

ARTHUR
ANDERSEN

ARTHUR ANDERSEN & CO, SC

"Rational" Built-In Kitchens (U.K.) Limited

Financial statements 31 December 1995
together with directors' and auditors' reports

Registered number: 1216051



Directors' report

For the year ended 31 December 1995

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report for the year ended 31 December 1995.

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 of the company 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 accounts; and
- 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 are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities and review of the business

The results for the year are set out in the profit and loss account on page 4. All the turnover is attributable to the company's principal activity being the supply of kitchen furniture.

Results and dividend

No dividend can be paid (1994: nil).

Fixed assets

Movements in fixed assets are shown in note 7 to the financial statements.

Directors' report (continued)

Directors and their interests

The directors who served during the year were:

W.E. Luckhaus

H.O.G. Meinnert (Chairman)

The directors do not hold any interests in the company required to be disclosed under Schedule 7 of the Companies Act 1985.

Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

Palmerston Business Centre
11 Palmerston Road
Sutton
Surrey
SM1 4QL

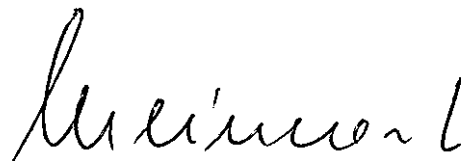
On behalf of the Board



W.E. Luckhaus

Director

26.08.1996



Auditors' report

London

To the Shareholders of "Rational" Built-In Kitchens (U.K.) Limited:

We have audited the financial statements on pages 4 to 13 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those financial 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 the 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 1995 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

1 Surrey Street
London
WC2R 2PS

1996

Profit and loss account

For the year ended 31 December 1995

	Notes	1995 £	1994 £
Turnover	2	1,606,955	2,040,372
Cost of sales		(1,305,844)	(1,702,328)
Gross profit		301,111	338,044
Administrative expenses		(354,530)	(334,712)
Operating (loss) profit		(53,419)	3,332
Bank interest receivable		19,771	5,143
Exceptional item	5	-	3,350,000
(Loss) profit on ordinary activities before taxation	3	(33,648)	3,358,475
Tax on (loss) profit on ordinary activities	6	-	(1,285)
(Loss) profit for the financial year		(33,648)	3,357,190
Accumulated deficit, brought forward		(948,224)	(4,305,414)
Accumulated deficit, carried forward		(981,872)	(948,224)

There are no recognised gains or losses in either year other than the (loss) profit for the year.

The accompanying notes form an integral part of this profit and loss account.

Balance sheet

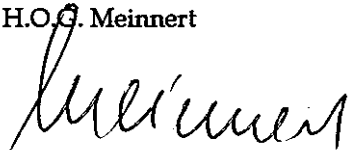
31 December 1995

	Notes	1995 £	1994 £
Fixed assets			
Tangible assets	7	42,980	46,633
Current assets			
Stocks	8	-	5,000
Debtors	9	284,352	253,102
Cash at bank and in hand		74,575	176,473
		358,927	434,575
Creditors: Amounts falling due within one year	10	(183,779)	(429,432)
Net current assets		175,148	5,143
Provisions for liabilities and charges	11	(200,000)	-
Net assets		18,128	51,776
Capital and reserves			
Called-up share capital	13	1,000,000	1,000,000
Profit and loss account		(981,872)	(948,224)
Equity shareholders' funds	15	18,128	51,776

Signed on behalf of the Board

H.O.G. Meinnert

Chairman



26.08.1996

The accompanying notes form an integral part of this balance sheet.

Cash flow statement

For the year ended 31 December 1995

		1995		1994	
	Notes	£	£	£	£
Net cash (outflow) inflow from operating activities	14		(91,973)		57,919
Returns on investments and servicing of finance					
Interest received		19,771		5,143	
Net cash inflow from returns on investments and servicing of finance			19,771		5,143
Taxation					
Corporation tax paid		(1,285)		-	
			(1,285)		
Investing activities					
Purchase of tangible fixed assets		(32,786)		(16,835)	
Sale of tangible fixed assets		4,375		5,300	
Net cash outflow from investing activities			(28,411)		(11,535)
Net cash (outflow) inflow before financing			(101,898)		51,527
(Decrease) increase in cash and cash equivalents	14b		(101,898)		51,527

The accompanying notes form an integral part of this cash flow statement.

Notes to financial statements

31 December 1995

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceeding year is set out below.

a) *Basis of accounting*

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

b) *Tangible fixed assets*

Tangible fixed assets are stated at cost net of depreciation.

Depreciation of tangible fixed assets is calculated to write off the cost of each asset over its expected useful life at the following annual rates:

Short leasehold premises	straight line over period of lease
Plant and equipment	15% reducing balance
Motor vehicles	25% reducing balance

c) *Stocks*

Stocks are stated at the lower of cost and net realisable value.

d) *Taxation*

Corporation tax payable is provided on taxable profits at the current rate.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the financial statements and by the tax legislation) has been calculated on the liability method. Deferred taxation is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of the reversal. Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse. However, the amount of all deferred tax, including that which will probably not reverse, is shown in the notes to the accounts.

e) *Foreign currency*

Transactions denominated in foreign currencies are recorded in the local currency at actual exchange rates as of the date of the transaction (or, where appropriate, at the rate of exchange in a related forward exchange contract).

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date (or, where appropriate, at the rate of exchange in a related forward exchange contract). Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

Notes to financial statements (continued)

1 Accounting policies (continued)

f) *Turnover*

Turnover comprises the value of sales (excluding VAT and similar taxes and trade discounts) of goods and services provided in the normal course of business.

g) *Leases*

The company enters into operating leases.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

2 Turnover

The turnover and pre-tax results are attributable solely to the supply of kitchen furniture.

All turnover took place in the United Kingdom.

3 (Loss) profit on ordinary activities before taxation

(Loss) profit on ordinary activities before taxation is stated after charging:

	1995 £	1994 £
Staff costs (see note 4)	129,731	128,288
Depreciation of tangible fixed assets - owned	15,251	10,274
Auditors' remuneration - audit fees	6,126	4,000
Operating lease rentals		
- plant and machinery	2,297	2,738
- other	95,000	95,000

Notes to financial statements (continued)

4 Staff costs

Staff costs (including executive directors) during the year amounted to:

	1995 £	1994 £
Wages and salaries	115,778	113,946
Social security costs	12,342	12,642
Other pension costs	1,611	1,700
	<u>129,731</u>	<u>128,288</u>

Average weekly number of employees during the year was 5 (1994 - 6):

	1995 Number	1994 Number
Management and administration	2	3
Production, installation and sales	3	3
	<u>5</u>	<u>6</u>

All directors discharged their duties wholly or mainly outside the United Kingdom, and did not receive any emoluments in return for their work for the company.

5 Exceptional item

During 1994, >rational< einbauküchen GmbH, the immediate parent company, waived debts totalling £3,350,000 without obligation for repayment (see note 14c).

6 Tax on (loss) profit on ordinary activities

	1995 £	1994 £
UK corporation tax at 25% (1994 - 25%)	<u>-</u>	<u>1,285</u>

Notes to financial statements (continued)

7 Tangible fixed assets

The movement in the year was as follows:

	Short leasehold premises £	Plant and equipment £	Motor vehicles £	Total £
Cost				
As at 31 December 1994	133,899	63,774	55,916	253,589
Additions	-	2,866	29,920	32,786
Disposals	-	(63,774)	(20,823)	(84,597)
As at 31 December 1995	<u>133,899</u>	<u>2,866</u>	<u>65,013</u>	<u>201,778</u>
Depreciation				
As at 31 December 1994	133,899	49,411	23,646	206,956
Charge	-	2,331	12,920	15,251
Disposals	-	(51,565)	(11,844)	(63,409)
As at 31 December 1995	<u>133,899</u>	<u>177</u>	<u>24,722</u>	<u>158,798</u>
Net book value				
As at 31 December 1994	-	14,363	32,270	46,633
As at 31 December 1995	<u>-</u>	<u>2,689</u>	<u>40,291</u>	<u>42,980</u>

8 Stocks

	1995 £	1994 £
Finished goods and goods for resale (display stock)	<u>-</u>	<u>5,000</u>

9 Debtors

	1995 £	1994 £
Amounts falling due within one year:		
Trade debtors	253,295	221,066
Other debtors	1,500	6,890
Prepayments and accrued income	29,557	25,146
	<u>284,352</u>	<u>253,102</u>

Notes to financial statements (continued)

10 Creditors: Amounts falling due within one year

	1995 £	1994 £
Trade creditors	4,408	7,381
Amounts owed to parent company	88,512	85,759
UK corporation tax payable	-	1,285
Social security and other taxes	76,617	41,223
Other creditors	10,000	36,500
Accruals and deferred income	4,242	257,284
	<u>183,779</u>	<u>429,432</u>

No deferred tax has been provided for. The amount of unprovided deferred tax at the end of the year is £ nil (1994 - £3,498).

11 Provisions for liabilities and charges

	1995 £	1994 £
Future rent payable	<u>200,000</u>	<u>-</u>

The provision for future rent payable represents future liabilities in respect of property not in use by the company. In 1994 this was classified as within accruals and deferred income due within one year.

12 Guarantees and other financial commitments

a) Operating lease commitments

The company leases certain land and buildings under an operating lease, due to expire on 23 June 2012. The minimum annual rental under this lease is £95,000.

b) Capital commitments

There were no material capital commitments at 31 December 1995 (1994 - nil).

13 Called-up share capital

	1995 £	1994 £
<i>Authorised, allotted, called-up and fully-paid</i>		
1 million ordinary shares of £1 each	<u>1,000,000</u>	<u>1,000,000</u>

Notes to financial statements (continued)

14 Cash flow information

a) Reconciliation of operating profit to net inflow from operating activities

	1995 £	1994 £
Operating (loss) profit	(53,419)	3,332
Depreciation charges	15,251	10,274
Loss on disposal of fixed assets	16,813	406
Decrease in stocks	5,000	-
(Increase) decrease in debtors	(31,250)	158,839
(Decrease) in creditors and provisions for liabilities and charges	(44,368)	(114,932)
Net cash (outflow) inflow from operating activities	<u>(91,973)</u>	<u>57,919</u>

b) Analysis of changes in cash and cash equivalents during the year

	1995 £	1994 £
Balance at 1 January	176,473	124,946
Net cash (outflow) inflow	<u>(101,898)</u>	<u>51,527</u>
Balance at 31 December	<u>74,575</u>	<u>176,473</u>

c) Major non-cash transactions

During 1994 >rational< einbauküchen GmbH, the immediate parent company, waived £3,350,000 of debt, without obligation for repayment and accepted 980,000 £1 ordinary shares in the company in consideration for the satisfaction of intercompany debt of the same amount.

15 Reconciliation of movement in shareholders' funds

	1995 £	1994 £
(Loss) profit for the financial year	(33,648)	3,357,190
New share capital subscribed	-	980,000
Opening shareholders' funds	<u>51,776</u>	<u>(4,285,414)</u>
Closing shareholders' funds	<u>18,128</u>	<u>51,776</u>

Notes to financial statements (continued)

16 Ultimate parent company

The company is a subsidiary undertaking of Snaidero R. SpA, incorporated in Italy.

The largest group of which "Rational" Built-in -Kitchens (U.K.) Limited is a member and for which group financial statements are drawn up is that headed by Snaidero R. SpA, incorporated in Italy, whose principal place of business is Majano (Udine), Italy.

The smallest such group is that headed by >rational< einbauküchen GmbH, incorporated in Germany, whose principal place of business is 49328 Melle-Riemsloh, Germany.

The consolidated financial statements of the largest group are available to the public and may be obtained from the above address.

Management Information Only

Trading profit and loss account

For the year ended 31 December 1995

	1995		1994	
	£	£	£	£
Sales		1,606,955		2,040,372
Cost of sales				
Opening stocks	5,000		5,000	
Purchases	1,300,844		1,702,328	
	<u>1,305,844</u>		<u>1,707,328</u>	
Closing stocks	-		5,000	
		<u>1,305,844</u>		<u>1,702,328</u>
Gross profit		301,111		338,044
Administrative expenses				
Directors' remuneration	-		-	
Wages and salaries	129,731		128,289	
Rent and rates	119,380		123,428	
Light and heat	2,279		2,976	
Repairs and renewals	3,502		4,154	
Telephone	14,300		15,049	
Insurance	4,594		7,473	
Printing, postage and stationery	3,956		4,298	
Advertising	3,566		4,646	
Miscellaneous expenses	670		1,009	
Bad debts	(2,431)		(36,169)	
Motor and travelling expenses	37,671		37,076	
Entertaining	2,803		1,792	
Bank interest and charges	1,173		1,550	
Legal and professional charges	811		514	
Audit and accountancy fees	26,126		25,209	
Equipment leasing	2,297		2,738	
Depreciation	15,251		10,274	
Loss on disposal of fixed assets	16,813		406	
Write-back of rent payable provision	(28,500)		-	
Subcontractors taxation	538		-	
		<u>354,530</u>		<u>334,712</u>
Operating (loss) profit for the year		(53,419)		3,332
Other income				
Interest receivable	19,771		5,143	
		<u>19,771</u>		<u>5,143</u>
(Loss) profit on ordinary activities before taxation and exceptional items		<u>(33,648)</u>		<u>8,475</u>