

J Howitt & Son Limited  
Annual report  
for the year ended 31 December 1998

Registered no: 1061983



# **J Howitt & Son Limited**

## **Annual report for the year ended 31 December 1998**

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## Directors and advisers

J P Howitt - Chairman

T N Hauxwell

P C Dane

G Clarson

L Powell (appointed 5 January 1998, resigned 28 August 1998)

C J Knight (appointed 4 February 1998)

J J Oxford (appointed 30 November 1998)

## Secretary

C J Knight

## Registered office

Bennerley Road

Bulwell

Nottingham

NG6 8PQ

## Registered Auditors

PricewaterhouseCoopers

Cumberland House

35 Park Row

Nottingham

NG1 6FY

## **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 company's principal activity is that of a specialist printer whose principal products are direct marketing material, specialist packaging, security printing, promotional products and calendars.

### **Review of business**

Deteriorating market conditions throughout the year resulted in a major review of our marketing strategy. As a result of this review, it was decided to strengthen our presence in more profitable niche markets involving specialist promotional and direct response products. It is anticipated that this strategy will begin to pay off in the current year.

### **Dividends**

The directors have declared and paid a dividend of £550,000 (1997: £Nil).

### **Subsequent event – Change of ownership**

It is expected that Waddington PLC will acquire the whole of the share capital of the company's parent company, John Howitt Group Limited, in the near future.

### **Directors and directors' interests**

The directors of the company at 31 December 1998, all of whom have been directors for the whole of the year ended on that date unless otherwise indicated, are listed below:

J P Howitt (Chairman)  
P C Dane  
T N Hauxwell  
G Clarson  
C J Knight - appointed 4 February 1998  
J J Oxford – appointed 30 November 1998

Mr L Powell was appointed a director of the company on 5 January 1998 and subsequently resigned as a director on 28 August 1998.

The company is not required to disclose details of the interests of Mr J P Howitt and Mr T N Hauxwell in the shares of the company as they are both directors of the parent company. Details of the other directors interests in share options in the parent company, at 31 December 1998 were:

	Ordinary shares of 25p each
P C Dane	14,448
G Clarson	14,448
	<hr/>

The option price is £4.25 per share and the option may be exercised within ten years of the date the option was granted. The options were granted on 22 September 1994.

## Employment policies

The company maintains a policy of training and adapting working methods where practical in order to provide suitable employment for disabled persons.

Consultations take place with employees on matters affecting their employment both directly and through representative bodies, and information is supplied to them on matters affecting performance.

## Directors' responsibilities statement

The directors are required by UK company law to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently, and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1998.

The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis. The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company, and to prevent and detect fraud and other irregularities.

## Year 2000

The directors have carried out a review of the impact Year 2000 systems issues will have on the company's business and operations and do not believe it will materially affect operations. Steps are being taken to test and ensure software or embedded systems are compliant but the directors consider the costs will not 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.

A resolution to reappoint the auditors, PricewaterhouseCoopers, will be proposed at the annual general meeting.

By order of the board

A handwritten signature in black ink, appearing to be 'J.P. Howitt', written over a horizontal line.

J.P. Howitt  
Director

## Report of the auditors to the members of J Howitt & Son Limited

We have audited the financial statements on pages 6 to 17 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 and 9.

### Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report including, as described on page 3, 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 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 the loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers*

**PricewaterhouseCoopers**  
Chartered Accountants and Registered Auditors  
Nottingham

29th April 1999

# Profit and loss account for the year ended 31 December 1998

	Notes	1998 £'000	1997 £'000
Turnover	2	31,767	35,159
Cost of sales		(25,921)	(29,388)
Gross profit		5,846	5,771
Net operating expenses	3	(5,318)	(4,769)
Operating profit		528	1,002
Interest payable and similar charges	5	(560)	(755)
Interest receivable		4	4
(Loss)/profit on ordinary activities before taxation	6	(28)	251
Tax on (loss)/profit on ordinary activities	8	(31)	(125)
(Loss)/profit for the financial year		(59)	126
Dividends paid (£5.50 per share, 1997: £Nil per share)		(550)	-
(Loss)/retained profit for the year	16	(609)	126

All activity relates to continuing operations.

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

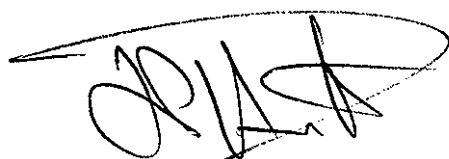
There is no difference between the (loss)/profit on ordinary activities before taxation and the (loss)/profit for the year stated above, and their historical cost equivalents.



**Balance sheet  
at 31 December 1998**

	Notes	1998 £'000	1997 £'000
<b>Fixed assets</b>			
Tangible assets	9	<u>8,609</u>	<u>9,703</u>
<b>Current assets</b>			
Stocks	10	1,320	1,270
Debtors	11	5,532	8,693
Cash at bank and in hand		<u>176</u>	<u>176</u>
		7,028	10,139
<b>Creditors: amounts falling due within one year</b>	12	<u>(13,122)</u>	<u>(15,740)</u>
<b>Net current liabilities</b>		<u>(6,094)</u>	<u>(5,601)</u>
<b>Total assets less current liabilities</b>		2,515	4,102
<b>Creditors: amounts falling due after more than one year</b>	13	(1,267)	(2,269)
<b>Provisions for liabilities and charges</b>	14	<u>(403)</u>	<u>(379)</u>
<b>Net assets</b>		<u>845</u>	<u>1,454</u>
<b>Capital and reserves</b>			
Called up share capital	15	100	100
Profit and loss account	16	<u>745</u>	<u>1,354</u>
<b>Equity shareholders' funds</b>	17	<u>845</u>	<u>1,454</u>

The financial statements on pages 6 to 17 were approved by the board of directors on 29 April 1999 and were signed on its behalf by:



**J P Howitt**  
Director

## **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, which have been applied consistently, is set out below

#### **Basis of accounting**

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

The company is exempt from the requirement of FRS 1 to prepare a cash flow statement as it is a wholly owned subsidiary undertaking of John Howitt Group Limited and its cash flows are included within the consolidated cash flow statement of that company.

#### **Tangible fixed assets**

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

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

Plant and machinery	10% - 33% per annum
Fixtures and fittings	20% per annum
Motor vehicles	25% per annum

Short leasehold improvements are written off over the period of the lease.

#### **Hire purchase contracts and operating leases**

Costs in respect of operating leases are charged on a straight line basis over the lease term. Hire purchase contracts which transfer to the company substantially all the benefits and risks of ownership of an asset are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the commitment is shown as obligations under hire purchase contracts. The 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.

#### **Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. Where necessary, provision is made for obsolete, slow moving and defective stocks.

Where payments on account have been received on contracts in progress, the value of the receipt is applied against the value of work in progress. Where payments have been received in respect of contracts not yet started, the payment is shown within creditors as payments on account.

**Research and development**

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

**Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. 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.

**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 will crystallise. Full provision is made for deferred taxation on timing differences arising from the provision of employee pensions.

**Pensions**

Contributions are made to the group defined benefit schemes. Pension costs are accounted for on the basis of charging the expected cost of providing pensions over the period during which the company benefits from the employees' services. The effects of variations from regular cost are spread over the expected average remaining service lives of members of the scheme.

The company also contributes to defined contribution schemes for specific employees. Contributions are accounted for in the period to which they relate.

**2 Turnover**

Turnover represents the amount of goods and services invoiced to customers exclusive of value added tax.

Analysis by geographical area is set out below:

	1998	1997
	£'000	£'000
United Kingdom	31,037	34,964
Rest of Europe	703	195
Rest of World	27	-
	<b>31,767</b>	<b>35,159</b>

**3 Net operating expenses**

	1998	1997
	£'000	£'000
Distribution costs	1,657	1,276
Administrative expenses	3,661	3,493
	<u>5,318</u>	<u>4,769</u>

**4 Employee information**

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

	1998	1997
	Number	Number
<b>By activity</b>		
Management and administration	22	21
Commercial and sales	44	36
Factory management	15	17
Factory employees	225	233
	<u>306</u>	<u>307</u>

	1998	1997
	£'000	£'000
<b>Staff costs (for the above persons)</b>		
Wages and salaries	7,177	7,249
Social security costs	631	630
Pension costs (see note 21)	483	314
	<u>8,291</u>	<u>8,193</u>

**5 Interest payable and similar charges**

	1998	1997
	£'000	£'000
On bank overdraft	342	279
On hire purchase contracts	218	476
	<u>560</u>	<u>755</u>

**6 (Loss)/profit on ordinary activities before taxation**

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

	1998	1997
	£'000	£'000
Depreciation	1,691	1,988
Auditors' remuneration for:		
- Audit	15	15
- Other services to the company	35	23
Hire of plant and machinery – operating leases	207	44
Hire of other assets – operating leases	555	739
Profit on sale of fixed assets	(17)	(2)

An additional £21,000 (1997: £54,000) was paid to the auditors in respect of consultancy fees relating to the purchase of new computer systems. These costs have been capitalised.

**7 Directors' emoluments**

	1998	1997
	£'000	£'000
Aggregate emoluments	587	499
Company pension contributions to money purchase schemes	103	94
	690	593

No directors exercised share options or received shares under long term incentive schemes during the year.

Retirement benefits are accruing to two directors under money purchase schemes and four directors under a defined benefit scheme.

Emoluments payable to the highest paid Director are as follows:

	1998	1997
	£'000	£'000
Aggregate emoluments	185	171
Company pension contributions to Money purchase schemes	81	75
	266	246

**8 Tax on (loss)/profit on ordinary activities**

	1998	1997
	£'000	£'000
United Kingdom corporation tax at 31%	87	125
Over provision in respect of prior years	(56)	-
	<u>31</u>	<u>125</u>

The 1998 tax charge has been increased as a result of expenses not allowable for tax purposes.

**9 Tangible fixed assets**

	Improvements to short leasehold property	Plant and machinery	Fixtures and fittings	Motor Vehicles	Total
	£'000	£'000	£'000	£'000	£'000
<b>Cost</b>					
At 1 January 1998	399	19,373	564	243	20,579
Additions	13	567	17	-	597
Disposals	-	-	-	(11)	(11)
<b>At 31 December 1998</b>	<b>412</b>	<b>19,940</b>	<b>581</b>	<b>232</b>	<b>21,165</b>
<b>Depreciation</b>					
At 1 January 1998	122	10,073	455	226	10,876
Charge for year	16	1,616	51	8	1,691
Disposals	-	-	-	(11)	(11)
<b>At 31 December 1998</b>	<b>138</b>	<b>11,689</b>	<b>506</b>	<b>223</b>	<b>12,556</b>
<b>Net book value</b>					
<b>At 31 December 1998</b>	<b>274</b>	<b>8,251</b>	<b>75</b>	<b>9</b>	<b>8,609</b>
At 31 December 1997	277	9,300	109	17	9,703

Included in the total net book value of plant and machinery is £5,291,793 (1997: £5,811,760) in respect of assets held under hire purchase contracts. The depreciation charge relating to these assets for the year was £746,638 (1997: £807,976).

**10 Stocks and work in progress**

	1988	1997
	£'000	£'000
Raw materials	433	469
Work in progress	887	801
	<u>1,320</u>	<u>1,270</u>

**11 Debtors: amounts falling due within one year**

	1998	1997
	£'000	£'000
Trade debtors	4,999	7,030
Other debtors	337	416
Prepayments and accrued income	196	246
Amounts owed by group undertakings	-	1,001
	<u>5,532</u>	<u>8,693</u>

**12 Creditors: amounts falling due within one year**

	1998	1997
	£'000	£'000
Bank overdraft	2,168	2,469
Payments received on account	995	738
Trade creditors	5,324	6,216
Amounts owed to group undertakings	2,256	2,783
Corporation tax	78	125
Other creditors including taxation and social security:		
Other taxes	245	216
Social security	191	191
Other creditors	-	9
Obligations under hire purchase contracts	1,125	1,428
Accruals and deferred income	740	1,565
	<u>13,122</u>	<u>15,740</u>

The company's bankers hold a debenture giving a fixed and floating charge over the assets and undertakings of the company.

**13 Creditors: amounts falling due after more than one year**

	1998	1997
	£'000	£'000
Hire purchase contracts repayable by instalments within five years	<u>1,267</u>	<u>2,269</u>
<b>Hire purchase contracts</b>		
	1998	1997
Repayable as follows:	£'000	£'000
In one year or less	1,125	1,428
Between one and two years	1,185	1,318
Between two and five years	82	951
	<u>2,392</u>	<u>3,697</u>

**14 Provisions for liabilities and charges**

	1998	1997
	£'000	£'000
Deferred taxation		
At 1 January	379	299
Transfers from fellow subsidiary undertaking	-	80
ACT recoverable utilised	24	-
<b>At 31 December</b>	<u>403</u>	<u>379</u>

The amount provided for deferred taxation and the full potential liability, calculated on the liability method, are set out below:

	1998		1997	
	Amount provided	Full potential liability	Amount provided	Full potential liability
	£'000	£'000	£'000	£'000
Accelerated capital allowances	423	1,135	441	1,534
Other timing differences	(20)	(20)	(38)	(38)
ACT recoverable	-	-	(24)	(24)
	<u>403</u>	<u>1,115</u>	<u>379</u>	<u>1,472</u>



**15 Share capital**

	1998	1997
	£'000	£'000
Authorised, allotted, called up and fully paid 100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>

**16 Profit and loss account**

	£'000
At 1 January 1998	1,354
Loss for the year	(609)
At 31 December 1998	<u>745</u>

**17 Reconciliation of movements in shareholders' funds**

	1998	1997
	£'000	£'000
Loss for the year	(59)	126
Dividends	(550)	-
Opening shareholders' funds	<u>1,454</u>	<u>1,328</u>
Closing shareholders' funds	<u>845</u>	<u>1,454</u>

**18 Capital commitments**

	1998	1997
	£'000	£'000
Capital expenditure that has been contracted for but has not been provided for in the financial statements	<u>728</u>	<u>-</u>

## 19 Contingent liabilities

The bank holds a duty deferment guarantee in favour of HM Customs & Excise with a nominal value of £50,000.

The company together with other group undertakings entered into an agreement with the National Westminster Bank whereby balances with the bank are subject to joint and several guarantees. The total group overdraft at 31 December 1998, subject to this agreement amounted to £2,993,000 (1997: £3,339,000).

## 20 Leasing commitments

The following amounts are payable within one year of the balance sheet date in respect of operating leases:

	Other		Land and buildings	
	1998	1997	1998	1997
	£'000	£'000	£'000	£'000
On leases expiring				
Within one year	30	69	33	29
Within two to five years	139	55	-	-
In more than five years	-	-	522	510
	<u>169</u>	<u>124</u>	<u>555</u>	<u>539</u>

## 21 Pension obligations

Details of the pension schemes are disclosed in the financial statements of the ultimate parent undertaking. The pension cost for the company was £483,000 (1997: £314,041). An amount of £103,969 (1997: £42,122) is included in accruals which represents the excess of the pension cost over the payment of contributions to the schemes.

## 22 Related party disclosure

A property owned by the pension scheme in which Mr J P Howitt, a director of John Howitt Group Limited, has a material interest, was rented to the company during the year. The amount paid by the company in respect of those rentals is listed below:

	1998	1997
	£'000	£'000
For rental of property provided to company	<u>80</u>	<u>80</u>

A loan to Mr J P Howitt arose during the year. The maximum amount outstanding was £5,806. No interest has been charged and the balance was fully repaid by 31 December 1998.

**23 Ultimate parent company**

The ultimate parent company was John Howitt Group Limited, a company incorporated and registered in England. The directors regarded Mr J P Howitt as the ultimate controlling party by virtue of his 100% interest in the equity capital of John Howitt Group Limited. A copy of the financial statements of the parent company can be obtained from the Registrar of Companies. As noted on page 2 it is expected that John Howitt Group Limited will be acquired by Waddington PLC, a public company incorporated and registered in England, in the near future.