

Addis Housewares Limited

**Directors' report and financial
statements**

Registered number 2881663

31 December 2002



Contents

Directors' report	1
Statement of directors' responsibilities	2
Independent Auditors' report to the members of Addis Housewares Limited	3
Profit and loss account	4
Balance sheet	5
Notes	6 -18

Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

Principal activities

The principal activity of the company is the manufacture and sale of houseware products and of light industrial and commercial cleaning equipment.

Business review

The results for the year are set out on page 4. On 31 December 2001, the trade, undertaking and net assets of fellow subsidiary undertakings, Emsa (UK) Limited and Jani-Jack Limited were transferred to the company.

Post balance sheet events

The company has experienced a very difficult trading period during the first half of 2003. This has resulted in major decisions being made that affect the labour cost of the operation and employment contracts of all Addis employees. We have the cooperation of the workforce to implement this package of cost reductions. This is one of a number of initiatives that will lead to recovery of the business and its return to profitability.

Dividends and transfer to reserves

The directors do not propose the payment of a dividend (2001: £Nil). The loss for the financial year of £271,000 (2001: £12,000 loss) 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 (resigned 2 May 2003)
J Newcomb
I M Thompson (deceased 13 November 2002)
J Michel (resigned 6 December 2002)
A Messink (appointed 25 September 2002)

The interests of F-J Wulf in the share capital of group companies 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.

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

4/2, August 2003

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.

Independent Auditors' report to the members of Addis Housewares Limited

We have audited the company's financial statements for the year ended 31 December 2002 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, and the related notes 1 to 19. These financial statements have been prepared on the basis of the accounting policies set out therein.

The report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

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 Director's 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 United Kingdom 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 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Registered Auditor
Bristol

Handwritten signature
4/8/03

Profit and loss account
for the year ended 31 December 2002

	<i>Note</i>	2002	<i>Restated</i>
		£000	2001
		£000	£000
Turnover	2	29,799	24,013
Cost of sales		(20,520)	(15,738)
Gross profit		9,279	8,275
Distribution costs			
- royalties payable		(945)	(959)
- other		(5,772)	(4,962)
Administrative expenses		(6,717)	(5,921)
		(3,010)	(2,291)
Operating (loss)/ profit		(448)	63
Interest receivable and similar income		83	11
Interest payable and similar charges	3	(83)	(80)
Loss on ordinary activities before taxation	4	(448)	(6)
Tax on loss on ordinary activities	7	177	(6)
Loss on ordinary activities after taxation being loss for the financial year	15	(271)	(12)
Retained loss brought forward	15	(151)	(139)
Retained loss carried forward	15	(422)	(151)

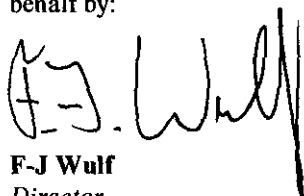
Statement of total recognised gains and losses:

	2002	2001
	£000	£000
Loss for the financial year being total recognised gains and losses relating to the year	(271)	(12)
Prior period adjustment (FRS 19 Deferred tax - note 1)	(532)	-
	(803)	(12)

Balance sheet
 at 31 December 2002

	Note	2002 £000	Restated 2001 £000
Fixed assets			
Tangible assets	8	8,248	8,695
Current assets			
Stocks	9	2,880	2,209
Debtors	10	5,050	4,611
Cash at bank and in hand		1,601	2,323
		<u>9,531</u>	<u>9,143</u>
Creditors: amounts falling due within one year	11	<u>(10,892)</u>	<u>(10,623)</u>
Net current liabilities		<u>(1,361)</u>	<u>(1,480)</u>
Total assets less current liabilities		<u>6,887</u>	<u>7,215</u>
Creditors: amounts falling due after more than one year	12	(656)	(863)
Provision for liabilities and charges	7, 13	(653)	(503)
Net assets		<u>5,578</u>	<u>5,849</u>
Capital and reserves			
Called up share capital	14, 15	6,000	6,000
Profit and loss account	15	(422)	(151)
Shareholders' funds		<u>5,578</u>	<u>5,849</u>

These financial statements were approved by the board of directors on 4th August 2003 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.

In preparing the financial statements for the current year, the group has adopted FRS 19 'Deferred Tax', which has resulted in a change in accounting policy for deferred tax.

Deferred tax is recognised on a full provision basis in accordance with the accounting policy described below. Previously, deferred tax was provided for on a partial provision basis, whereby provision was made on all timing differences to the extent that they were expected to reverse in future without replacement.

The change in accounting policy has resulted in a prior year adjustment for the company. Shareholders' funds at 1 January 2001 have been reduced by £532,000 and the tax charge for the year ended 31 December 2001 has been increased by £13,000. The provision for deferred tax has been increased by £503,000 at 31 December 2001, as a deferred tax asset of £42,000 was recognised as part of the transfer of trade and assets from Jani-Jack Limited. The loss for the current year has been reduced by £150,000 as a result of the change in accounting policy.

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.

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 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 within 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, except where to do so would result in an irrecoverable asset.

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.

Deferred tax

Deferred tax is recognised in respect of all material timing differences that have originated, but not reversed, at the balance sheet date, where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax.

Deferred tax is measured on a non-discounted basis at tax rates that are expected to apply in the periods in which the timing differences reverse based on tax rates and laws enacted at the Balance Sheet date. Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of underlying timing difference can be deducted.

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 on ordinary activities before taxation

Turnover and loss on ordinary activities before taxation arise solely from the principal activities 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

	2002 £000	2001 £000
On finance lease agreements	31	56
Bank interest	52	24
	83	80

4 Loss on ordinary activities before taxation

	2002 £000	2001 £000
--	--------------	--------------

Loss on ordinary activities before taxation is stated after charging:

Auditors' remuneration:		
Audit	16	16
Other services	3	12
Depreciation of tangible fixed assets:		
Owned	818	845
Under finance lease	398	437
Amounts payable under operating leases in respect of:		
Plant and machinery	290	252

and after crediting

Release of government grants	(91)	(38)

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	
	2002	2001
Manufacturing	144	124
Distribution	91	75
Administration	39	26
	274	225

The aggregate payroll costs of these persons were as follows:

	2002	2001
	£000	£000
Wages and salaries	6,720	5,132
Social security costs	595	390
Pension costs	739	740
	8,054	6,262

6 Remuneration of directors

	2002	2001
	£000	£000
Directors' emoluments	159	170
Company contributions paid to defined benefit schemes	11	33

The aggregate of emoluments of the highest paid director were £119,630 (2001: £110,465). At 31 December 2002 his accrued pension entitlement under a defined benefit scheme was £10,692 (2001: £9,288).

	Number of directors	
	2002	2001
Retirement benefits are accruing to the following number of directors under:		
Defined benefit schemes	3	3

Notes (continued)

7 Taxation

	2002	<i>Restated</i>
	£000	2001
		£000
a) Tax on loss on ordinary activities		
The tax (credit)/charge is made up as follows:		
Current taxation:		
Group relief recoverable	(290)	(7)
Adjustments in respect of previous periods	(37)	-
Total current tax	(327)	(7)
Deferred taxation (note 13):		
Origination and reversal of timing differences	150	13
Taxation on loss of ordinary activities	(177)	6
b) Factors affecting the current tax credit for the year		

The tax assessed on the loss on ordinary activities for the period is higher than the standard rate of corporation tax in the UK.
 The differences are explained below:

	2002	<i>Restated</i>
	£000	2001
		£000
Loss on ordinary activities before tax	(448)	(6)
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK 30% (2001: 30%)	(135)	(2)
Effect of:		
Disallowed expenses and non taxable income	9	7
Capital allowances in excess of depreciation	(82)	(32)
Other timing differences	(66)	23
Adjustments in respect of prior periods	(37)	-
Utilisation of tax losses	(25)	-
Other	9	(3)
	(327)	(7)

Notes (continued)

7 Taxation (continued)

c) Factors that may affect future tax charges

Included within tax losses are trading losses of £800,000 (2001: £900,000) that have not been recognised as a deferred tax asset and are available for use against the future trading profits of the Emsa trade only.

There are also £195,000 of capital losses carried forward that have not been recognised, which can be set against future gains arising within the UK group.

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 1 January 2002	6,558	21,557	214	1,206	788	30,323
Additions	-	-	-	-	1,221	1,221
Reclassification	74	961	107	152	(1,294)	-
Disposals	(1,263)	(123)	(89)	-	-	(1,475)
At 31 December 2002	5,369	22,395	232	1,358	715	30,069
Depreciation						
At 1 January 2002	1,314	19,206	124	984	-	21,628
Charge for period	99	992	30	95	-	1,216
On disposals	(849)	(114)	(60)	-	-	(1,023)
At 31 December 2002	564	20,084	94	1,079	-	21,821
Net book value						
At 31 December 2002	4,805	2,311	138	279	715	8,248
At 31 December 2001	5,244	2,351	90	222	788	8,695

Net book value above includes £480,000 (2001: £856,000) 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 £1,150,000 (2001: £1,330,000) which is not depreciated.

Notes (continued)

9 Stocks

	2002 £000	2001 £000
Raw materials and consumables	566	496
Work in progress	294	197
Finished goods and goods for resale	2,020	1,516
	2,880	2,209

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

10 Debtors

	2002 £000	2001 £000
Trade debtors	4,009	4,311
Corporation tax	26	11
Group relief receivable	377	58
Other debtors	514	44
Prepayments and accrued income	124	187
	5,050	4,611

11 Creditors: amounts falling due within one year

	2002 £000	2001 £000
Trade creditors	2,742	2,739
Amounts owed to group undertakings	3,504	3,387
Other taxes and social security	746	594
Other creditors	80	104
Accruals	3,465	3,431
Obligations under finance leases and hire purchase contracts	311	330
Deferred government grants	44	38
	10,892	10,623

Notes (continued)

12 Creditors: amounts falling due after more than one year

	2002 £000	2001 £000
Obligations under finance leases and hire purchase contracts	123	365
Deferred government grants	533	498
	<u>656</u>	<u>863</u>
Obligations under finance leases and hire purchase contracts are repayable as follows:		
Within one year (note 11)	311	330
Within two to five years	123	365
	<u>434</u>	<u>695</u>

13 Provisions for liabilities and charges

	2002 £000	<i>Restated</i> 2001 £000
Deferred Tax		
At 1 January	503	532
Movement during the year (note 7)	150	13
Deferred tax asset transferred from Jani Jack Limited	-	(42)
	<u>653</u>	<u>503</u>
At 31 December		

The deferred tax is made up as follows:

	2002 £000	<i>Restated</i> 2001 £000
Accelerated capital allowances	845	761
Other timing differences	(192)	(250)
Surplus ACT	-	(8)
	<u>653</u>	<u>503</u>
Provision for deferred tax		

14 Called up share capital

	2002 £000	2001 £000
Authorised, allotted, called up and fully paid:		
6,000,000 Ordinary shares of £1 each	6,000	6,000

Notes (continued)

15 Reconciliation of movements in shareholders' funds

	Share Capital	Profit and Loss Account	Total
	£000	£000	£000
At 1 January 2001	6,000	393	6,393
Loss for financial year	-	(12)	(12)
Shareholders' funds at 31 December	6,000	381	6,381
Prior year adjustment (note 1)	-	(532)	(532)
As restated	6,000	(151)	5,849
Loss for financial year	-	(271)	(271)
At 31 December 2002	6,000	(422)	5,578

16 Commitments

Annual commitments under non-cancellable operating leases for plant and machinery are as follows:-

	2002 £000	2001 £000
Operating leases which expire:		
within one year	45	44
in the second to fifth years inclusive	161	128
	206	172

Notes (continued)

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 (2001: £2.5m).

18 Pension scheme

SSAP 24 Disclosures

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

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 entitlement in excess of the GMP; 3.5% for post April 1997 entitlements
Administrative expenses	:	1% of pensionable salaries
Price inflation	:	3.5% per annum

The scheme was valued as at 1 July 1999.

The market value of the scheme's assets at 1 July 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 scheme was closed to further benefit accruals (other than life assurance benefits) with effect from 1 May 2002.

The pension cost for the year was £739,000 (2001: £740,000), the balance sheet prepayment at the end of the year was £nil (2001: £nil).

FRS 17 disclosures

Under the transitional arrangements of Financial Reporting Standard No 17 (FRS17) "Retirement benefits", the company is required to disclose the following information about the pension scheme and the figures that would have been shown under FRS17 in the balance sheet and the impact upon the profit and loss account.

The actuarial valuation was updated by the actuary to 31 December 2002 using the following assumptions:

	31 December 2002
	%
Rate of increase in salaries	4
Rate of increase in pensions in payment	3 and 3.5
Discount rate	5.8

Inflation

2.5

Notes (Continued)

18 Pension scheme (Continued)

The scheme's net pension liability and expected rate of return on its investments as at 31 December 2002 were analysed as follows:

	2002 Long Term expected rate of return (p.a.) %	2002 Market Value £000	2001 Long term Expected rate of return (p.a.) %	2001 £000
Equities	7.5	9,380	7.9	11,160
Bonds	4.8	1,880	5.2	1,740
Other	4.4	570	4.2	1,260
Total market value of scheme assets		11,830		14,160
Present value of scheme assets		(19,750)		(18,380)
Deficit in the scheme		(7,920)		(4,220)
Related deferred tax asset		2,380		1,270
Net pension liability		(5,540)		(2,950)

If the above pension liability was recognised in the accounts, the company's net assets and profit and loss reserve at 31 December 2002 would be as follows:

	Net Assets 2002 £000	Profit and loss Account Reserve 2002 £000	Net assets 2001 £000	Profit and loss Account Reserve 2001 £000
As stated in Balance Sheet	5,594	(406)	5,865	(135)
Pension liability (net of deferred tax)	(5,540)	(5,540)	(2,950)	(2,950)
Restated including defined benefit liability	54	(5,946)	2,915	(3,085)

The amounts that would have been charged to the Profit and Loss account and Statement of Total Recognised Gains and Losses for the year ended 31 December 2002 are set out below:

Analysis of amounts charged to operating profits:

	2002 £000
Employers current service cost	(400)
Curtailment gain	900
Total operating credit	500

Notes (continued)

18 Pension Scheme (Continued)

Analysis of the account (credited)/debited to other finance (income)/charges:

	2002
	£000
Expected return on pension plan assets	1,120
Interest on pension liabilities	(1,030)
Net return	90
Total credit to Profit and Loss account	590

Analysis of the amount recognised in the Statement of Total Recognised Gains and Losses (STRGL)

	2002
	£000
Actual return less expected return on plan assets	(3,450)
Changes in assumptions underlying the plan liabilities	(1,320)
Actuarial loss recognised in STRGL	(4,770)

Reconciliation of movement in the deficit in the year:

	2002
	£000
Deficit in plan at 1 January 2002	(4,220)
Current service cost	(400)
Contributions	480
Other finance income	90
Actuarial loss	(4,770)
Curtailement gain	900
Deficit in plan at 31 December 2002	(7,920)

Notes (continued)

18 Pension Scheme (Continued)

History of experience gains and losses

	2002
	£000
Actuarial return less expected return on plan assets	(3,450)
Percentage of the value of the plan assets	(29.2%)
Total losses recognised in statement of total recognised gains and losses	(4,770)
Percentage of the present value of the plan liabilities	(24.2%)

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.