

WD-40 COMPANY LIMITED

ANNUAL REPORT

31 AUGUST 1999

Registered in England and Wales - Number 1755958



WD-40 COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 1999

The directors present their annual report of the company for the year ended 31 August 1999.

Principal activities and review of the business

The company continues to manufacture and market WD-40 and 3 in one in markets across UK, Europe, Middle East and Africa.

The company achieved record sales and profits. Sales grew by 8.7%. The WD-40 branch offices in Germany, France and Spain all continued to achieve good growth in excess of 20%. Sales in the UK increased by 4% and sales via third party distributors into the rest of Europe, Middle East and Africa increased by 8%.

Profits before tax increased by 20.1%.

The Company continues to invest in all sectors and expects further growth in sales and earning for the coming year.

Year 2000

The company is working to ensure the ongoing operation of business systems and processes into the new millenium. A project has been set up to ensure that all hardware and software programs are year 2000 compliant. We continue to work with our key trading partners, suppliers and customers to ensure that the supply and distribution chains we depend on and are involved in, continue to operate without disruption. The year 2000 compliance project is designed to avoid computer systems failure from a year change. However, that work cannot provide an absolute assurance. Contingency plans are being developed to minimise risk of non-compliance caused by disruption from area where we do not have direct control.

Results and dividends

The profit for the year after taxation amounted to £2,437,000 (1998 - £2,032,000).

Dividends of £1,300,000 were paid in respect of the year (1998 - £2,568,000).

Directors

The directors of the company during the year were as follows:

K S Gallon
G O Ridge
W Noble

The directors had no disclosable interest in the shares of the company or any other group undertakings during the year.

Payment of creditors

The company's policy is to pay all suppliers within agreed credit terms. Average creditor days was 31 (1998 - 41).

WD-40 COMPANY LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 AUGUST 1999 (CONTINUED)

Directors' responsibility for preparing the accounts

The directors are required by the Companies Act 1985 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 for the financial year.

The directors consider that in preparing the financial statements on pages 4 to 11 the company has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed.

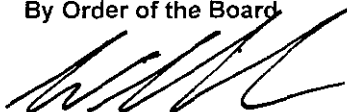
The directors have responsibility for ensuring that the company keeps accounting records which disclose with reasonable accuracy the financial position of the company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors 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.

Auditors

The auditors, PricewaterhouseCoopers, shall be deemed to be re-appointed for subsequent financial years in accordance with Section 386 of the Companies Act 1985.

By Order of the Board



W Noble
Director

24th September 1999

AUDITORS' REPORT TO THE SHAREHOLDERS OF WD-40 COMPANY LIMITED

We have audited the financial statements on pages 4 to 11 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 2 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 as at 31 August 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Central Business Exchange,
Midsummer Boulevard,
Milton Keynes,
MK9 2DF.

24th September 1999

WD-40 COMPANY LIMITED

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31 AUGUST 1999

	Notes	1999 £'000	1998 £'000
Turnover	3	24,142	22,206
Cost of sales		(12,963)	(12,211)
Gross profit		11,179	9,995
Distribution costs		(1,149)	(1,135)
Administration expenses		(6,568)	(6,068)
Operating profit	4	3,462	2,792
Interest receivable and similar income		112	183
Profit on ordinary activities before taxation		3,574	2,975
Tax on profit on ordinary activities	5	(1,137)	(943)
Profit for the financial year		2,437	2,032
Retained profit brought forward		5,152	5,688
		7,589	7,720
Dividends paid		(1,300)	(2,568)
Retained profit carried forward		6,289	5,152

The company's recognised gains and losses consist wholly of the profit for the financial year. All company operations are continuing.

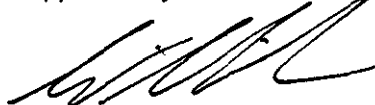
The notes on pages 6 to 11 form part of these accounts.

WD-40 COMPANY LIMITED

BALANCE SHEET - 31 AUGUST 1999

	Notes	1999 £'000	1998 £'000
Fixed assets			
Tangible assets	6	1,400	1,231
Intangible assets	7	752	819
		2,152	2,050
Current assets			
Stock	8	480	405
Debtors	9	6,415	4,726
Cash at bank and in hand		1,501	2,160
		8,396	7,291
Creditors: amounts falling due within one year	10	(3,956)	(3,882)
Net current assets		4,440	3,409
Total assets less current liabilities		6,592	5,459
Provision for liabilities and charges	11	(53)	(57)
		6,539	5,402
Capital and reserves			
Share capital	12	250	250
Profit and loss account		6,289	5,152
Total shareholders' funds	16	6,539	5,402

Approved by the Board on 24th September 1999



W Noble

The notes on pages 6 to 11 form part of these accounts.

WD-40 COMPANY LIMITED

NOTES TO THE ACCOUNTS - 31 AUGUST 1999

1 ACCOUNTING POLICIES

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The company has adopted the following accounting policies.

Turnover

Turnover represents the invoiced value of goods supplied after deduction of settlement discount and value added tax.

Stock

Stock has been included in the accounts at the lower of cost and net realisable value.

Fixed assets and depreciation and amortisation

Fixed assets are stated at cost less depreciation, which has been calculated to write off the fixed assets on a straight line basis over their estimated useful lives at the following rates:

Motor vehicles	-	25%
Buildings	-	2½%
Plant and machinery	-	10%
Fixtures and fittings	-	10% - 20%
Computers	-	25%-33⅓%
Goodwill amortisation	-	6⅔%

No depreciation is provided on freehold land.

Goodwill arising on the acquisitions of companies and brand rights is amortised over the economic life of the goodwill.

Taxation

Deferred taxation is provided using the liability method on all timing differences.

Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Trading results are translated at the monthly average rates during the year. Foreign currency exchange differences are dealt with through the profit and loss account.

WD-40 COMPANY LIMITED

NOTES TO THE ACCOUNTS - 31 AUGUST 1999 (continued)

1 ACCOUNTING POLICIES (Continued)

Pension costs

Employees of WD-40 Limited are members of a defined contribution money purchase scheme. The assets of the scheme are held separately from those of the company in independently administered funds. The cost of providing pensions to employees is charged to the profit and loss account as it is incurred.

2 CASHFLOW STATEMENT

The company is a wholly owned subsidiary of WD-40 Inc and is included in the financial statements of WD-40 Inc which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing a cashflow statement under the terms of Financial Reporting Standard 1 (Revised 1996).

3 TURNOVER

	1999 £'000	1998 £'000
Geographical analysis of turnover:		
UK/Eire	9,139	8,788
Europe	11,643	10,940
Africa/Middle East	3,360	2,478
	24,142	22,206

4 OPERATING PROFIT

	1999 £'000	1998 £'000
Operating profit is stated after charging/(crediting):		
Salaries	1,906	1,697
Social security costs	334	284
Other pension costs	179	210
Depreciation	249	244
Amortisation of goodwill	67	67
Loss/(profit) on sale of fixed assets	16	(2)
Royalties	2,287	2,107
Auditors' remuneration for audit services	19	16
Exchange loss	3	25

WD-40 COMPANY LIMITED

NOTES TO THE ACCOUNTS - 31 AUGUST 1999 (continued)

5 TAXATION

	1999 £'000	1998 £'000
The taxation charge based on profit for the year is made up as follows:		
Corporation tax at 30.58% (1998: 31%)	1,140	944
Deferred tax (note 11)	(5)	(7)
Overseas tax	2	6
	<u>1,137</u>	<u>943</u>

6 TANGIBLE FIXED ASSETS

	Freehold land £'000	Building £'000	Plant, tools and machinery £'000	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost						
At 1 September 1998	117	714	143	686	461	2,121
Additions	-	2	-	260	222	484
Disposals	-	-	(75)	(184)	(174)	(433)
At 31 August 1999	<u>117</u>	<u>716</u>	<u>68</u>	<u>762</u>	<u>509</u>	<u>2,172</u>
Depreciation						
At 1 September 1998	-	203	126	371	190	890
Charge for year	-	18	4	105	121	248
Disposals	-	-	(75)	(162)	(129)	(366)
At 31 August 1999	<u>-</u>	<u>221</u>	<u>55</u>	<u>314</u>	<u>182</u>	<u>772</u>
Net book amount						
At 31 August 1999	<u>117</u>	<u>495</u>	<u>13</u>	<u>448</u>	<u>327</u>	<u>1,400</u>
At 31 August 1998	<u>117</u>	<u>511</u>	<u>17</u>	<u>315</u>	<u>271</u>	<u>1,231</u>

WD-40 COMPANY LIMITED

NOTES TO THE ACCOUNTS - 31 AUGUST 1999 (continued)

6 TANGIBLE FIXED ASSETS

Capital commitments:

	1999 £'000	1998 £'000
Future capital expenditure not provided for in the accounts for which contracts have been placed	21	41

7 INTANGIBLE FIXED ASSETS

	1999 £'000	1998 £'000
Goodwill at cost	998	998
Less: amortisation	(246)	(179)
Net book value	752	819

The goodwill relates to the acquisition of the 3 in 1 brand rights during 1995/96 for the UK, Europe and Middle East. The goodwill is being amortised on a straight line basis over 15 years.

8 STOCK

	1999 £'000	1998 £'000
Raw materials	8	3
Work in progress	32	31
Finished goods	440	371
	480	405

There was also finished goods of £362,000 (1998-£ 333,000) held at a contract packer for which legal title has passed to the contract packer but will be sold back to WD-40 Company Limited.

9 DEBTORS

	1999 £'000	1998 £'000
Trade debtors	5,710	4,123
Prepayments and accrued income	705	603
	6,415	4,726

WD-40 COMPANY LIMITED

NOTES TO THE ACCOUNTS - 31 AUGUST 1999 (continued)

10 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999 £'000	1998 £'000
Trade creditors	1,395	1,164
Amounts owed to group undertakings	640	989
Taxation and social security	978	898
Accruals and deferred income	943	831
	<u>3,956</u>	<u>3,882</u>

11 DEFERRED TAXATION

	1999 £'000	1998 £'000
Excess of capital allowances claimed over depreciation	82	86
Other timing difference	(29)	(29)
	<u>53</u>	<u>57</u>

There is no unprovided potential deferred tax liability.

12 SHARE CAPITAL

	1999 £'000	1998 £'000
Authorised:		
500,000 ordinary shares of £1 each	<u>500</u>	<u>500</u>
Issued, allotted and fully paid:		
250,000 ordinary shares of £1 each	<u>250</u>	<u>250</u>

13 PENSION COMMITMENTS

There is a Group Company Pension/Life Assurance scheme administered by Standard Life. This is a money-purchase non-contributory scheme open to all employees after a qualifying period of service.

WD-40 COMPANY LIMITED

WD-40 COMPANY LIMITED

NOTES TO THE ACCOUNTS - 31 AUGUST 1999 (continued)

14 DIRECTORS' EMOLUMENTS

	1999 £'000	1998 £'000
Emoluments	157	164
Pension contributions (1 director)	21	26

15 EMPLOYEES

The average weekly number of persons employed in the company was 55 (1998 - 52).

	1999	1998
Employees by category:		
Sales and marketing	35	34
Administration	20	18

16 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	1999	1998
Profit for the financial year	2,437	2,032
Dividends	(1,300)	(2,568)
Net reduction to shareholders' funds	1,137	(536)
Opening shareholders' funds	5,402	5,938
Closing shareholders' funds	6,539	5,402

17 ULTIMATE HOLDING COMPANY

The ultimate holding company is WD-40 Company incorporated in the United States. This is the smallest and largest group for which group accounts are prepared including this company. Copies of group accounts can be requested from WD-40 Company, 1061 Cudahy Place, San Diego, California, 92110, USA. The company has taken advantage of paragraph 3 of FRS 8 'Related Party Disclosures' not to disclose transactions with members of the WD-40 group.