

JACKEL INTERNATIONAL LIMITED

REPORT AND ACCOUNTS

YEAR ENDED 31ST DECEMBER 1999

Registered Number: 1894022



JACKEL INTERNATIONAL LIMITED

REPORT AND ACCOUNTS

YEAR ENDED 31ST DECEMBER 1999

| CONTENTS | Page |
|---------------------------------------------------|--------|
| Directors' report | 1 - 2 |
| Statement of directors' responsibilities | 2 |
| Auditors' report | 3 |
| Profit and loss account | 4 |
| Balance sheet | 5 |
| Reconciliation of movement in shareholders' funds | 6 |
| Notes to the accounts | 7 - 14 |

JACKEL INTERNATIONAL LIMITED

DIRECTORS' REPORT

YEAR ENDED 31ST DECEMBER 1999

The directors present their annual report together with the audited accounts for the year ended 31st December 1999.

REVIEW OF THE BUSINESS

The principal activity of the company was the design, manufacture and distribution of baby accessories, (e.g. bottles, soothers, feeding cups), gifts and grooming and haircare products. The company is particularly well known for its TOMMEE TIPPEE and MAWS brand names and also supplies a wide range of private label customers.

RESULTS AND DIVIDENDS

The results of the company and the financial position as at the year end are set out in the profit and loss account and balance sheet on pages 4 and 5 respectively.

No interim dividends were paid during the year (1998 : £Nil). The directors recommend no final dividend be paid (1998 : £Nil).

DIRECTORS AND THEIR INTERESTS

The directors and their interests in the shares of Mayborn Group PLC, the ultimate parent company, at the 31st December were :

| | Shares | | Share options | |
|-----------------------------------------|-----------|-----------|---------------|--------|
| | 1999 | 1998 | 1999 | 1998 |
| The Hon M J Samuel (Chairman) | 8,789,448 | 8,789,448 | - | - |
| E Chan | 20,000 | 20,000 | 52,763 | 52,763 |
| R E Bowen | 20,550 | 13,550 | 39,834 | 39,834 |
| I M Hartley | 14,289 | 9,289 | 67,069 | 67,069 |
| G C C Cornelius | 49,153 | 20,588 | 78,449 | 78,449 |
| A Hunter-Love - appointed 7th June 1999 | - | - | 20,000 | - |
| P Dowson - appointed 29th November 1999 | - | - | - | - |

M Roxburgh resigned 30th November 1999. A E Rees and D Jones resigned on 31st December 1999.

RESEARCH AND DEVELOPMENT

The company will continue to invest in developing new products and in improving existing ones.

EMPLOYEES

The company currently employs a number of disabled people and offers the same opportunity to them as to others in respect of recruitment and career advancement, providing their disability does not prevent them from carrying out their required duties.

The organisation of the company helps to improve communication and to provide greater involvement of employees in their company's activities. With the objective of giving the opportunity to participate in the future growth of the group, share option schemes are in operation.

YEAR 2000

To date no "Year 2000" problems that would adversely impact on the business have been reported to the directors. The directors are continuing to monitor the situation but do not anticipate significant disruption or cost as a result of this issue.

JACKEL INTERNATIONAL LIMITED

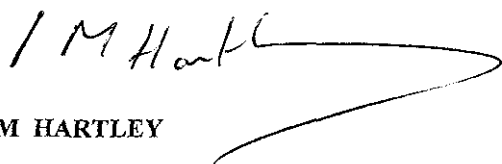
DIRECTORS' REPORT (continued)

YEAR ENDED 31ST DECEMBER 1999

AUDITORS

A resolution to re-appoint Hays Allan as auditors will be presented to the members at the Annual General Meeting in accordance with Section 385(2) of the Companies Act 1985.

BY ORDER OF THE BOARD



I M HARTLEY

Secretary.

20th March 2000

Registered Office:

Dudley Lane,
Cramlington,
Northumberland,
NE23 7RH.

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 of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and 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.

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 taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS' REPORT TO THE MEMBERS OF

JACKEL INTERNATIONAL LIMITED

We have audited the financial statements on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 2, 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 report our opinion to you.

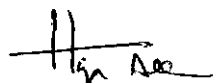
Basis of opinion

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 affairs of the company as at 31st December 1999 and of the its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



HAYS ALLAN
Chartered Accountants
Registered Auditor

Southampton House
317 High Holborn
London
WC1V 7NL

20th March 2000

JACKEL INTERNATIONAL LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 31ST DECEMBER 1999

| | Note | 1999 £'000 | 1998 £'000 |
|----------------------------------------------------------------|------|----------------|----------------|
| TURNOVER | 2 | 23,063 | 25,508 |
| Changes in stocks of finished goods and work in progress | | 179 | 294 |
| Raw materials and consumables | | 11,559 | 14,301 |
| Staff costs | 3 | 6,266 | 5,254 |
| Depreciation | | 1,565 | 1,602 |
| Other operating charges | | 4,835 | 7,124 |
| | | <u>24,404</u> | <u>28,575</u> |
| Other income | | <u>-</u> | <u>5</u> |
| | | 24,404 | 28,570 |
| TRADING LOSS | | <u>(1,341)</u> | <u>(3,062)</u> |
| Restructuring and reorganisation costs | 7 | 881 | - |
| OPERATING LOSS | | <u>(2,222)</u> | <u>(3,062)</u> |
| Interest payable | 5 | 379 | 382 |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | 2 | (2,601) | (3,444) |
| Taxation on profit on ordinary activities | 6 | (741) | (1,065) |
| RETAINED LOSS FOR THE YEAR | 15 | <u>(1,860)</u> | <u>(2,379)</u> |

Movements in reserves are shown in note 15.

Turnover and operating profit derive entirely from continuing operations.

All recognised gains and losses are included in the profit and loss account.

JACKEL INTERNATIONAL LIMITED

BALANCE SHEET

AT 31ST DECEMBER 1999

| | Note | 1999 £'000 | 1998 £'000 |
|----------------------------------------------------|------|---------------|---------------|
| FIXED ASSETS | | | |
| Tangible assets | 8 | 4,726 | 4,429 |
| CURRENT ASSETS | | | |
| Stocks | 9 | 3,055 | 3,547 |
| Debtors | 10 | 6,069 | 5,608 |
| Cash at bank | | 20 | 86 |
| | | <u>9,144</u> | <u>9,241</u> |
| CREDITORS: DUE WITHIN ONE YEAR | 11 | (8,613) | (10,102) |
| NET CURRENT ASSETS / (LIABILITIES) | | <u>531</u> | <u>(861)</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>5,257</u> | <u>3,568</u> |
| CREDITORS: DUE AFTER MORE THAN ONE YEAR | 12 | (501) | (501) |
| PROVISIONS FOR LIABILITIES AND CHARGES | 13 | (944) | (395) |
| NET ASSETS | | <u>3,812</u> | <u>2,672</u> |
| CAPITAL AND RESERVES | | | |
| CALLED UP SHARE CAPITAL | 14 | 3,000 | - |
| PROFIT AND LOSS ACCOUNT | 15 | 812 | 2,672 |
| EQUITY SHAREHOLDERS' FUNDS | | <u>3,812</u> | <u>2,672</u> |

Signed on behalf of the board on 20th March 2000


THE HON M J SAMUEL - Director


I M HARTLEY - Director

JACKEL INTERNATIONAL LIMITED**RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS****YEAR ENDED 31ST DECEMBER 1999**

| | 1999 | 1998 |
|-------------------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Retained loss for the year | (1,860) | (2,379) |
| New equity share capital issued during the year | 3,000 | - |
| Net increase / (decrease) | 1,140 | (2,379) |
| At 1st January | 2,672 | 5,051 |
| At 31st December | <u>3,812</u> | <u>2,672</u> |

1. ACCOUNTING POLICIES

(a) BASIS OF ACCOUNTING

The accounts are prepared on the historical cost basis and in accordance with applicable accounting standards.

(b) TANGIBLE FIXED ASSETS AND DEPRECIATION

Tangible fixed assets are included at cost less depreciation. Depreciation is provided on a straight line basis over the estimated useful life of the asset.

The following rates per annum are used:

| | |
|------------------------|-------------|
| Leasehold improvements | 10 % |
| Plant and equipment | 10 % - 15 % |
| Fixtures and fittings | 15 % |
| Motor vehicles | 20 % - 35% |
| Computer equipment | 25 % |
| Tooling | 25 % |

(c) STOCKS

Stocks are valued at the lower of cost and net realisable value. Cost is on a first-in first-out basis and includes an addition for production overheads where appropriate.

(d) RESEARCH AND DEVELOPMENT COSTS

Research and development costs are written off as incurred.

(e) FOREIGN CURRENCIES

Transactions in foreign currencies are translated at the rate ruling when the transactions are undertaken - any gain or loss on exchange arising from settlement being taken to the profit and loss account.

Assets and liabilities in foreign currencies are translated at rates of exchange ruling at the balance sheet date.

(f) DEFERRED TAXATION

Deferred taxation is provided, using the liability method, on all timing differences other than those for which no liability is expected to crystallise in the foreseeable future.

(g) TURNOVER

Turnover represents the invoiced amount of goods sold and services provided during the year, net of value added tax.

(h) CASH FLOW STATEMENT

The company has taken advantage of the exemption contained in FRS1 from the requirement to produce a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking and that consolidated financial statements are publicly available.

1. ACCOUNTING POLICIES (continued)**(i) LEASED ASSETS**

Assets held under finance leases are capitalised and included in tangible fixed assets and the resulting lease obligations, net of finance charges in respect of future periods, are included in creditors. The finance charges in the profit and loss account reflect a constant rate of interest on the remaining balance of the obligations.

Rental costs under operating leases are charged to the profit and loss account on a straight line basis.

2. TURNOVER AND LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The activities of the company are considered one class of business.

| Turnover by geographical area | 1999 £'000 | 1998 £'000 |
|------------------------------------------------------------------------------|---------------|---------------|
| United Kingdom | 19,971 | 22,558 |
| Europe | 2,380 | 2,418 |
| The Americas | 150 | 12 |
| Far East / Australasia | 430 | 369 |
| Africa / Middle East | 132 | 151 |
| | <hr/> 23,063 | <hr/> 25,508 |
| The loss on ordinary activities before taxation is stated after charging: | | |
| Auditors' remuneration - audit fees | 24 | 19 |
| - non - audit fees | 5 | 8 |
| | <hr/> | <hr/> |

3. STAFF COSTS

| | | |
|-----------------------------------------------------------------|----------------|----------------|
| Wages and salaries | 5,669 | 4,775 |
| Social security costs | 444 | 389 |
| Other pension costs (note 16) | 153 | 90 |
| | <hr/> 6,266 | <hr/> 5,254 |
| | <hr/> | <hr/> |
| The average number of employees during the year was as follows: | 1999 Number | 1998 Number |
| Production | 292 | 221 |
| Office and administration | 163 | 174 |
| | <hr/> 455 | <hr/> 395 |
| | <hr/> | <hr/> |

JACKEL INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS (continued)

YEAR ENDED 31ST DECEMBER 1999

| 4. DIRECTORS' EMOLUMENTS | 1999 £'000 | 1998 £'000 |
|------------------------------------------------------------------|---------------|---------------|
| Directors | | |
| Aggregate emoluments (including compensation for loss of office) | 434 | 435 |
| Compensation for loss of office | 103 | 106 |

The highest - paid director

| | | |
|----------------------------------|----|----|
| Aggregate emoluments | 70 | 72 |
| Compensation for loss of office | - | - |
| Defined benefit pension scheme : | | |
| Accrued pension at end of year | 9 | 7 |

Retirement benefits are accruing to two directors under a defined benefit scheme.

5. INTEREST PAYABLE

| | | |
|---------------------------------------------|-----|-----|
| Payable to ultimate parent company on loans | 379 | 381 |
| On finance leases | - | 1 |
| | 379 | 382 |

6. TAXATION ON PROFIT ON ORDINARY ACTIVITIES

| | | |
|-------------------------------|-------|---------|
| UK corporation tax | (653) | (881) |
| Adjustment for previous years | (46) | (29) |
| Deferred taxation | (42) | (155) |
| | (741) | (1,065) |

7. RESTRUCTURING AND REORGANISATION COSTS

| | | |
|----------------------------------------|-----|---|
| Restructuring and reorganisation costs | 881 | - |
|----------------------------------------|-----|---|

These costs relate to the reorganisation of the company and include the cost of closing the Stevenage factory.

JACKEL INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS (continued)

YEAR ENDED 31ST DECEMBER 1999

| 8. TANGIBLE FIXED ASSETS | Short leasehold land and buildings £'000 | Equipment and vehicles £'000 | Total £'000 |
|---------------------------------|-----------------------------------------------------------------|-------------------------------------------------|------------------------|
| COST | | | |
| At 1st January 1999 | 430 | 11,627 | 12,057 |
| Additions | 54 | 1,830 | 1,884 |
| Disposals | - | (222) | (222) |
| At 31st December 1999 | <u>484</u> | <u>13,235</u> | <u>13,719</u> |
| DEPRECIATION | | | |
| At 1st January 1999 | 153 | 7,475 | 7,628 |
| Provided during the year | 41 | 1,524 | 1,565 |
| Disposals | - | (200) | (200) |
| At 31st December 1999 | <u>194</u> | <u>8,799</u> | <u>8,993</u> |
| NET BOOK VALUE | | | |
| At 31st December 1999 | <u>290</u> | <u>4,436</u> | <u>4,726</u> |
| At 31st December 1998 | <u>277</u> | <u>4,152</u> | <u>4,429</u> |

Included under fixed assets, are assets held under finance leases with a net book value of £Nil (1998: £65,000). The depreciation provided during the year on those assets was £27,000 (1998 : £27,000).

| 9. STOCKS | 1999 £'000 | 1998 £'000 |
|------------------|-----------------------|-----------------------|
| Raw materials | 1,723 | 2,036 |
| Work in progress | 14 | 112 |
| Finished goods | 1,318 | 1,399 |
| | <u>3,055</u> | <u>3,547</u> |

JACKEL INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS (continued)

YEAR ENDED 31ST DECEMBER 1999

| 10. DEBTORS | 1999 | 1998 |
|-----------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Due within one year | | |
| Trade debtors | 4,157 | 4,047 |
| Due from fellow subsidiary undertakings | 1,695 | 1,173 |
| Other debtors | 6 | 180 |
| Prepayments and accrued income | 211 | 208 |
| | <u>6,069</u> | <u>5,608</u> |

11. CREDITORS: DUE WITHIN ONE YEAR

| | | |
|------------------------------------------|--------------|---------------|
| Trade creditors | 1,875 | 1,925 |
| Bank overdrafts | 80 | - |
| Due to ultimate parent company | 3,427 | 5,127 |
| Due to fellow subsidiary undertakings | 774 | 186 |
| Other taxes and social security payments | 440 | 403 |
| Other creditors | 486 | 512 |
| Corporation tax | 10 | - |
| Accruals and deferred income | 1,521 | 1,949 |
| | <u>8,613</u> | <u>10,102</u> |

The amount due to the ultimate parent company includes an interest free loan of £562,000 and an open loan of £2,865,000 bearing interest at current market rates.

NOTES TO THE ACCOUNTS (continued)

YEAR ENDED 31ST DECEMBER 1999

| 12. CREDITORS: DUE AFTER MORE THAN ONE YEAR | 1999 £'000 | 1998 £'000 |
|---------------------------------------------|---------------|---------------|
| Due to fellow subsidiary undertakings | 501 | 501 |
| | <u>501</u> | <u>501</u> |

13. PROVISIONS FOR LIABILITIES AND CHARGES

| | | |
|---------------------------------------------------------|------------|------------|
| Deferred taxation provided: | | |
| Excess of capital allowances received over depreciation | 93 | 134 |
| Other short-term timing differences | (57) | (56) |
| | <u>36</u> | <u>78</u> |
| Pension provision (Note 17) | 363 | 317 |
| Provision for restructuring and reorganisation costs | 545 | - |
| | <u>944</u> | <u>395</u> |

14. CALLED UP SHARE CAPITAL

| | 1999 £'000 | 1998 £ |
|----------------------------------------------------------------------------|---------------|-----------|
| Authorised 3,000,000 ordinary shares of £1 each | 3,000 | 100 |
| Allotted, called up and fully paid 3,000,000 ordinary shares of £1 each | <u>3,000</u> | <u>2</u> |

The authorised share capital was increased from £100 to £3million by the creation of 2,999,900 shares of £1 each by ordinary resolution dated 21st December 1999. The company issued 2,999,998 ordinary shares of £1 each to provide additional working capital.

15. PROFIT AND LOSS ACCOUNT

| | |
|----------------------------|------------|
| At 1st January 1999 | 2,672 |
| Retained loss for the year | (1,860) |
| At 31st December 1999 | <u>812</u> |

16. CONTINGENT LIABILITIES

There is a cross guarantee to bankers for an unlimited amount given, jointly and severally, by this company and fellow UK subsidiary undertakings in respect of Maybom Group PLC, the ultimate parent company. There is a claim that has been made against the company for £300,000. The directors believe that there is no valid basis for this claim and accordingly, no provision has been made in the accounts.

There is also a claim against the company for damages and costs for litigation re a patent. A charge was made in the accounts in 1998 for this to the extent that the directors considered may become payable, although not to the full extent of the claim. The company is appealing against the decision and this is likely to be heard in the High Court during 2000.

17. PENSION COMMITMENTS

Mayborn Group PLC, the company's ultimate parent company operates a defined benefit pension scheme in the U.K., the assets of which are administered by trustees.

Contributions to the scheme are assessed by a qualified actuary on the basis of valuations using the projected unit method. The charge to the profit and loss account for regular pension costs has been calculated so as to spread the cost of pensions over employees' working lives with the group in the light of current actuarial assumptions.

The latest actuarial valuation of the scheme was as at 1st October 1998. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on the investments and the rates of increase in salaries and pensions. It was assumed that the investment return would be 8.75 % per annum, that salary increases would average 6.5 % per annum and that present and future pensions would increase at the rate of 4 % per annum. Dividend growth is assumed to be 5.25 % per annum.

Particulars of this latest valuation are contained in the accounts of Mayborn Group PLC.

The resulting surplus of the actuarial value of the assets over accrued benefits is being reflected in the profit and loss account over a period of fifteen years - being the estimated average remaining service life of the employees.

The cumulative pension provision set up prior to the latest actuarial valuation and now surplus to requirements, is also being reflected in the profit and loss account over the estimated average remaining service life of the employees.

The charge for pension costs for the year is:

| | 1999 | 1998 |
|---------------------------------------------|-------|-------|
| | £'000 | £'000 |
| Regular cost | 206 | 197 |
| Amortisation of the surpluses on valuations | (53) | (107) |
| Total (note 3) | 153 | 90 |

The cumulative pension cost charged to the profit and loss account that has not been paid to the pension scheme is shown as a pension provision (note 13).

JACKEL INTERNATIONAL LIMITED

NOTES TO THE ACCOUNTS (continued)

YEAR ENDED 31ST DECEMBER 1999

| 18. CAPITAL COMMITMENTS | 1999 | 1998 |
|--------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Contracts placed | 303 | 523 |
| | <hr/> | <hr/> |

19. OPERATING LEASE COMMITMENTS

Operating lease commitments payable in the following year, analysed according to the period in which each lease expires, are as follows :-

(a) Land and buildings

| | | |
|-------------------------------------|-------|-------|
| Expiring between one and five years | 432 | 402 |
| Expiring after five years | 17 | 17 |
| | <hr/> | <hr/> |
| | 449 | 419 |
| | <hr/> | <hr/> |

(b) Other assets

| | | |
|-------------------------------------|-------|-------|
| Expiring within one year | 22 | 47 |
| Expiring between one and five years | 88 | 49 |
| | <hr/> | <hr/> |
| | 110 | 96 |
| | <hr/> | <hr/> |

20. ULTIMATE PARENT COMPANY

The company is a wholly owned subsidiary undertaking of Mayborn Group PLC, which is registered in England.

The consolidated accounts of Mayborn Group PLC, a fully listed company, are available to the public and may be obtained from:

Dylon House
Worsley Bridge Road
Lower Sydenham
London SE26 5HD
Tel : 020- 8663-4801