

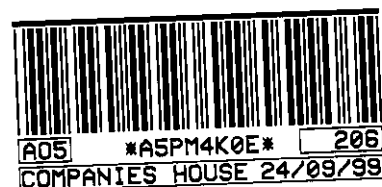
# **JOHNSTON ENGINEERING** **LIMITED**

**Report and accounts**

**for the year ended**

**31<sup>st</sup> December 1998**

Registered in England 199841



# **JOHNSTON ENGINEERING LIMITED**

## **REPORT OF THE DIRECTORS**

### **For the year ended 31st December 1998**

The directors have pleasure in submitting their Report and Accounts for the year ended 31st December 1998.

#### **1. Principal Activities and Review of Operations**

The principal activity of Johnston Engineering Limited continues to be the manufacture of road sweepers and other municipal equipment.

The results for the year are set out on page 5. A full review of the company's trading operations is included in the accounts of the ultimate parent company Johnston Group PLC.

#### **2. Dividends**

An interim dividend of £900,000 has been paid in respect of the year ended 31st December 1998. No further dividend is proposed in respect of 1998.

#### **3. Directors and Directors' Interests**

The names of the directors holding office at the date of this Report and their beneficial interests in the ordinary share capital of the ultimate parent company, Johnston Group PLC, are as follows:-

	31st December 1998		1st January 1998 (or at date of appointment)	
	Ord. Shares <u>10p</u>	Options Ord. Shares <u>10p</u>	Ord. Shares <u>10p</u>	Options Ord. Shares <u>10p</u>
J.M.S. Johnston	845,548	4,303	845,548	4,303
A.D. Giles	10,500	33,437	10,500	33,437
A.J. Duthie	2,674	711	2,674	711
M.R. Ireland	4,258	4,303	4,258	4,303
A.N. Yapp	1,199	1,275	1,199	1,275
P.G. Rhodes	-	-	-	-
M.R.H. Jordan (appointed 24.11.98.)	2,436	30,840	2,436	30,840

#### **4. Year 2000**

The directors are committed to ensuring that the company is prepared for the issues and concerns raised by the Year 2000 problem. There has been extensive testing of all systems and equipment along with the necessary supporting infrastructure in order to confirm Year 2000 compliance. The programme encompasses those of our suppliers and external organisations which provide our information, services and equipment. The programme is sponsored by the managing director who reports regularly at Board meetings.

Specific costs for the Year 2000 project are minimal because all software upgrades have also delivered additional benefits to the business. During 1999 there may be specialist costs incurred to address the testing of embedded chips, the full cost of which is not expected to be significant.

The general expectation by those who have studied best practice in managing the Year 2000 problem is that even the best run projects will face some Year 2000 compliance failures. There can be no assurance that Year 2000 projects will be successful or that the date change from 1999 to 2000 will not adversely affect the company's operations and financial results. The company may also be affected adversely by the inability of third parties to manage the Year 2000 problem.

**5. Research and Development**

Research and development costs incurred by the company in the year amounted to £ 180,614

**6. Employment Policies**

The company is committed to policies of non-discrimination to promote equal opportunities in employment regardless of gender, religion, race or ethnic origin. A brochure and twice yearly newsletter covering the Johnston Group and its subsidiary companies are distributed to all employees.

The employment of those who become disabled is continued wherever possible and opportunities are provided for the recruitment, training and career development of disabled people.

**7. Health and Safety at Work**

The company has a strong commitment to the safety and health of employees. The company has its own safety officer and there is a full-time group safety manager who advises on accident prevention and safety in the company's factories. The directors are kept regularly informed on all aspects of safety.

**8. Creditor Payment Policy**

The company does not follow any code or standard on payment practice, as it is the company's policy to settle creditors promptly on mutually agreed terms. These terms will vary from supplier to supplier and suppliers will be aware of the terms of payment. At the year end there were 74 days purchases in creditors.

**9. Auditors**

In accordance with Section 385 of the companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors will be proposed at the annual General Meeting.

BY ORDER OF THE BOARD



J.H. Falkner  
Secretary

Johnston House  
Hatchlands Road  
Redhill  
Surrey RH1 1BG

8th April 1999

## **STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare accounts 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 accounts, 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 accounts;
- prepare the accounts 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 accounts 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.

## **REPORT OF THE AUDITORS**

To the members of JOHNSTON ENGINEERING LIMITED

We have audited the accounts on pages 5 to 16.

### **Respective responsibilities of Directors and Auditors**

As described above the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

### **Basis of Opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

### **Opinion**

In our opinion the accounts give a true and fair view of the state of affairs of the company at 31st December 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



KPMG Audit Plc  
Chartered Accountants  
Registered Auditor

16 April 1999

1 Forest Gate, Brighton Road  
Crawley  
West Sussex  
RH11 9PT

**PROFIT AND LOSS ACCOUNT for the year ended 31st December 1998**

	Notes	1998 £	1997 £
<b>Turnover</b>	1	<b>39,165,597</b>	35,788,456
<b>Operating costs less other income</b>	2	<b>36,075,534</b>	33,558,340
<b>Operating profit</b>		<b>3,090,063</b>	2,230,116
<b>Net interest payable and similar charges</b>	3	<b>71,829</b>	68,295
<b>Profit on ordinary activities before taxation</b>		<b>3,018,234</b>	2,161,821
<b>Tax on profit on ordinary activities</b>	4	<b>932,442</b>	599,940
<b>Profit on ordinary activities after taxation</b>		<b>2,085,792</b>	1,561,881
<b>Dividends paid</b>		<b>900,000</b>	852,333
<b>Retained profit</b>	13	<b>1,185,792</b>	709,548

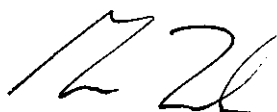
A statement of movements on reserves is given in note 13.

The turnover and operating profit are derived from continuing operations.

**BALANCE SHEET at 31st December 1998**

	Notes	1998 £	1997 £
<b>Fixed assets</b>			
Intangible assets	5	129,524	192,832
Tangible assets	6	8,283,482	8,121,875
Investments	7	15,596,851	15,668,695
		<b>24,009,857</b>	<b>23,983,402</b>
<b>Current assets</b>			
Stocks	8	9,200,291	6,400,860
Debtors	9	8,459,920	6,839,576
Cash at bank and in hand		7,694	7,143
		<b>17,667,905</b>	<b>13,247,579</b>
<b>Creditors due within one year</b>	10	<b>9,016,537</b>	<b>8,100,325</b>
<b>Net current assets</b>		<b>8,651,368</b>	<b>5,147,254</b>
<b>Total assets less current liabilities</b>		<b>32,661,225</b>	<b>29,130,656</b>
<b>Creditors due after one year</b>	11	<b>24,413,286</b>	<b>22,245,528</b>
<b>Provisions for liabilities and charges: deferred taxation</b>	4	<b>310,214</b>	<b>260,980</b>
<b>Net assets</b>		<b>7,937,725</b>	<b>6,624,148</b>
<b>Capital and reserves</b>			
Called up share capital	12	8,000	8,000
Profit and loss account	13	7,871,919	6,616,148
Revaluation reserve	13	57,806	-
<b>Equity shareholders' funds</b>		<b>7,937,725</b>	<b>6,624,148</b>

The accounts were approved by the Board on 8th April 1998 and were signed on its behalf by:  
MRH Jordan Director



	1998 £	1997 £
<b><u>Statement of total recognised gains and losses</u></b>		
Profit after taxation	2,085,792	1,561,881
Translation adjustments	69,979	(67,524)
Unrealised surplus on revaluation	57,806	-
<b>Total recognised gains and losses for the year</b>	<b>2,213,577</b>	<b>1,494,357</b>
<b><u>Reconciliation of movements in shareholders' funds</u></b>		
<b>Total recognised gains and losses for the year</b>	<b>2,213,577</b>	<b>1,494,357</b>
Dividends paid on equity shares	(900,000)	(852,333)
<b>Net increase in shareholders' funds</b>	<b>1,313,577</b>	<b>642,024</b>
<b>Shareholders' funds at beginning of year</b>	<b>6,624,148</b>	<b>5,982,124</b>
<b>Shareholders' funds at end of year</b>	<b>7,937,725</b>	<b>6,624,148</b>
<b><u>Note of historical cost profits and losses</u></b>		
Profit on ordinary activities before taxation	3,018,234	2,161,821
Adjustment of depreciation to historical cost basis	(23,100)	(22,792)
<b>Historical cost profit on ordinary activities before taxation</b>	<b>2,995,134</b>	<b>2,139,029</b>
<b>Historical cost retained profit</b>	<b>1,162,692</b>	<b>686,756</b>



## **PRINCIPAL ACCOUNTING POLICIES**

A summary of principal accounting policies, all of which have been applied consistently throughout the year, is set out below.

### **Basis of Accounting**

The accounts have been prepared under the historical cost convention modified to include the revaluation of freehold and leasehold properties and in accordance with applicable Accounting Standards. The company is exempt from the requirement of Financial Reporting Standard No.1 (revised) to include a cashflow statement as part of its accounts, as the company is a wholly owned subsidiary of Johnston Group PLC which publishes consolidated financial statements that include the company and which contain a group cash flow statement.

### **Subsidiary Undertakings**

The company's interest in subsidiary undertakings is shown at original sterling cost less amounts written off, with dividends received and receivable being recorded in the profit and loss account. As permitted by S228 of the Companies Act 1985, consolidated accounts have not been prepared since the company is a wholly owned subsidiary undertaking of another company registered in England and Wales which prepares consolidated accounts.

### **Turnover**

Turnover is defined as the value of goods and services supplied, including machine rentals net of trade discounts, VAT and other sales related taxes.

### **Depreciation**

Depreciation is provided on a straight line basis at rates calculated to write off the cost or valuation of fixed assets over their estimated useful lives.

The rates generally in use are:

Freehold	- Land	not depreciated
	- Buildings	50 years
Long Leasehold		50 years
Short Leasehold		Over the unexpired term of the lease
Plant and equipment	- Fixed	8 years
	- Mobile	4 years
Manufacturing know-how		5 years

### **Intangible Fixed Assets**

Intangible fixed assets are valued at cost less accumulated amortisation.

## **PRINCIPAL ACCOUNTING POLICIES (Continued)**

### **Currency Translation**

With the exception of the company's investment in the share capital of subsidiary undertakings which is included at original sterling cost less amounts written off, all assets and liabilities denominated in foreign currencies are included in the balance sheet using the closing rate method. Foreign currency transactions of the company have been converted to sterling at rates of exchange ruling on the date of transaction.

Translation differences arising from the company's investment in overseas subsidiaries denominated in foreign currencies are dealt with in reserves. All other translation adjustments arising are dealt with in the profit and loss account.

### **Research and Development**

All research and development expenditure is written off as incurred, as is expenditure in respect of patents and trademark.

### **Stocks**

Stocks are valued at the lower of net realisable value and cost, which includes production overheads.

### **Taxation**

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences. The company's policy continues to be to make provision for deferred taxation at the anticipated rate of corporation tax, to the extent it is probable that an asset or liability will crystallise. In previous years, deferred tax has as a result been provided in full.

### **Leases**

Rentals under operating leases are charged on a straight line basis over the lease term. Assets held under finance leases are initially reported at the fair value of the asset, with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of the lease term and its estimated useful life. Finance charges are allocated to accounting periods over the term of the lease to produce a constant rate of return on the outstanding balance.

### **Pensions**

The company participates in the Johnston Management Holdings Limited Pension and Life Assurance Scheme. The scheme, which is a defined benefit scheme, is funded with the assets being held by the Trustees completely separate from those of Johnston Group PLC. In the accounts of Johnston Group PLC, the Group's contributions are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the Group. It is impractical to apportion this spread of costs between all the companies participating in the scheme, so contributions are charged on a payable basis in the company's accounts. Further details of the scheme are given in the accounts of the ultimate parent company .

### **Government grants**

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate.

## NOTES TO THE ACCOUNTS

**1. Geographical analysis of turnover by destination**

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Europe, Africa & Middle East	33,404,830	29,195,017
Asia, Australia & New Zealand	2,413,258	3,467,262
Americas	3,347,509	3,126,177
	<b>39,165,597</b>	<b>35,788,456</b>

**2. Operating costs less other income**

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Change in stocks of finished goods and work-in-progress	(2,215,054)	473,847
Other operating income	(205,884)	(27,509)
Raw materials and consumables	23,190,713	18,008,441
Other external charges	4,568,551	5,073,609
Staff costs (see below)	9,976,852	9,349,921
Depreciation of owned assets	675,477	596,581
Depreciation of assets held under finance leases	49,913	31,993
Amortisation of intangible fixed assets	35,752	51,670
Profit on disposal of fixed assets	(786)	(213)
	<b>36,075,534</b>	<b>33,558,340</b>
Staff costs (including directors)		
Wages and salaries	8,953,665	8,346,481
Social security costs	660,761	620,966
Other pension costs	362,426	382,474
	<b>9,976,852</b>	<b>9,349,921</b>
Other external charges include		
Plant and equipment - operating lease rentals	207,957	216,395
Other operating lease rentals	277,960	291,143
Translation adjustment	(28,743)	46,699
Research and development costs	180,614	470,743
Audit fees	22,800	24,076

**3. Interest payable and similar charges**

	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Interest element of finance lease rental payments	3,196	6,400
Sundry interest received	(6,903)	(3,285)
Interest on secured loan	75,536	65,180
	<b>71,829</b>	<b>68,295</b>

## NOTES TO THE ACCOUNTS (continued)

<b>4. Taxation</b>	<b>1998</b>	<b>1997</b>
	<b>£</b>	<b>£</b>
Corporation tax charge @ 31% (1997, 31.5%)	554,708	180,698
Group relief @ 31% (1997, 31.5%)	328,500	369,242
Transfer to deferred taxation account	49,234	50,000
	<b>932,442</b>	<b>599,940</b>
<b>Provisions for liabilities and charges : Deferred taxation due to the difference between capital allowances and book depreciation and other timing differences</b>		
Balance at 1st January 1998	260,980	210,980
Transfer from profit and loss account	49,234	50,000
	<b>310,214</b>	<b>260,980</b>
Balance at 31st December 1998		
	<b>310,214</b>	<b>260,980</b>
Deferred taxation has been calculated using a corporation tax rate of 31%. There is no unprovided deferred taxation.		
<b>5. Intangible fixed assets</b>	<b>Manufacturing know-how</b>	
	<b>£</b>	
Cost or valuation 1st January 1998	257,109	
Reduction in consideration	(38,058)	
Translation adjustment	16,447	
At 31st December 1998	235,498	
Depreciation 1st January 1998	64,277	
Charge for year	35,819	
Translation adjustment	5,878	
At 31st December 1998	105,974	
Net book value 31st December 1998	129,524	
Net book value 31st December 1997	192,832	

## NOTES TO THE ACCOUNTS (continued)

<b>6. Tangible fixed assets</b>	<b>Land and buildings £</b>	<b>Plant and equipment £</b>	<b>Assets under construction £</b>	<b>Total £</b>
Cost or valuation 1st January 1998	6,045,809	6,307,674	112,721	12,466,204
Additions	(5,570)	580,704	92,582	667,716
Translation adjustments	27,929	13,987	-	41,916
Disposals	-	(376,759)	-	(376,759)
Revaluation Surplus	(112,789)	-	-	(112,789)
Reclassification	49,124	63,597	(112,721)	-
<b>At 31st December 1998</b>	<b>6,004,503</b>	<b>6,589,203</b>	<b>92,582</b>	<b>12,686,288</b>
Comprising :				
At professional valuation	6,004,503	273,554	-	6,278,057
At cost	-	6,315,649	92,582	6,408,231
Depreciation 1st January 1998	214,576	4,129,753	-	4,344,329
Charge for year	106,405	618,985	-	725,390
Translation adjustments	983	4,038	-	5,021
Disposals	-	(367,812)	-	(367,812)
Written back on revaluation	(304,122)	-	-	(304,122)
<b>At 31st December 1998</b>	<b>17,842</b>	<b>4,384,964</b>	<b>-</b>	<b>4,402,806</b>
<b>Net book value 31st December 1998</b>	<b>5,986,661</b>	<b>2,204,239</b>	<b>92,582</b>	<b>8,283,482</b>
<b>Net book value 31st December 1997</b>	<b>5,831,233</b>	<b>2,177,921</b>	<b>112,721</b>	<b>8,121,875</b>

The net book value of fixed assets includes £108,174 (1997 - £158,407) in respect of assets held under finance leases.

The depreciation charged on assets held under finance leases during the year was £50,233 (1997 £46,513).

Land and buildings includes £4,300,000 of depreciable assets.

## NOTES TO THE ACCOUNTS (continued)

## 6. Tangible fixed assets (continued)

Land and buildings comprise :

	Freehold £	Long leasehold £	Short leasehold £	Total £
Cost or valuation 1st January 1998	5,293,447	752,362	-	6,045,809
Additions	(5,570)	-	-	(5,570)
Translation adjustments	27,929	-	-	27,929
Disposals	-	-	-	-
Reclassification	49,124	-	-	49,124
Revaluation surplus	(220,427)	107,638	-	(112,789)
At 31st December 1998	5,144,503	860,000	-	6,004,503
Comprising				
At professional valuation	5,144,503	860,000	-	6,004,503
At cost	-	-	-	-
Depreciation 1st January 1998	151,681	62,895	-	214,576
Charge for year	84,909	21,496	-	106,405
Translation Adjustment	983	-	-	983
Disposals	-	-	-	-
Written back on revaluation	(219,731)	(84,391)	-	(304,122)
At 31st December 1998	17,842	-	-	17,842
Net book value 31st December 1998	5,126,661	860,000	-	5,986,661
Net book value 31st December 1997	5,141,766	689,467	-	5,831,233

The company's interests in land and buildings in the United Kingdom were revalued in the balance sheet at 31st December 1998 at their current open market value on the basis of existing use following a professional valuation by Messrs. Gerald Eve, chartered surveyors.

Comparable historical cost amounts for the company's land and buildings included in tangible fixed assets were :

At 31st December 1998	Freehold £	Long Leasehold £	Short Leasehold £	Total £
Original cost	5,312,906	1,038,891	123,350	6,475,147
Less aggregate depreciation	656,376	385,376	24,885	1,066,637
Net book value	4,656,530	653,515	98,465	5,408,510
At 31st December 1997	Freehold £	Long Leasehold £	Short Leasehold £	Total £
Original cost	5,269,352	1,038,891	123,350	6,431,593
Less aggregate depreciation	550,118	364,596	22,418	937,132
Net book value	4,719,234	674,295	100,932	5,494,461

## NOTES TO THE ACCOUNTS (continued)

## 7. Fixed asset investments

	Shares in subsidiary undertakings £	Loans to subsidiary undertakings £	Shares in associated undertakings £	Total £
Cost at 1st January 1998	2,847,602	13,357,171	-	16,204,773
Translation adjustment	-	(45,447)	-	(45,447)
Additions	-	-	-	-
Disposals	(100)	-	-	(100)
At 31st December 1998	2,847,502	13,311,724	-	16,159,226
Amounts written off 1st January 1998	81,195	454,883	-	536,078
Reclassification from current account provision	-	26,297	-	26,297
At 31st December 1998	81,195	481,180	-	562,375
Net book value 31st December 1998	2,766,307	12,830,544	-	15,596,851
Net book value 31st December 1997	2,766,407	12,902,288	-	15,668,695

The company has an interest in the unlisted subsidiary undertakings below

Name and country of incorporation if not Great Britain	Proportion of nominal value of issued shares held by the company %	Activity
Johnston Sweeper Company (USA)	100	
MacDonald Johnston Engineering Co. Pty Limited (Australi	100	Manufacture of road cleaners and other municipal equipment
Pfau Johnston GmbH (Germany)	74	
Johnston Sweepers Limited	100	Dormant

## 8. Stocks

	1998 £	1997 £
Raw materials and consumables	2,035,403	1,460,265
Manufacturing work-in-progress	4,323,983	2,770,112
Finished goods and goods for resale	2,840,905	2,170,483
	9,200,291	6,400,860

## 9. Debtors

	1998 £	1997 £
Trade debtors	6,420,616	4,540,546
Amounts owed by group undertakings	1,533,866	1,628,754
Other debtors	312,472	522,207
Prepayments and accrued income	192,966	148,069
	8,459,920	6,839,576

NOTES TO THE ACCOUNTS (continued)

10. Creditors due within one year	1998 £	1997 £
Secured loans	22,921	20,002
Bank loans and overdrafts	911,645	2,457,020
Obligations under finance leases	38,337	43,405
Trade creditors	4,705,615	3,460,972
Amounts owed to group undertakings	363,455	326,892
Other creditors	834,028	695,203
Taxation and social security	616,208	294,301
Accruals and deferred income	1,524,328	802,530
	9,016,537	8,100,325

11. Creditors due after one year	1998 £	1997 £
Secured loans repayable between one and two years	24,684	22,324
Secured loans repayable between two and five years	86,058	77,825
Secured loans repayable in over five years	261,670	271,415
Obligations under finance leases repayable within five years	16,500	56,293
Amounts owed to group undertakings	24,024,374	21,751,101
Other creditors	-	66,570
	24,413,286	22,245,528

The loans are secured on the company's freehold property in Denmark

12. Share capital	1998 £	1997 £
Authorised		
100,000 ordinary shares of £1 each	100,000	100,000
Allotted, called up and fully paid		
8,000 ordinary shares of £1 each	8,000	8,000

13. Reserves	Revaluation Reserve £	Profit and Loss Account £	Total £
At 1st January 1998	-	6,616,148	6,616,148
Retained profit for the year	-	1,185,792	1,185,792
Revaluation	57,806	-	57,806
Translation adjustment on overseas assets	-	69,979	69,979
At 31st December 1998	57,806	7,871,919	7,929,725

14. Commitments	1998 £	1997 £
Capital commitments contracted for	42,750	22,352

	Land and buildings		Plant and equipment	
Annual commitment under non cancellable operating leases	1998 £	1997 £	1998 £	1997 £
Leases expiring :				
Within one year	55,582	-	80,339	14,784
Within two to five years	127,378	185,509	124,402	175,582
After five years	95,000	95,000	-	-
	277,960	280,509	204,741	190,366



**NOTES TO THE ACCOUNTS (continued)****15. Contingent liabilities**

The company has jointly and severally guaranteed the indebtedness of the Parent Company and its subsidiaries to their bankers. A claim under this guarantee would be secured by fixed and floating charges on the company's assets.

<b>16. Average number of persons employed</b>	<b>1998 No.</b>	<b>1997 No.</b>
Direct	233	217
Indirect	227	238
<b>Total</b>	<b>460</b>	<b>455</b>

<b>17. Directors' remuneration</b>	<b>1998 £</b>	<b>1997 £</b>
Director's emoluments	396,802	337,247

The aggregate emoluments of the highest paid director were £135,890 (1997, £108,709). He is a member of the Johnston Management Holdings Limited pension and life assurance defined benefit scheme under which his accrued annual pension at the year end was £7,178.

	<b>Number of Directors</b>	
	<b>1998</b>	<b>1997</b>
Retirement benefits are accruing to the following number of directors under :		
The Johnston Management Holdings Limited pension and life assurance defined benefit scheme	5	5
The number of directors who exercised share options under the Johnston group sharesave option sch	-	3

**18. Related parties**

During the year the company made sales to related companies of £ 6,355,129 on normal trading terms. the balance outstanding at the end of the year amounted to £1,533,865

Purchases of £ 1,153,599 were made from related companies on normal trading terms, the balance outstanding at the end of the year was £ 363,455

Related companies included in the above figures are Johnston Sweeper Company (USA), MacDonald Johnston Engineering Co. Pty Limited (Australia), Pfau Johnston GmbH (Germany), Johnston Management Holdings Limited, Saxon Sanbec Limited, Johnston Surfacing Limited and Johnston Construction Limited.

The company's ultimate controlling party is Johnston group PLC

**19. Ultimate parent company**

The only group in which the accounts of the company are consolidated is that headed by its ultimate parent company, Johnston Group PLC, a company registered in England and Wales. Consolidated accounts are available from Johnston House, Hatchlands Road, Redhill, Surrey RH1 1BG.