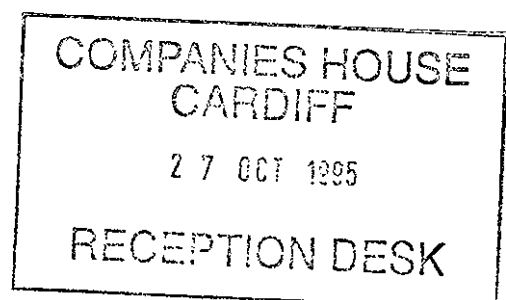


Addis Housewares Limited

Directors' report and financial statements

31 December 1994

Registered number 2881663



Addis Housewares Limited

Directors' report and financial statements

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Addis Housewares Limited

Directors' report

The directors present their annual report and the audited financial statements for the period ended 31 December 1994.

Principal activity

The principal activity of the company is the manufacture and sale of houseware products.

Business review

Addis Housewares Limited was incorporated on 13 December 1993.

On 1 January 1994 the business, assets and liabilities of the Houseware business were transferred from the immediate parent company, Addis Limited.

Following the major changes of 1993, the company made progress in 1994 towards the key objectives of improved profitability, reduced borrowings, new product development and sound customer service.

With the continuing uncertain levels of UK consumer spend, management efforts were largely focused on overhead cost control and working capital reduction. Costs were cut and it was necessary as part of this process to reduce staffing levels.

The business generally weathered the uncertain market conditions despite significant raw material increases in the second half of the year.

The management team was strengthened in a number of areas resulting in improvements in customer service and new product introductions.

Whilst there has not been any tangible indication of recovery in UK demand, the continuing efforts to cuts and control costs, win market share, develop new products and expand European sales, will strengthen the company's strategic position in the market it operates.

Share capital

The company was incorporated on 13 December 1993 with an authorised share capital of 6,000,000 ordinary shares of £1 each. On incorporation one ordinary share of £1 was issued by the company at nominal value. In January 1994 the company purchased the trade, net assets and goodwill of the housewares business previously carried out by Addis Limited. The consideration for the acquisition was the issue of 5,999,999 ordinary shares of £1 nominal value to Addis Limited.

For accounting purposes this transfer was treated as taking place at the net book value of the assets and liabilities in the accounts of Addis Limited and no value was assigned to the goodwill.

Addis Housewares Limited

Directors' report *(continued)*

Dividends and transfer to reserves

	£000
Profit for the financial year	1,260
Dividend paid	(300)
Transfer to reserves	960

Significant changes in fixed assets

Details of the movements in fixed assets in the period are given in the notes to the financial statements.

In the opinion of the directors there is no significant difference between the market values and book values of land and buildings.

Directors and directors' interests

The directors who held office during the period were as follows:

P J Molony (Chairman)	-	appointed 23 December 1993, resigned 31 December 1994
C M Papadopoulos (Managing Director)	-	appointed 14 February 1994
M J Budd	-	appointed 4 January 1994
A J Christopher	-	appointed 4 January 1994
B Collett	-	appointed 13 December 1993, resigned 23 December 1993
R T Collet	-	appointed 23 December 1993, resigned 12 February 1994
P A Edelston	-	appointed 4 January 1994, resigned 15 March 1994
S G Holbrough	-	appointed 4 January 1994
J Newcomb	-	appointed 20 June 1994
I M Thompson	-	appointed 4 January 1994

Addis Housewares Limited

Directors' report *(continued)*

Directors' and directors' interests *(continued)*

None of the directors who held office at the end of the financial year had any disclosable interest in the share capital of any group companies during the period.

Employees

The company continued Addis Limited's procedures for communicating and consulting with employees during 1994, including involving them in matters which affect their interest as employees.

The policy of the company is to achieve a high standard of health, safety and welfare at work for all employees.

The engagement and continuing employment of disabled persons remained part of the company's policy. Where such individuals have the appropriate experience, ability and qualifications to do the job, they are offered equal opportunities for training, career development and promotion as are offered to those who are not disabled.

Auditors

In accordance with Section 385 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company, is to be proposed at the forthcoming Annual General Meeting.

By order of the board



A J Christopher
Secretary

River Bank
Swansea
SA1 7DD
25 April
1995

Addis Housewares Limited

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 for that 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;
- 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 to enable them to ensure that the financial statements 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.



Marlborough House
Fitzalan Court
Fitzalan Road
Cardiff CF2 1TE

Auditors' report to the members of Addis Housewares Limited

We have audited the financial statements on pages 6 to 17.

Respective responsibilities of directors and auditors

As described on page 4 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 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 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 December 1994 and of its profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

27 April 1995

Chartered Accountants
Registered Auditors

Addis Housewares Limited

Profit and loss account for the period ended 31 December 1994

	<i>Note</i>	1994 £000
Turnover - acquisitions	2	23,202
Cost of sales		(15,162)
Gross profit		8,040
Distribution costs		(4,881)
Administrative expenses		(1,755)
Operating profit - acquisitions		1,404
Loss on disposal of fixed assets		(115)
Interest payable and similar charges	3	(29)
Profit on ordinary activities before taxation	4	1,260
Tax on profit on ordinary activities	7	-
Profit on ordinary activities after taxation being profit for the financial period		1,260
Dividend paid		(300)
Retained profit for the financial period		960

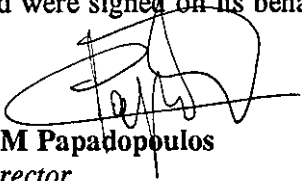
There were no recognised gains or losses in the financial period other than those passing through the profit and loss account.

Addis Housewares Limited

Balance sheet
at 31 December 1994

	Note	1994	
		£000	£000
Fixed assets			
Tangible assets	8		6,057
Current assets			
Stocks	9	1,247	
Debtors	10	4,100	
Cash at bank and in hand		1,450	
		6,797	
Creditors: amounts falling due within one year	11	(5,776)	
Net current assets			1,021
Total assets less current liabilities			7,078
Creditors: amounts falling due after more than one year	12		(118)
Net assets			6,960
Capital and reserves			
Called up share capital	13	6,000	
Profit and loss account		960	
Shareholders' funds			6,960

These financial statements were approved by the board of directors on 25 April 1995.
and were signed on its behalf by:


C M Papadopoulos
Director

Addis Housewares Limited

Reconciliation of movements in shareholders' funds *for the period ended 31 December 1994*

	1994 £'000
Profit for the financial period	1,260
Dividend	(300)
Retained profit	960
New share capital subscribed	6,000
Closing shareholders' funds	<u>6,960</u>

Addis Housewares Limited

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules. Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary.

Fixed assets and depreciation

Depreciation is provided by the group to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	50 years
Plant and machinery	-	3 to 7 years
Motor vehicles	-	4 years
Fixtures and fittings	-	5 to 10 years

No depreciation is provided on freehold land.

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.

Leased assets

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included with creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Pension costs

The company participates in a group pension scheme, providing benefits based on final pensionable pay, the assets of which are held in a separate trustee administered fund. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The regular cost is attributed to individual years using the projected unit credit method.

Addis Housewares Limited

Notes (continued)

1 Accounting policies (continued)

Research and development expenditure

Expenditure on research and development is written off to the profit and loss account in the period in which it is incurred.

Stocks

Stocks and work in progress are stated at the lower of cost and net realisable value. Cost has mainly been determined using the first in, first out basis. Work in progress and finished goods include materials, direct labour and an appropriate proportion of production overhead expenses.

Taxation

The charge for taxation is based on the profit for the period and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Turnover

Turnover represents the amounts excluding VAT and other sales taxes derived from the provision of goods and services to customers during the period.

Government grants

Government grants received relating to capital expenditure are deferred and released to profit and loss account over the lives of the related fixed assets.

2 Analysis of turnover and profit on ordinary activities before taxation

Turnover and profit on ordinary activities before taxation arise solely from the principal activity of the company.

The company has not disclosed an analysis of turnover by market as the directors consider that this will be seriously prejudicial to the company.

Addis Housewares Limited

Notes (continued)

3 Interest payable and similar charges

	1994 £000
On bank loans, overdrafts and other loans wholly repayable within five years	29

4 Profit on ordinary activities before taxation

	1994 £000
<i>Profit on ordinary activities before taxation is stated</i>	
<i>after charging</i>	
Auditors' remuneration - audit	20
- other services	6
Depreciation of tangible fixed assets:	
Owned	1,135
Amounts payable under operating leases in respect of:	
Plant and machinery	182
Other assets	99
<i>and after crediting</i>	
Release of government grants	14

5 Staff numbers and costs

The average number of persons employed full time by the group (including directors) during the period, analysed by category, was as follows:

	Number of employees 1994
Manufacturing and distribution	238
Selling, marketing and administration	119
	357

The above numbers for selling, marketing and distribution include 31 persons as the full time equivalent of 233 merchandisers who are employed on a part-time basis.

Addis Housewares Limited

Notes (continued)

5 Staff numbers and costs (continued)

The aggregate payroll costs of all employees were as follows:

	1994 £000
Wages and salaries	5,313
Social security costs	408
	5,721

6 Remuneration of directors

	1994 £000
Directors' emoluments (including pension contributions)	
- management remuneration	394

Compensation for loss of office of £30,000 was paid to a director during the period.

The emoluments of the chairman, excluding pension contributions, were £Nil.

The emoluments of the highest paid director, excluding pension contributions, were £96,684.

The emoluments, excluding pension contributions, of the directors (including the chairman and highest paid director) were within the following ranges:

	Number of directors 1994
£0 - £5,000	3
£20,001 - £25,000	1
£30,001 - £35,000	1
£60,001 - £65,000	4
£95,001 - £100,000	1

Addis Limited, the company's immediate parent undertaking, has entered into a performance related incentive agreement with Mr C Papadopoulos dependent on the growth in the value of the company. The scheme allows Mr Papadopoulos to receive his benefit on the occurrence of certain events, as specified in the agreement, or to receive up to half of the payment after the date on which the 1996 financial statements are approved by the Board of Directors, with the balance being receivable after the approval of the subsequent set of financial statements or later.

Addis Housewares Limited

Notes (continued)

7 Taxation

No charge for corporation tax arises because of the availability of tax losses relating to the housewares business of Addis Limited from previous years.

8 Tangible fixed assets

	Freehold land and buildings £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Construction in progress £000	Total £000
<i>Cost</i>						
Additions - group	3,030	14,072	210	476	1,555	19,343
- external	-	-	-	-	646	646
Reclassification	7	2,034	-	-	(2,041)	-
Disposals	(350)	(2,405)	(48)	(15)	-	(2,818)
At end of period	2,687	13,701	162	461	160	17,171
<i>Depreciation and diminution in value</i>						
Group additions	30	11,826	147	416	-	12,419
Charge for period	32	1,046	24	33	-	1,135
On disposals	(5)	(2,344)	(48)	(43)	-	(2,440)
At end of period	57	10,528	123	406	-	11,114
<i>Net book value</i>						
At 31 December 1994	2,630	3,173	39	55	160	6,057

Net book value above includes £12,000 in respect of plant and machinery being acquired under finance leases after charging depreciation for the period of £Nil.

The gross book value of freehold land and buildings includes £1,712,000 of depreciable assets.

Addis Housewares Limited

Notes (continued)

9 Stocks

1994
£000

Raw materials and consumables	110
Work in progress	132
Finished goods and goods for resale	1,005
	1,247

10 Debtors

1994
£000

Trade debtors	3,552
Amounts owed by group undertakings	200
Other debtors	255
Prepayments and accrued income	93
	4,100

11 Creditors: amounts falling due within one year

1994
£000

Trade creditors	2,940
Amounts owed to group undertakings	15
Other taxation and social security	412
Other creditors	133
Accruals and deferred income	2,257
Obligations under finance leases and hire purchase contracts	5
Deferred government grants	14
	5,776

Addis Housewares Limited

Notes (continued)

12 Creditors: amounts falling due after more than one year

	1994 £000
Obligations under finance leases and hire purchase contracts	7
Deferred government grants	111
	118
Obligations under finance leases and hire purchase contracts repayable in 2-5 years	7

13 Called up share capital

	1994 £000
<i>Authorised, allotted, called up and fully paid:</i>	
Ordinary shares of £1 each	6,000

The company was incorporated on 13 December 1993 with an authorised share capital of 6,000,000 ordinary shares of £1 each. On incorporation one ordinary share of £1 was issued by the company at nominal value. In January 1994 the company purchased the trade, net assets and goodwill of the housewares business previously carried on by Addis Limited. The consideration for the acquisition was the issue of 5,999,999 ordinary shares of £1 nominal value to Addis Limited.

Addis Housewares Limited

Notes (continued)

14 Commitments

- i) Capital commitments at the end of the financial year for which no provision has been made are as follows:

	1994 £000
Contracted	11
Authorised but not contracted	12

- ii) Annual commitments under non-cancellable operating leases are as follows:

	1994	
	Land and buildings £000	Other £000
Operating leases which expire:		
Within one year	-	9
In the second to fifth years inclusive	-	236
	-	245

15 Pension scheme

The company participates in a group pension scheme, the assets of which are held in a separate trustee administered fund.

The contributions to this scheme are determined with the advice of an independent qualified actuary on the basis of a triennial valuation using the projected unit method. The most recent actuarial review was conducted as at 30 June 1994 using the following main methods and assumptions:

- pensionable salaries of each member will increase steadily at the rate of 7.0% per annum compound;
- the existing assets within the scheme were valued by discounting projected future income from the underlying investments, allowing for a 4.5% per annum growth in the income from equities and property;
- projected liabilities and assets were valued at a rate of interest of 9.0% per annum;
- pensions in payment in the case of existing pensioners and all future pensioners will increase at the rate of 2% per annum compound on the pension in excess of the guaranteed minimum pension. Statutory increases are assumed on the guaranteed minimum pension.

Addis Housewares Limited

Notes *(continued)*

15 Pension scheme *(continued)*

The most recent actuarial review showed that the market value of the scheme's assets was £27.8m and that the actuarial value of those assets represented 137% of the benefits that had accrued to members, after allowing for expected future increases in earnings. It was proposed that this surplus would be amortised over the remaining service lives of the employees.

The rate of the amortisation of the pension fund surplus exceeds the required employers future contribution rate. Consequently there was no pension charge for the period. The employees' funding rates are variable depending on the age of the employee.

16 Ultimate parent company and parent undertaking of larger group

The smallest group into which the results of the company are consolidated is that headed by Addis Limited, the immediate parent undertaking, which is registered in England and Wales. Copies of the financial statements of that company are available from the registered office Princess Mary House, 4 Blue Coats Avenue, Hertford, SG14 1PB.

The largest group into which the results of the company are consolidated is that headed by Addis BV, the ultimate parent undertaking, which is incorporated in The Netherlands.