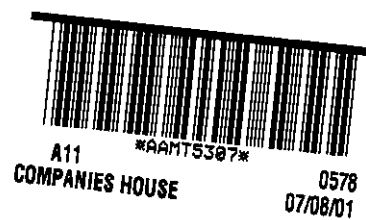


Addis Housewares Limited

**Directors' report and financial
statements**

Registered number 2881663

31 December 2000



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

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 directors do not propose the payment of a dividend (1999: £Nil). The profit for the financial year of £204,000 (1999: £36,000) was transferred to reserves.

Directors and directors' interests

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

F-J Wulf	
C S Alexander	
A J Christopher	Removed 2 April 2001(dismissed as managing director on 11 December 2000)
M W Dawson	Resigned 31 January 2000
J Newcomb	
C M Papadopoulos	Resigned 31 January 2000
W Siegelin	Appointed 13 December 2000
I M Thompson	

The interests in the share capital of group companies of F-J Wulf are shown in the financial statements of the ultimate parent undertaking of which company he is a director. No other directors had any interests in the share capital of group companies at the year end.

Employee information

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.

Directors' report *(continued)*

Employee information *(continued)*

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.

By order of the board



R J Tucker
Secretary

River Bank
Swansea
SA1 7DD

12 July 2001

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.



Marlborough House
Fitzalan Court
Fitzalan Road
Cardiff
CF24 0TE
United Kingdom

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

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by 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 with the company is not disclosed.

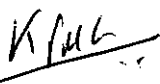
Basis of audit opinion

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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Chartered Accountants
Registered Auditors

16 July 2001

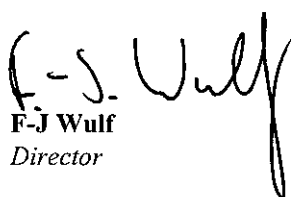
Profit and loss account
for the year ended 31 December 2000

	Note	2000 £000	1999 £000
Turnover	2	23,715	22,305
Cost of sales		(15,999)	(14,842)
Gross profit		7,716	7,463
Distribution costs			
- royalties payable		(953)	(892)
- other		(4,665)	(4,681)
Administrative expenses		(5,618) (1,755)	(5,573) (1,805)
Operating profit		343	85
Interest receivable and similar income		13	5
Interest payable and similar charges	3	(120)	(149)
Profit/(loss) on ordinary activities before taxation	4	236	(59)
Tax on profit/(loss) on ordinary activities	7	(32)	95
Profit on ordinary activities after taxation being profit for the financial year		204	36
Retained profit brought forward		189	153
Retained profit carried forward		393	189

Balance sheet
at 31 December 2000

	<i>Note</i>	2000	1999
		£000	£000
Fixed assets			
Tangible assets	8	8,374	9,155
Current assets			
Stocks	9	1,656	1,507
Debtors	10	4,172	3,254
Cash at bank and in hand		525	833
		6,353	5,594
Creditors: amounts falling due within one year	11	(7,184)	(7,004)
Net current liabilities		(831)	(1,410)
Total assets less current liabilities		7,543	7,745
Creditors: amounts falling due after more than one year	12	(1,150)	(1,556)
Net assets		6,393	6,189
Capital and reserves			
Called up share capital	14	6,000	6,000
Profit and loss account		393	189
Shareholders' funds	15	6,393	6,189

These financial statements were approved by the board of directors on 12 July 2001 and were signed on its behalf by:


F-J Wulf
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 (Revised) 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	-	3 to 7 years
Motor vehicles	-	4 years

No depreciation is provided on freehold land.

Concessions, patents, licences and trademarks are amortised over their respective unexpired periods.

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)

1 Accounting policies (continued)

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.

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. Upon completion of a formal launch plan, development costs on the project are capitalised within plant and machinery and depreciated on the basis set out above.

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 or asset will crystallise.

Turnover

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

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

	2000 £000	1999 £000
On finance lease agreements	88	93
Bank interest	32	56
	120	149

4 Profit on ordinary activities before taxation

	2000 £000	1999 £000
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration:		
Audit	16	16
Other services	12	7
Depreciation of tangible fixed assets:		
Owned	1,088	1,122
Under finance lease	434	355
Amounts payable under operating leases in respect of:		
Plant and machinery	132	132
Other assets	110	105
<i>and after crediting</i>		
Release of government grants	37	35

Notes (continued)

5 Staff numbers and costs

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

	Number of employees	
	2000	1999
Manufacturing and distribution	166	166
Selling, marketing and administration	76	79
	<u>242</u>	<u>245</u>

The aggregate payroll costs of these persons were as follows:

	2000	1999
	£000	£000
Wages and salaries	5,101	4,833
Social security costs	404	373
Pension costs	318	176
	<u>5,823</u>	<u>5,382</u>

6 Remuneration of directors

	2000	1999
	£000	£000
Directors' emoluments	<u>166</u>	<u>271</u>

The aggregate of emoluments of the highest paid director were £71,328 (1999: £76,380). At 31 December 2000 his accrued pension entitlement under a defined benefit scheme was £3,744 (1999: £2,481).

	Number of directors	
	2000	1999
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	<u>3</u>	<u>4</u>

Notes (continued)

7 Taxation

	2000 £000	1999 £000
On profit for the financial year:		
UK corporation tax at 30%	(4)	-
Deferred tax	-	-
Adjustment in respect of prior periods:		
Corporation tax	36	-
Deferred taxation	-	(95)
	<u>32</u>	<u>(95)</u>

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	5,186	19,560	127	720	234	25,827
Additions	-	-	-	-	741	741
Reclassification	50	209	31	99	(389)	-
Disposals	-	(2)	-	-	-	(2)
At end of year	<u>5,236</u>	<u>19,767</u>	<u>158</u>	<u>819</u>	<u>586</u>	<u>26,566</u>
Depreciation and diminution in value						
At beginning of year	310	15,783	22	557	-	16,672
Charge for period	81	1,345	30	66	-	1,522
On disposals	-	(2)	-	-	-	(2)
At end of year	<u>391</u>	<u>17,126</u>	<u>52</u>	<u>623</u>	<u>-</u>	<u>18,192</u>
Net book value						
At 31 December 2000	<u>4,845</u>	<u>2,641</u>	<u>106</u>	<u>196</u>	<u>586</u>	<u>8,374</u>
At 31 December 1999	<u>4,876</u>	<u>3,777</u>	<u>105</u>	<u>163</u>	<u>234</u>	<u>9,155</u>

Net book value above includes £1,273,000 (1999: £1,676,000) in respect of plant and machinery and motor vehicles being acquired under finance leases.

Freehold land and buildings includes land valued at £1,150,000 (1999: £1,150,000) which is not depreciated.

Notes (continued)

9 Stocks

	2000	1999
	£000	£000
Raw materials and consumables	253	292
Work in progress	148	84
Finished goods and goods for resale	1,255	1,131
	1,656	1,507

10 Debtors

	2000	1999
	£000	£000
Trade debtors	3,856	3,063
Corporation tax recoverable	10	42
Amounts owed by group undertakings	170	73
Other debtors	23	13
Prepayments and accrued income	113	63
	4,172	3,254

11 Creditors: amounts falling due within one year

	2000	1999
	£000	£000
Trade creditors	2,519	2,542
Amounts owed to group undertakings	405	168
Other taxes and social security	698	593
Other creditors	61	29
Accruals	3,060	3,213
Obligations under finance leases and hire purchase contracts	404	422
Deferred government grants	37	37
	7,184	7,004

Notes (continued)

12 Creditors: amounts falling due after more than one year

	2000 £000	1999 £000
Obligations under finance leases and hire purchase contracts	699	1,069
Deferred government grants	451	487
	<u>1,150</u>	<u>1,556</u>
Obligations under finance leases and hire purchase contracts are repayable as follows:		
Within one year	404	422
Within two to five years	699	1,069
	<u>1,103</u>	<u>1,491</u>

13 Deferred taxation

There was a potential deferred taxation (asset)/liability at 30% (1999: 30%) at 31 December as follows:

	Provided 2000 £000	Unprovided 2000 £000	Provided 1999 £000	Unprovided 1999 £000
Accelerated capital allowances	-	607	-	690
Trading losses carried forward	-	(29)	-	(6)
Other timing differences	-	(46)	-	(204)
	<u>-</u>	<u>532</u>	<u>-</u>	<u>480</u>

14 Called up share capital

	2000 £000	1999 £000
<i>Authorised, allotted, called up and fully paid:</i>		
6,000,000 Ordinary shares of £1 each	<u>6,000</u>	<u>6,000</u>

Notes (continued)

15 Reconciliation of movements in shareholders' funds

	2000 £000	1999 £000
Opening shareholders' funds	6,189	6,153
Profit for the financial year	204	36
Shareholders' funds at 31 December	6,393	6,189

16 Commitments

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

	2000		1999	
	Land and buildings	Other	Land and buildings	Other
Operating leases which expire:				
within one year	-	15	-	20
in the second to fifth years inclusive	-	185	-	203
	-	200	-	223

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.

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	:	8% per annum
Pay increases	:	5.5% per annum
Pension increases	:	3-3.5% per annum
Price inflation	:	3.5% per annum

The scheme was valued as at 30 June 1999.

Notes (continued)

Pension scheme (continued)

The market value of the scheme's assets at 30 June 1999 was £12.4 million. The actuarial value was 86% of the market value. Expressed in percentage terms, the funding level is about 103%. However, the additional valuation performed for minimum funding requirement purposes showed a significant deficit in the scheme, and with effect from 1 January 2000 the company therefore commenced contributions at the rate of 18% of pensionable salaries compared with the regular cost of 11.2%.

The pension cost for the year was £317,500 (1999: £176,000), the balance sheet prepayment at the end of the year was £48,800 (1999: £327,900 provision).

19 Ultimate parent company

In the opinion of the directors the ultimate parent undertaking is, and the controlling interest is held by, Emsa-Holding AG, incorporated in Germany.

The smallest and largest groups into which the results of the company are consolidated are Addis Group Limited and Emsa-Holding AG.