

Addis Housewares Limited

Directors' report and financial statements

31 December 1997

Registered number 2881663



Directors' report and financial statements

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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1997.

Principal activities

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

Business review

The results for the year are set out on page 5.

Dividends and transfer to reserves

The profit for the financial year was £1,017,000 (1996: £1,359,000). The directors have paid a dividend of £1,500,000 (1996: £Nil) leaving a deficit of £483,000 (1996: £1,359,000 surplus) transferred to reserves.

Directors and directors' interests

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

C M Papadopoulos	(Chairman and Managing Director)
A J Christopher	
M J Budd	(resigned 10 December 1997)
S G Holbrough	(resigned 31 January 1997)
J Newcomb	
I M Thompson	
Carl Alexander	(appointed 25 February 1997)

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 are shown.

J R Newcomb, and I M Thompson held 4,000 ordinary shares each in Addis Group Limited at the beginning and end of the year.

Directors' report *(continued)*

Employees

The company continued its procedures for communicating and consulting with employees during the year, including involving them in matters which affect their interest as employees.

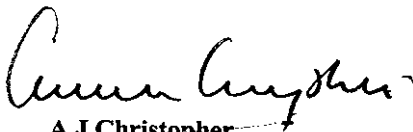
The policy of the company is to achieve a high standard of health, safety and welfare at work for all employees.

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 386 of the Companies Act 1985, the company has elected to dispense with the obligation to appoint auditors annually. Accordingly KPMG are deemed to be re-appointed for the succeeding financial year.

By order of the board


A J Christopher
Secretary

River Bank
Swansea
SA1 7DD

26 March 1998

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 company 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.



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Report of the auditors 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 3 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 1997 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 March 1998

Profit and loss account
for the year ended 31 December 1997

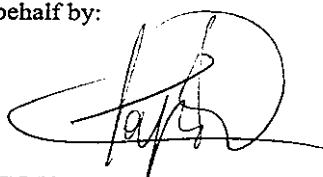
	Note	1997	1996
		£000	£000
Turnover	2	23,824	23,023
Cost of sales		(15,831)	(15,340)
Gross profit		7,993	7,683
Distribution costs			
- royalties payable		(954)	(600)
- other		(4,553)	(4,080)
Administrative expenses		(5,507) (1,388)	(4,680) (1,646)
Operating profit		1,098	1,357
Interest receivable and similar income		22	37
Interest payable and similar charges	3	(103)	(35)
Profit on ordinary activities before taxation	4	1,017	1,359
Tax on profit on ordinary activities	7	-	-
Profit on ordinary activities after taxation before profit for the financial year		1,017	1,359
Dividend proposed and paid		(1,500)	-
Retained(deficit)/surplus for the financial year		(483)	1,359
Balance brought forward		1,541	182
Balance carried forward		1,058	1,541

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

Balance sheet
at 31 December 1997

	<i>Note</i>	1997 £000	1996 £000	£000
Fixed assets				
Tangible assets	8	8,698		9,763
Current assets				
Stocks	9	1,297	1,276	
Debtors	10	4,342	3,828	
Cash at bank and in hand		48	14	
		<u>5,687</u>	<u>5,118</u>	
Creditors: amounts falling due within one year	11	<u>(6,158)</u>	<u>(6,253)</u>	
Net current liabilities			<u>(471)</u>	<u>(1,135)</u>
Total assets less current liabilities			<u>8,227</u>	<u>8,628</u>
Creditors: amounts falling due after more than one year	12		<u>(1,169)</u>	<u>(1,087)</u>
Net assets			<u>7,058</u>	<u>7,541</u>
Capital and reserves				
Called up share capital	14	6,000		6,000
Profit and loss account		1,058		1,541
Shareholders' funds	15	<u>7,058</u>		<u>7,541</u>

These financial statements were approved by the board of directors on 26 March 1998 and were signed on its behalf by:



C M Papadopoulos
Director

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 company's 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
Fixtures and fittings	-	5 to 10 years
Plant and machinery	-	5 to 7 years
Motor vehicles	-	4 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 or, if hedged forward, at the rate of exchange under the related forward currency contract. 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 assets, 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 bases over the life of the lease.

Notes (continued)

Accounting policies (continued)

Pension costs

The group operates a defined benefit pension scheme, the Addis Housewares Limited Pension Scheme, covering the majority of its permanent employees. The scheme funds are administered by trustees and are independent of the group's finances. The scheme is fully funded and contributions are paid to the scheme in accordance with the recommendations of independent actuaries. The group's contributions are charged against profits so as to give a constant periodic rate of charge over the period during which the group derives benefit from the employees' services.

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 are stated at the lower of cost and net realisable value. In determining the cost of raw materials, consumables and goods purchased for resale, the weighted average purchase price is used. For work in progress and finished goods cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Taxation

The charge for taxation is based on the profit for the year 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.

Advance corporation tax recoverable by deduction from future corporation tax is carried forward within deferred taxation or as ACT recoverable within debtors as appropriate.

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

Government grants

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to operating profit over the estimated useful economic lives of the assets to which they relate.

Revenue grants receivable are credited to the profit and loss account in the period in which they become receivable.

Related parties

The company has taken advantage of the exemption under Financial Reporting Standard 8 from the requirement to disclose transactions with group companies.

Notes (continued)

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.

3 Interest payable and similar charges

	1997 £000	1996 £000
On finance lease agreements	101	35
Bank	2	-
	<u>103</u>	<u>35</u>

4 Profit on ordinary activities before taxation

	1997 £000	1996 £000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration		
Audit	16	19
Other services	11	26
Depreciation of tangible fixed assets:		
Owned	1,332	1,008
Under finance lease	76	56
Amounts payable under operating leases in respect of:		
Plant and machinery	98	163
Other assets	124	123
	<u> </u>	<u> </u>
<i>and after crediting</i>		
Release of government grants	29	29
	<u> </u>	<u> </u>

Notes (continued)

5 Staff numbers and costs

	Number of employees	
	1997	1996
Manufacturing and distribution	210	219
Selling, marketing and administration	81	84
	<u>291</u>	<u>303</u>

The aggregate payroll costs of all employees were as follows:

	1997 £000	1996 £000
Wages and salaries	5,367	5,294
Social security costs	438	422
Pension costs	28	-
	<u>5,833</u>	<u>5,716</u>

6 Remuneration of directors

	1997 £000	1996 £000
Directors' emoluments	268	305

The aggregate of emoluments of the highest paid director were £70,920. At 31 December 1997 his accrued pension entitlement under a defined benefit scheme was £2,943.

	Number of directors	
	1997	1996
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	4	4

Notes (continued)

7 Taxation

No charge for corporation tax (1996: £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	16,438	78	582	2,528	22,453
Additions - external	-	-	-	-	343	343
Reclassification	1,200	1,463	-	30	(2,693)	-
Disposals	-	-	(53)	-	-	(53)
At end of year	4,027	17,901	25	612	178	22,743
Depreciation and diminution in value						
At beginning of year	118	12,063	70	439	-	12,690
Charge for period	57	1,313	7	31	-	1,408
On disposals	-	-	(53)	-	-	(53)
At end of year	175	13,376	24	470	-	14,045
Net book value						
At 31 December 1997	3,852	4,525	1	142	178	8,698
At 31 December 1996	2,709	4,375	8	143	2,528	9,763

Net book value above includes £1,421,000 (1996: £1,198,000) in respect of plant and machinery being acquired under finance leases.

The cost of freehold land and buildings includes £3,052,000 (1996: £1,852,000) of depreciable assets.

Notes (continued)

9 Stocks

	1997 £000	1996 £000
Raw materials and consumables	106	186
Work in progress	81	98
Finished goods and goods for resale	1,110	992
	<u>1,297</u>	<u>1,276</u>

10 Debtors

	1997 £000	1996 £000
Trade debtors	4,126	3,602
Amounts owed by group undertakings	92	-
Other debtors	7	66
Prepayments and accrued income	117	160
	<u>4,342</u>	<u>3,828</u>

11 Creditors: amounts falling due within one year

	1997 £000	1996 £000
Trade creditors	2,035	2,892
Amounts owed to group undertakings	274	57
Taxation and social security	737	228
Other creditors	24	20
Accruals	2,826	2,863
Proposed dividends	-	-
Obligations under finance leases and hire purchase contracts	233	164
Deferred government grants	29	29
	<u>6,158</u>	<u>6,253</u>

Notes (continued)

12 Creditors: amounts falling due after more than one year

	1997 £000	1996 £000
Obligations under finance leases and hire purchase contracts	1,004	893
Deferred government grants	165	194
	<u>1,169</u>	<u>1,087</u>
 Obligations under finance leases and hire purchase contracts are repayable as follows:		
within five years	898	710
after more than five years	106	183
	<u>1,004</u>	<u>893</u>

13 Deferred taxation

There was a potential deferred taxation (liability)/asset at 31% (1996: 33%) at 31 December as follows:

	1997 £000	1996 £000
Accelerated capital allowances	(751)	(658)
Trading losses carried forward	69	648
Other timing differences	128	74
	<u>(554)</u>	<u>64</u>

14 Called up share capital

	1997 £000	1996 £000
<i>Authorised, allotted, called up and fully paid:</i>		
Ordinary shares of £1 each	6,000	6,000
	<u>6,000</u>	<u>6,000</u>

Notes (continued)

15 Reconciliation of movements in shareholders' funds

	1997 £000	1996 £000
Profit for the financial year	1,017	1,359
Dividend	(1,500)	-
Opening shareholders' funds	(483) 7,541	1,359 6,182
Closing shareholders' funds	7,058	7,541

16 Commitments

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

	1997		1996	
	Land and buildings	Other	Land and buildings	Other
Operating leases which expire:				
within one year	-	34	-	21
in the second to fifth years inclusive	-	197	-	108
after more than five years	-	4	-	-
	-	235	-	129

17 Contingent liabilities

The company is contingently liable, for an unlimited joint and several guarantee in respect of certain bank loans and overdrafts of itself and other group companies.

Notes (continued)

18 Pension scheme

The company operates a funded defined benefit pension scheme for the majority of its employees, the Addis Housewares Limited Pension Scheme.

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 annum
Equity dividend increases	:	4.75% per annum

Whilst no formal valuation of the Scheme had been made the actuary has estimated that the funding level amounted to approximately 142% at 1 July 1996, the date the Scheme commenced, on the assumptions initially used for accounting purposes.

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

The pension cost for the year was £27,800 (1996: £Nil), the balance sheet provision at the end of the year was £27,800.

19 Ultimate parent company

The only group into which results of the company are consolidated is that headed by Addis Group Limited, the immediate parent undertaking at 31 December 1997, which is registered in England and Wales. Copies of the financial statements of that company are available from Companies House, Crown Way, Maindy, Cardiff.