

Addis Housewares Limited

**Directors' report and financial
statements**

Registered number 2881663

31 December 2001



Contents

Directors' report	2-3
Statement of directors' responsibilities	4
Auditors' report to the members of Addis Housewares Limited	5
Profit and loss account	6
Balance sheet	7
Notes	8-17

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2001.

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.

On 31 December 2001, the trade, undertaking and net assets of fellow subsidiary undertakings Emsa (U.K.) Limited and Jani-Jack Limited were transferred to the company. The assets were transferred at net book value for consideration equal to that of net book value.

Dividends and transfer to reserves

The directors do not propose the payment of a dividend (2000: £Nil). The profit for the financial year of £1,000 (2000: £204,000) 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	Resigned 2 April 2001 (dismissed as managing Director on 11 December 2000)
J Michel	Appointed 6 November 2001
J Newcomb	
W Siegelin	Resigned 29 October 2001
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

27 JUN 2002

River Bank
Swansea
SA1 7DD

2002

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.

ERNST & YOUNG
INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF ADDIS HOUSEWARES LIMITED

We have audited the company's financial statements for the year ended 31 December 2001 which comprise the Profit and Loss account, Balance Sheet, Statement of Total Recognised Gains and Losses and the related notes 1 to 19. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 1985. 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.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

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 judgments 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 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
Bristol

Date: **27 JUN 2002**

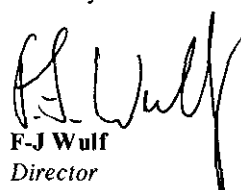
Profit and loss account
for the year ended 31 December 2001

	Note	2001 £000	2000 £000
Turnover	2	24,013	23,715
Cost of sales		(15,738)	(15,999)
Gross profit		8,275	7,716
Distribution costs			
- royalties payable		(959)	(953)
- other		(4,962)	(4,665)
Administrative expenses		(5,921) (2,291)	(5,618) (1,755)
Operating profit		63	343
Interest receivable and similar income		11	13
Interest payable and similar charges	3	(80)	(120)
(Loss)/profit on ordinary activities before taxation	4	(6)	236
Tax on (loss)/profit on ordinary activities	7	7	(32)
Profit on ordinary activities after taxation being profit for the financial year	15	1	204
Retained profit brought forward	15	393	189
Retained profit carried forward	15	394	393
Statement of total recognised gains and losses:			
		2001 £000	2000 £000
Profit for the financial year being total recognised gains and losses relating to the year		1	204

Balance sheet
at 31 December 2001

	Note	2001 £000	2000 £000
Fixed assets			
Tangible assets	8	8,695	8,374
Current assets			
Stocks	9	2,209	1,656
Debtors	10	4,611	4,172
Cash at bank and in hand		2,323	525
		<u>9,143</u>	<u>6,353</u>
Creditors: amounts falling due within one year	11	<u>(10,581)</u>	<u>(7,184)</u>
Net current liabilities		(1,438)	(831)
Total assets less current liabilities		<u>7,257</u>	<u>7,543</u>
Creditors: amounts falling due after more than one year	12	<u>(863)</u>	<u>(1,150)</u>
Net assets		<u>6,394</u>	<u>6,393</u>
Capital and reserves			
Called up share capital	14, 15	6,000	6,000
Profit and loss account	15	394	393
Shareholders' funds	15	<u>6,394</u>	<u>6,393</u>

These financial statements were approved by the board of directors on 27 June 2002 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 the year and in the prior year 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.

In preparing the financial statements for the current year, the company has adopted FRS 18 'Accounting Policies' and the transitional arrangements of FRS 17 'Retirement benefits'. Adopting these standards has not required any revisions to the financial statements in either the current or prior year.

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.

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. Contributions are paid to the scheme in accordance with the recommendations of independent actuaries. The group's contributions are generally 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, except where to do so would result in an irrecoverable asset arising as explained in note 18.

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 loss 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 (loss)/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

	2001 £000	2000 £000
On finance lease agreements	56	88
Bank interest	24	32
	80	120

4 (Loss)/Profit on ordinary activities before taxation

	2001 £000	2000 £000
<i>(Loss)/Profit on ordinary activities before taxation is stated after charging:</i>		
Auditors' remuneration:		
Audit	16	16
Other services	12	12
Depreciation of tangible fixed assets:		
Owned	845	1,088
Under finance lease	437	434
Amounts payable under operating leases in respect of:		
Plant and machinery	132	132
Other assets	120	110
<i>and after crediting</i>		
Release of government grants	38	37

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	
	2001	2000
Manufacturing	124	141
Distribution	75	74
Administration	26	29
	<u>225</u>	<u>244</u>

The aggregate payroll costs of these persons were as follows:

	2001	2000
	£000	£000
Wages and salaries	5,132	5,101
Social security costs	390	404
Pension costs	740	318
	<u>6,262</u>	<u>5,823</u>

6 Remuneration of directors

	2001	2000
	£000	£000
Directors' emoluments	<u>284</u>	<u>316</u>

The aggregate of emoluments of the highest paid director were £110,465 (2000: £137,393). At 31 December 2001 his accrued pension entitlement under a defined benefit scheme was £9,288 (2000: £7,227).

	Number of directors	
	2001	2000
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	<u>3</u>	<u>3</u>

Notes (continued)

7 Taxation

	2001 £000	2000 £000
On loss for the financial year:		
UK corporation tax at 30%	(7)	(4)
Adjustment in respect of prior periods:		
Corporation tax	-	36
	<u>(7)</u>	<u>32</u>

The company has tax losses of £900,000 which are carried forward and are available for offset against future trading profits of the Emsa trade.

8 Tangible fixed assets

	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	5,236	19,767	158	819	586	26,566
Additions	-	-	-	-	837	837
Intra group transfer	1,268	1,833	56	321	-	3,478
Reclassification	54	515	-	66	(635)	-
Disposals	-	(558)	-	-	-	(558)
At end of year	<u>6,558</u>	<u>21,557</u>	<u>214</u>	<u>1,206</u>	<u>788</u>	<u>30,323</u>
Depreciation and diminution in value						
At beginning of year	391	17,126	52	623	-	18,192
Charge for period	83	1,095	29	75	-	1,282
Intra group transfer	840	1,543	43	286	-	2,712
On disposals	-	(558)	-	-	-	(558)
At end of year	<u>1,314</u>	<u>19,206</u>	<u>124</u>	<u>984</u>	<u>-</u>	<u>21,628</u>
Net book value						
At 31 December 2001	<u>5,244</u>	<u>2,351</u>	<u>90</u>	<u>222</u>	<u>788</u>	<u>8,695</u>
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>

Net book value above includes £ 856,000 (2000: £1,273,000) in respect of plant and machinery and motor vehicles being acquired under finance leases. Within land and buildings, £4,000 relates to leasehold and buildings, the remainder being freehold. Freehold land and buildings includes land valued at a cost of £1,330,000 (2000: £1,150,000) which is not depreciated.

Notes (continued)

9 Stocks

	2001 £000	2000 £000
Raw materials and consumables	496	253
Work in progress	197	148
Finished goods and goods for resale	1,516	1,255
	<u>2,209</u>	<u>1,656</u>

The difference between purchase price or production cost of stocks and their replacement cost is not material.

10 Debtors

	2001 £000	2000 £000
Trade debtors	4,311	3,856
Corporation tax	69	10
Amounts owed by group undertakings	-	170
Other debtors	44	23
Prepayments and accrued income	187	113
	<u>4,611</u>	<u>4,172</u>

11 Creditors: amounts falling due within one year

	2001 £000	2000 £000
Trade creditors	2,739	2,519
Amounts owed to group undertakings	3,345	405
Other taxes and social security	594	698
Other creditors	104	61
Accruals	3,431	3,060
Obligations under finance leases and hire purchase contracts	330	404
Deferred government grants	38	37
	<u>10,581</u>	<u>7,184</u>

Notes (continued)

12 Creditors: amounts falling due after more than one year

	2001 £000	2000 £000
Obligations under finance leases and hire purchase contracts	365	699
Deferred government grants	498	451
	<u>863</u>	<u>1,150</u>
Obligations under finance leases and hire purchase contracts are repayable as follows:		
Within one year (note 11)	330	404
Within two to five years	365	699
	<u>695</u>	<u>1,103</u>

13 Deferred taxation

There was a potential deferred taxation liability at 30% (2000: 30%) at 31 December 2001 as follows:

	Provided 2001 £000	Unprovided 2001 £000	Provided 2000 £000	Unprovided 2000 £000
Accelerated capital allowances	-	761	-	607
Trading losses carried forward	-	(4)	-	(29)
Other timing differences	-	(246)	-	(46)
Advanced Corporation Tax	-	(8)	-	-
	<u>-</u>	<u>503</u>	<u>-</u>	<u>532</u>

In addition there were £900,000 (2000: £1,100,000) of tax losses available for use against the future trading profits of the Emsa trade.

14 Called up share capital

	2001 £000	2000 £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

	Share capital £000	Profit and Loss £000	Total £000
At 1 January 2000	6,000	189	6,189
Profit for the financial year	-	204	204
At 31 December 2000	6,000	393	6,393
Profit for the financial year	-	1	1
Shareholders' funds at 31 December 2001	6,000	394	6,394

16 Commitments

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

	2001		2000	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
within one year	-	44	-	15
in the second to fifth years inclusive	-	128	-	185
	-	172	-	200

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 amounting to a maximum of £2.5m (2000: £2.5m).

18 Pension scheme

The group 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% per annum for pre April 1997 entitlements in excess of the GMP; 3.5% for post April 1997 entitlements
Price inflation	:	3.5% per annum
Administration expenses	:	1% of pensionable salaries

The pension scheme was valued as at 1 July 1999.

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 which expressed in percentage terms gives a funding level of 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 actuarial valuation of the scheme was updated approximately to 31 December 2001 by qualified independent actuaries. The major assumptions used for FRS17 purposes as at 31 December 2001 are:

Rate of increase in salaries	4.0%
Rate of increase in pensions	Between 2.5% and 3.5%
Discount rate	5.8%
Inflation assumption	2.5%

The assets of the scheme are mainly invested in a pooled fund with Zurich Scudder Investments. The expected rates of return are:

	Long-term rate of return expected at 31 December 2001	Value at 31 December 2001 £ million
Equities	7.9%	11.16
Bonds	5.2%	1.74
Other	4.2%	1.26
Total market value of assets		14.16
Present value of scheme liabilities		(18.38)
Deficit in the scheme		(4.22)
Surplus restriction		-
Net pension deficit before deferred tax		(4.22)
Related deferred tax asset at 30%		1.27
Net pension liability		(2.95)

Money purchase pension assets and liabilities (AVCs) are excluded from the table above. The scheme was closed to new entrants with effect from 7 November 2001. Consequently the average age of active members will rise in future years and this will cause a gradual increase in the service cost component of pension costs in future years, when expressed as a percentage of the pay of remaining active members.

The scheme was amended with effect from on May 1, 2002 with existing members no longer accruing benefits from that date. The company is encouraging all employees to join its stakeholder scheme, which the company is contributing to.

Under SSAP 24 the contributions made in accordance with the minimum funding requirement would be reported in the balance sheet as part of the group's overall pension prepayment asset. However, in the opinion of the directors this asset would not be recoverable in future years, and indeed would be expected to increase. In order to comply with the requirement of the Companies Act 1985 to carry current assets at the lower of their cost and net realisable value they have therefore charged £279,000 of the contributions to the profit and loss account for the year, thereby writing down the asset to its recoverable amount, £ nil.

The pension cost for the year was £739,000 (2000: £317,500), the balance sheet prepayment at the end of the year was £nil (2000: £48,800).

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. Copies of the group financial statements which include the company are available from Emsa-Holding AG Grevener Damm 215-225, D-48282, Emsdetten, Germany.