>3,000</b>
<b>3</b>	<b>INTEREST RECEIVABLE AND SIMILAR INCOME</b>	<b>1998</b>	<b>1997</b>
		<b>£</b>	<b>£</b>
	Interest receivable from bank deposits	<b>10,334</b>	<b>559</b>
<b>4</b>	<b>INTEREST PAYABLE AND SIMILAR CHARGES</b>	<b>1998</b>	<b>1997</b>
		<b>£</b>	<b>£</b>
	On bank overdrafts repayable within five years not by instalments	<b>44,402</b>	<b>41,110</b>
	On other loans repayable within five years	<b>373,275</b>	<b>313,385</b>
		<b>417,677</b>	<b>354,495</b>
<b>5</b>	<b>TAXATION</b>	<b>1998</b>	<b>1997</b>
		<b>£</b>	<b>£</b>
	UK current year taxation		
	Amounts receivable for group relief	<b>229,654</b>	<b>159,828</b>
	Tax on profit on ordinary activities	<b>229,654</b>	<b>159,828</b>

The company has no potential liabilities for deferred taxation.

# JSSPINNACLE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

6	DIVIDENDS	1998 £	1997 £
	<b>Dividends on non-equity shares</b>		
	Preference - 6% interim paid	164,114	97,368
	Preference -- dividend waived in the period	(188,598)	-
	Preference - final dividend proposed	42,672	188,598
		<b>18,188</b>	<b>285,966</b>

## 7 FIXED ASSET INVESTMENTS

### (1) Summary

	£
<b>Subsidiary undertakings at cost (see note 7(2))</b>	
At 1 November 1997	8,931,673
Additions	3,087,200
Disposals	(600,000)
Provision for impairment	(550,000)
<b>At 31 December 1998</b>	<b>10,868,873</b>

### (2) Principal subsidiary undertakings

All subsidiary undertakings are registered in England and Wales and operate within the United Kingdom. The principal subsidiary undertakings during the period were:

Company	Principal activity	Class of shares held	Holding %
JSSPinnacle Housing Limited	Housing management	£1 Ordinary	100
JSSPinnacle Limited	Residential management	£1 Ordinary	100
JSSPinnacle Management Limited	Portfolio management	£1 Ordinary	100
JSSPinnacle Professional Services Limited	Building surveying	£1 Ordinary	100
Gas Check Limited	Gas servicing and maintenance	£1 Ordinary	100
		£1 Preference	100
Independent Counselling Services Limited	Arrears counselling	£1 Ordinary	100
		£1 Preference	100

On 28 May 1998, the company disposed of the entire issued share capital of James Hampden Insurance Brokers Limited.

**JSSPINNACLE GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

<b>8</b>	<b>DEBTORS:</b> amounts falling due within one year	<b>1998</b> £	<b>1997</b> £
	Amounts due from subsidiary undertakings	1,085,726	-
	Other debtors	9,957	-
	Prepayments and accrued income	330	-
	Other taxes and social security	3,478	-
	Corporate tax receivable for group relief	209,654	-
	Advance corporation tax	41,029	47,150
		<b>1,350,174</b>	<b>47,150</b>
<b>9</b>	<b>CREDITORS:</b> amounts falling due within one year	<b>1998</b> £	<b>1997</b> £
	Loans (note 11)	200,000	1,200,000
	Bank overdraft	-	45,044
	Amounts owed to subsidiary undertakings	1,098,340	1,518,910
	Accruals and deferred income	111,505	83,473
	Proposed dividends payable	42,672	-
		<b>1,452,517</b>	<b>2,847,427</b>
<b>10</b>	<b>CREDITORS:</b> amounts falling due after more than one year	<b>1998</b> £	<b>1997</b> £
	Loans (note 11)	2,950,000	2,550,000
	Dividends payable	-	142,758
	Advance corporation tax	-	35,690
		<b>2,950,000</b>	<b>2,728,448</b>

**JSSPINNACLE GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**11 LOANS**

<b>(1) Analysis</b>	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Secured	3,150,000	3,750,000
<b>(2) Maturity</b>		
Repayable by instalments:		
Within one year	200,000	1,200,000
Between one and two years	500,000	1,200,000
Between two and five years	2,450,000	1,350,000
	3,150,000	3,750,000

Interest on the loans is charged at the following rates:

A bank loan of £2,400,000 at 1.5% above LIBOR and a vendor loan note of £750,000 at 10% per annum, secured by guarantees and debentures from the company and all its principal operating subsidiaries.

**12 CALLED UP SHARE CAPITAL**

	<b>1998</b>		<b>1997</b>	
<b>(1) Authorised</b>	<b>Number</b>	<b>£</b>	<b>Number</b>	<b>£</b>
£1 ordinary share	885,561	885,561	-	-
£1 A ordinary shares	-	-	150,000	150,000
£1 B ordinary shares	-	-	100,000	100,000
	885,561	885,561	250,000	250,000
£1 deferred shares	1,392,070	1,392,070	-	-
£1 6% cumulative redeemable pref shares	1,422,369	1,422,369	-	-
£1 A 6% cumulative redeemable pref shares	-	-	1,402,631	1,402,631
£1 B 6% cumulative redeemable pref shares	-	-	1,647,369	1,647,369
	1,422,369	1,422,369	3,050,000	3,050,000
	3,700,000	3,700,000	3,300,000	3,300,000

# JSSPINNACLE GROUP LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

(2) Allotted and fully paid	1998		1997	
	Number	£	Number	£
£1 ordinary shares	752,738	752,738	-	-
£1 A ordinary shares	-	-	150,000	150,000
£1 B ordinary shares	-	-	100,000	100,000
	752,738	752,738	250,000	250,000
£1 6% cumulative redeemable pref shares	1,422,369	1,422,369	-	-
£1 A 6% cumulative redeemable pref shares	-	-	1,402,631	1,402,631
£1 B 6% cumulative redeemable pref shares	-	-	1,647,369	1,647,369
	1,422,369	1,422,369	3,050,000	3,050,000
	2,175,107	2,175,107	3,300,000	3,300,000

During the year the company repurchased 24,000 'B' ordinary shares for a total consideration of £24,000 and 108,000 'B' preference shares for a total consideration of £108,000.

On 4 August 1998, each 'A' ordinary share of £1 each in the capital of the company was re-classified as one ordinary share of £1 each.

Each 'B' ordinary share of £1 each in the capital of the company was re-classified as one ordinary share of £1 each.

Of the 1,402,631 'A' preference shares of £1 each in the capital of the company, 117,710 were re-classified as ordinary shares of £1 each, and 1,284,921 were re-classified as deferred shares of £1 each.

The 'B' preference shares of £1 each in the capital of the company were re-classified as 1,422,369 preference shares of £1 each, 107,149 deferred shares of £1 each, and 9,851 ordinary shares of £1 each.

The deferred shares of £1 each were re-purchased for a total consideration of £4.

The authorised capital of the company was increased by £400,000 to £3,700,000 by the creation of 400,000 ordinary shares of £1 each.

399,177 ordinary shares of £1 each in the capital of the company were allotted to UK Pacific Investments Limited as consideration for the acquisition of JSS Holdings Limited and a cash payment of £1,647,725.

**JSSPINNACLE GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**13 RESERVES**

	Share Premium £	Capital Redemption £	Profit & Loss £
1 November 1997	-	-	102,948
Profit for the period	-	-	498,285
Arising on Capital Reconstruction	-	1,392,066	-
Arising on issue of shares	3,748,548	-	-
31 December 1998	3,748,548	1,392,066	601,233

**14 RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS**

	1998 £	1997 £
Profit for the period	498,285	102,948
Ordinary shares redeemed in the period	(24,000)	-
Ordinary shares issued in the period	399,177	250,000
Conversion of 6% cumulative redeemable preference shares to ordinary shares	(1,392,070)	-
Preference shares issued in the period	-	3,050,000
Preference shares redeemed in the period	(108,000)	-
Share premium issued in the period	3,748,548	-
Capital redemption reserve created in the period	1,392,066	-
Net increase in shareholders' funds	4,514,006	3,402,948
Opening shareholders' funds	3,402,948	-
Closing shareholders' funds	7,916,954	3,402,948

**JSSPINNACLE GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

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15 DIRECTORS	14 months 1998 £	12 months 1997 £
Aggregate emoluments and benefits	18,334	-
Company pension contributions to money purchase scheme	2,000	-

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**Highest paid director**

Aggregate emoluments and benefits	11,459	-
Company pension contributions to money purchase scheme	1,250	-

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The number of directors to whom retirement benefits are accruing under a money purchase scheme is 2 (1997: nil).

**16 EMPLOYEES**

**(1) Number of employees**

The company assumed responsibility for the payment of certain staff from December 1998. The average weekly number of persons (including directors) employed by the company during December was 6 (1997: nil)

(2) Employment costs	14 months 1998 £	12 months 1997 £
Wages and salaries	23,718	-
Social security costs	2,372	-
Other pension costs (note 17)	2,492	-
	28,582	-

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**17 PENSIONS**

The company participates in two defined contribution pension schemes. The assets of the scheme are held separately in an independently administered fund. The pension charge represents contributions payable amounting to £2,492 (1997: £nil).

**JSSPINNACLE GROUP LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

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**18 RELATED PARTIES**

During the period, UK Pacific Investments Limited, which owns 53.47% of ordinary shares in the company, provided services to the company at a cost of £42,120 and First Pacific Davies Property Management Limited, a fellow subsidiary of First Pacific Company Limited, provided services at a cost of £2,135.

On 4 August 1998, the B preference shares owned by T Saunders were reclassified as 57,696 deferred shares at £1 each and 5,304 ordinary of £1 each. The deferred shares were repurchased for a total of £1. On 31 December 1998, T Saunders purchased additional 161 ordinary shares of £1 each.

On 31 December 1998, OH Inskip purchased additional 1,146 ordinary shares of £1 each.

On 31 December 1998, UK Pacific Investments Limited purchased an additional 3,328 ordinary shares of £1 each.

The company has taken advantage of the exemptions conferred by FRS 8 in not disclosing details of certain intra-group transactions and balances.

**19 ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY**

The smallest group into which these accounts are consolidated is that headed by First Pacific Davies (UK) Limited.

The ultimate parent undertaking and ultimate controlling party is First Pacific Company Limited, a company incorporated in Bermuda, and listed on the Hong Kong stock exchange. The financial statements of the company are available from the Corporate Communications Department, First Pacific Company Limited, 24<sup>th</sup> Floor, 2 Exchange Square, 8 Connaught Place, Central, Hong Kong.

**20 POST BALANCE SHEET EVENTS**

On 3 August 1999, the company issued 568,950 £1 9% cumulative redeemable preference shares in a rights issue to its existing shareholders.