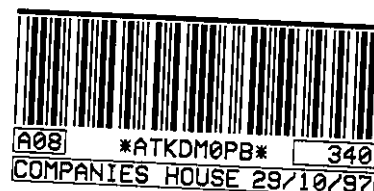


Addis Housewares Limited

Directors' report and financial statements

31 December 1996

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 year ended 31 December 1996.

Principal activity

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

Business review

Early in 1996 the business, assets and liabilities of the company were acquired by Cinven through a Management Buy-out. Such an important event in the company's history did not divert efforts from the continuing drive to improve profitability.

Flat sales levels for the year were mainly due to the amalgamation of two major UK retailers and the consequent loss of revenue. Nevertheless new product sales and business efficiency drives recovered most of the shortfall. Sales per employee increased by 8% and profit per employee by 17%.

A key factor in the progress of the business has been the commitment to invest. During the year investment in the necessary refurbishment of the Swansea site, modern manufacturing systems and new products amounted to £4.8million. Despite such a high level of capital expenditure Return on Capital Employed improved further in 1996. The full impact of this investment will register in 1997 and beyond as new products enter the market and productivity improvements are realised.

Major customers gains late in the year, new product launches, greater focus on productivity and European expansion opportunities provide the platform for sales growth and higher profits for the future.

Dividends and transfer to reserves

The retained profit for the financial year of £1,359,000 is to be transferred to reserves. The directors do not propose to pay a dividend for the period.

Market value of land and buildings

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

Addis Housewares Limited

Directors' report *(continued)*

Directors and directors' interests

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

C M Papadopoulos (Chairman and Managing Director)

M J Budd

A J Christopher

S G Holbrough

J Newcomb

I M Thompson

C M Papadopoulos and A J Christopher are directors of Addis Group Limited in which accounts their interests in the share capital of group companies is shown.

M J Budd, S G Holbrough, J R Newcomb and I M Thompson subscribed for 4,000 ordinary shares in Addis Group Limited on 4 June 1996 and held those shares at the year end.

Employees

The company continued its procedures for communicating and consulting with employees during 1996, 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.

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.

Addis Housewares Limited

Directors' report *(continued)*

Statement of directors' responsibilities *(continued)*

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.

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

26 February 1997



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 5 to 15.

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 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 1996 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

Chartered Accountants
Registered Auditors

26 February 1997

Addis Housewares Limited

Profit and loss account

for the year ended 31 December 1996

	Note	1996 £000	1995 £000
Turnover	2	23,023	23,259
Cost of sales		(15,340)	(15,155)
Gross profit		7,683	8,104
Distribution costs			
- royalties payable		(600)	-
- other		(4,080)	(4,658)
		(4,680)	(4,658)
Administrative expenses		(1,646)	(1,726)
Operating profit		1,357	1,720
Interest receivable and similar income		37	102
Interest payable and similar charges	3	(35)	-
Profit on ordinary activities before taxation	4	1,359	1,822
Tax on profit on ordinary activities	7	-	-
Profit on ordinary activities after taxation being profit for the financial year		1,359	1,822
Dividend paid and proposed		-	(2,600)
Retained profit/(loss) for the financial year		1,359	(778)
Balance brought forward		182	960
Balance carried forward		1,541	182

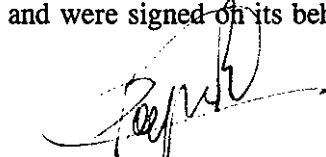
There were no recognised gains or losses in either financial year other than those passing through the profit and loss account.

Addis Housewares Limited

Balance sheet at 31 December 1996

	Note	1996 £000	1995 £000
Fixed assets			
Tangible assets	8	9,763	5,979
Current assets			
Stocks	9	1,276	1,309
Debtors	10	3,828	3,707
Cash at bank and in hand		14	3,587
		<u>5,118</u>	<u>8,603</u>
Creditors: amounts falling due within one year	11	<u>(6,253)</u>	<u>(8,228)</u>
Net current (liabilities)/assets		<u>(1,135)</u>	<u>375</u>
Total assets less current liabilities		<u>8,628</u>	<u>6,354</u>
Creditors: amounts falling due after more than one year	12	<u>(1,087)</u>	<u>(172)</u>
Net assets		<u><u>7,541</u></u>	<u><u>6,182</u></u>
Capital and reserves			
Called up share capital	14	6,000	6,000
Profit and loss account		1,541	182
Shareholders' funds		<u><u>7,541</u></u>	<u><u>6,182</u></u>

These financial statements were approved by the board of directors on 26 February 1997 and were signed on its behalf by:



C M Papadopoulos
Director

Addis Housewares Limited

Reconciliation of movements in shareholders' funds *for the year ended 31 December 1996*

	1996 £000	1995 £000
Profit for the financial year	1,359	1,822
Dividend	-	(2,600)
Retained profit/(loss)	1,359	(778)
Opening shareholders' funds	6,182	6,960
Closing shareholders' funds	7,541	6,182

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 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 operates the Addis Housewares Limited 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.

Related parties

The company has taken advantage of the exemption under Financial Reporting Standard 8 from the requirement to disclose transactions with related parties which are 90% controlled by the same group.

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

	1996 £000	1995 £000
On finance lease agreements	35	-

4 Profit on ordinary activities before taxation

	1996 £000	1995 £000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration - audit	19	19
- other services	26	30
Depreciation of tangible fixed assets:		
Owned	1,008	1,003
Under finance lease	56	4
Amounts payable under operating leases in respect of:		
Plant and machinery	163	172
Other assets	123	106
<i>and after crediting</i>		
Release of government grants	27	23

5 Staff numbers and costs

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

	Number of employees	
	1996	1995
Manufacturing and distribution	219	222
Selling, marketing and administration	84	109
	303	331

Addis Housewares Limited

Notes (continued)

5 Staff numbers and costs (continued)

The aggregate payroll costs of all employees were as follows:

	1996 £000	1995 £000
Wages and salaries	5,294	5,308
Social security costs	422	392
	<u>5,716</u>	<u>5,700</u>

6 Remuneration of directors

	1996 £000	1995 £000
Directors' emoluments (including pension contributions)		
- management remuneration	<u>305</u>	<u>452</u>

The emoluments, excluding pension contributions, of the chairman were £23,026 (1995: £125,951) and highest paid director were £75,372 (1995: £125,951).

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

	Number of directors	
	1996	1995
£15,001 - £20,000	1	-
£20,001 - £25,000	1	-
£55,001 - £60,000	1	-
£60,001 - £65,000	-	3
£65,001 - £70,000	2	2
£75,001 - £80,000	1	-
£125,001 - £130,000	-	1

Addis Housewares Limited

Notes (continued)

7 Taxation

No charge for corporation tax (1995: £Nil) arises because of the availability of tax losses relating to 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
Cost						
At beginning of year	2,827	14,477	111	447	151	18,013
Additions - external	-	2,187	-	135	2,528	4,850
Reclassification	-	151	-	-	(151)	-
Disposals	-	(377)	(33)	-	-	(410)
At end of year	2,827	16,438	78	582	2,528	22,453
Depreciation and diminution in value						
At beginning of year	85	11,442	95	412	-	12,034
Charge for period	33	998	6	27	-	1,064
On disposals	-	(377)	(31)	-	-	(408)
At end of year	118	12,063	70	439	-	12,690
Net book value						
At 31 December 1996	2,709	4,375	8	143	2,528	9,763
At 31 December 1995	2,742	3,035	16	35	151	5,979

Net book value above includes £1,198,000 (1995: £8,000) in respect of plant and machinery being acquired under finance leases.

The cost of freehold land and buildings includes £1,852,000 (1995: £1,852,000) of depreciable assets.

Addis Housewares Limited

Notes (continued)

9 Stocks

	1996 £000	1995 £000
Raw materials and consumables	186	308
Work in progress	98	85
Finished goods and goods for resale	992	916
	<u>1,276</u>	<u>1,309</u>

10 Debtors

	1996 £000	1995 £000
Trade debtors	3,602	3,336
Amounts owed by group undertakings	-	200
Other debtors	66	76
Prepayments and accrued income	160	95
	<u>3,828</u>	<u>3,707</u>

11 Creditors: amounts falling due within one year

	1996 £000	1995 £000
Trade creditors	2,892	2,714
Amounts owed to group undertakings	57	-
Taxation and social security	228	509
Other creditors	20	197
Accruals	2,863	2,480
Proposed dividend	-	2,300
Obligations under finance leases and hire purchase contracts	164	5
Deferred government grants	29	23
	<u>6,253</u>	<u>8,228</u>

Addis Housewares Limited

Notes (continued)

12 Creditors: amounts falling due after more than one year

	1996 £000	1995 £000
Obligations under finance leases and hire purchase contracts	893	3
Deferred government grants	194	169
	<u>1,087</u>	<u>172</u>
Obligations under finance leases and hire purchase contracts are repayable as follows:		
Within 5 years	710	3
After more than 5 years	183	-
	<u>893</u>	<u>3</u>

13 Deferred taxation

There was a potential deferred taxation asset at 33% at 31 December as follows:

	1996 £000	1995 £000
Accelerated capital allowances	(658)	(269)
Trading losses carried forward	648	682
Other timing differences	74	58
	<u>64</u>	<u>471</u>

14 Called up share capital

	1996 £000	1995 £000
<i>Authorised, allotted, called up and fully paid:</i>		
Ordinary shares of £1 each	<u>6,000</u>	<u>6,000</u>

Addis Housewares Limited

Notes (continued)

15 Commitments

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

	1996		1995	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	21	-	117
In the second to fifth years inclusive	-	108	-	119
	<u>-</u>	<u>129</u>	<u>-</u>	<u>236</u>

16 Pension scheme

The company operates a funded defined benefit pension scheme for the majority of its employees, the Addis Housewares Limited Pension Scheme. This commenced on 1 July 1996, employees having previously been members of a scheme operated by Maran Holdings Limited (formerly Addis Limited).

Contributions and pension costs are assessed in accordance with the advice of a professionally qualified actuary. The method adopted is the "projected unit credit" method. The principal assumptions adopted by the actuary in providing this advice are as follows:

Investment returns	: 9% per annum
Pay increases	: 6.25% per annum
Pension increases	: 3% per consumer
Equity dividend increases	: 4.75% per annum

Whilst no formal valuation of the Scheme has been made the actuary has estimated that the funding level amounted to approximately 142% at commencement.

The market value of a transfer payment due from the previous Scheme amounted to £8.4 million as at 1 July 1996.

The variation from the regular cost has been spread over the average remaining working lives of the pension scheme members which results in no charge in the profit and loss account for the period and no balance sheet provision at 31 December 1996. The regular cost for subsequent periods is expected to be greater due to, inter alia, the introduction of higher pension increases after April 1997.

17 Ultimate parent company

The only group into which the results of the company are consolidated is that headed by Addis Group Limited, the immediate parent undertaking at 31 December 1996, which is registered in England and Wales. Copies of the financial statements of that company are available from Companies House, Crown Way, Maindy, Cardiff.