

WILKINSON SWORD LIMITED

REPORT OF THE DIRECTORS

ACCOUNTS FOR THE YEAR ENDED 28TH DECEMBER 1986



WILKINSON SWORD LIMITED

REPORT OF THE DIRECTORS

For the year ended 28th December 1986

DIRECTORS:

Mr H Osberghaus	Resigned 17th January 1986
Mr A T Fletcher	
Mr A D Shanagher	Resigned 19th May 1987
Mr C Lewinton	Resigned 5th March 1986
Mr N F Nicholson)
Mr R C I Bate)
Mr P J Walker) Appointed 23rd December 1986
Mr I P Jackman)
Mr C R Milbourne)
Mr F R Black	Appointed 17th January 1986
	Resigned 31st December 1986
Mr C W K Saunders	Resigned 31st December 1986

SECRETARY:

Miss S M Wray

REGISTERED OFFICE:

Sword House
Totteridge Road
High Wycombe
Buckinghamshire
HP13 6EJ

This report accompanies the accounts of the Company for the financial year ended 28th December 1986.

Principal Activity and Business Review

The principal activity of the Company continues to be the manufacture and distribution of razors, razor blades, garden tools, swords and houseware products.

Results and Dividends

The loss for the financial year attributable to shareholders was £5,251,000 (1985 £4,101,000 loss).

Dividend: The directors do not recommend the payment of a dividend for the year (1985: Nil).

Post Balance Sheet Event

On 30th March 1987, the Company's ultimate holding company, Allegheny International Inc., disposed of its interest in the Company to Swedish Match AB, a company incorporated in Sweden.

Directors' Interests

None of the directors or their families had any interest in the shares of the Company or in the share capital or loan stocks of its parent company or fellow subsidiaries either at the beginning or end of the financial year.

None of the directors had a material interest at any time during the year in any contract of significance to the Company's business.

There are no schemes to benefit directors by enabling them to buy shares or stocks in the Company or in any other company in the Group.

Employment of Disabled Persons and Employee Involvement

It is the policy of the Company to offer equal opportunity to disabled persons applying for vacancies and to provide continued employment for persons who become disabled whilst in its employ. In this respect the Company provides special facilities and aids for disabled persons where required.

The Company recognises the benefits of keeping its employees informed of the progress of the business and information regarding financial and economic factors affecting the performance of the Company is provided.

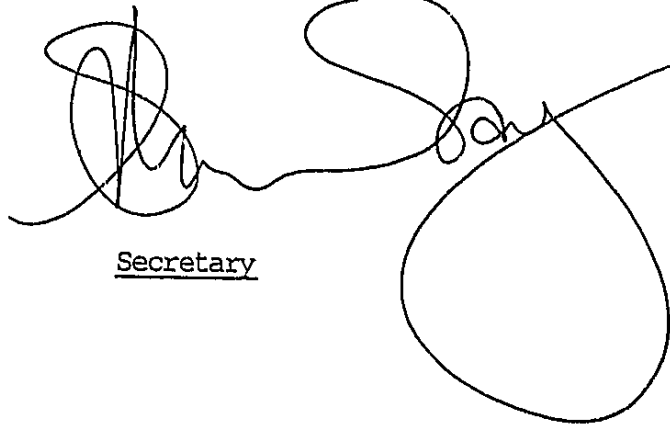
Changes in Fixed Assets

The movements in fixed assets during the financial year are set out in Note 7 to the accounts.

Auditors

At the Company's last Annual General Meeting, Peat, Marwick, Mitchell & Co were reappointed as auditors of the Company. They are now practising under the name of Peat Marwick McLintock and accordingly they have signed the audit report in their new name. A resolution concerning their reappointment as auditors will be proposed at the forthcoming Annual General Meeting.

By order of the Board

A large, stylized handwritten signature in black ink, consisting of several loops and a long horizontal stroke extending to the right.

Secretary

Sword House
Totteridge Road
High Wycombe
Buckinghamshire

WILKINSON SWORD LIMITED

REPORT OF THE AUDITORS TO THE MEMBERS OF WILKINSON SWORD LIMITED

We have audited the accounts set out on pages 5 to 19 in accordance with approved Auditing Standards.

In our opinion the accounts, which have been prepared in accordance with the accounting policies set out on pages 5 and 6, give a true and fair view of the state of affairs of the Company at 28th December 1986, and of the loss and source and application of funds of the Company for the year then ended and comply with the Companies Act 1985.

Paul Martin Mcintosh

Chartered Accountants

25th June, 1987

WILKINSON SWORD LIMITED

ACCOUNTING POLICIES

- a) Basis of accounting: The accounts have been prepared under the historical cost convention on a going concern basis modified to include the revaluation of certain assets. The Company does not prepare consolidated accounts as it is the wholly owned subsidiary of Wilkinson Sword Group Limited, a company incorporated in Great Britain.
- b) Turnover comprises amounts invoiced to customers and fellow subsidiaries less returns, excluding value added tax and trade discounts.
- c) Foreign currencies: Assets and liabilities denominated in foreign currencies are converted into sterling at rates of exchange ruling at the balance sheet date. Exchange differences arising in the course of trading are converted at the rate of exchange ruling on that date and are included in the operating loss.
- d) Depreciation is provided on a straight line basis on all fixed assets except freehold land. The charge in the profit and loss account is calculated to write off the cost or valuation of fixed assets over the expected useful lives of the assets.

The lives assumed for the principal categories are:

Freehold Buildings	20 - 50 years
Leasehold Buildings	Life of lease
Plant and Machinery	3 - 20 years
Motor Vehicles	3 - 5 years

Provision is not made for the possible increased replacement cost of fixed assets.

- e) Deferred taxation: Provision is made for deferred taxation using the liability method except where there is a reasonable probability that a liability will not arise in the foreseeable future. Debit balances arising on deferred taxation are only recognised to the extent that provision is made for liabilities against which they may be offset.
- f) Stocks and work in progress are valued at the lower of cost and net realisable value. Cost is determined on a first in first out basis and, in respect of work in progress and finished stocks, includes an appropriate proportion of overhead costs.

WILKINSON SWORD LIMITED

ACCOUNTING POLICIES (Continued)

- g) Research and development expenditure is written off in the year in which it is incurred.
- h) Patent and trade mark expenditure is written off in the year in which it is incurred.
- i) Regional development grants are credited to the profit and loss account over the expected useful lives of the assets to which they relate. The amounts not so credited are carried forward in the balance sheet in deferred income.
- j) Leased Assets: Where the Company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, and its capitalised value is in excess of £100,000, 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 the shorter of its estimated useful life and the lease term. 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 as interest, and the capital element, which reduces the outstanding obligation for future instalments.

All other leases are operating leases and the rental charges are taken to the profit and loss account on a straight line basis over the life of the lease.

WILKINSON SWORD LIMITED

PROFIT AND LOSS ACCOUNT

YEAR ENDED 28TH DECEMBER 1986

	<u>Note</u>	<u>Year Ended</u> <u>28.12.86</u> <u>£'000</u>	<u>13 Mths Ended</u> <u>29.12.85</u> <u>£'000</u>
Turnover	1	38,227	39,193
Cost of sales		26,125	27,434
Gross profit		12,102	11,759
Distribution costs and administrative expenses	3	14,168	13,984
Operating loss		2,066	2,225
Interest payable	4	3,523	3,759
Loss on ordinary activities before taxation	1	5,589	5,984
Taxation charged/(creditedd) on loss on ordinary activities	5	139	(3,189)
Loss on ordinary activities after taxation		5,728	2,795
Extraordinary item (credited)/ charged	6	(477)	1,306
Loss for the financial year		5,251	4,101

The notes on pages 9 to 18 form part of these accounts.

WILKINSON SWORD LIMITED

BALANCE SHEET

AT 28TH DECEMBER 1986

	<u>Note</u>	<u>1986</u> £'000	<u>1985</u> £'000
Fixed Assets			
Tangible assets	7	3,760	4,580
Investments	8	4	4
		<u>3,764</u>	<u>4,584</u>
Current Assets			
Stocks	9	6,305	7,359
Debtors	10	9,496	9,736
Cash at bank and in hand		1,445	254
		<u>17,246</u>	<u>17,349</u>
Creditors: amounts falling due within one year	11	40,055	32,060
Net current liabilities		<u>(22,809)</u>	<u>(14,711)</u>
Total assets less current liabilities		<u>(19,045)</u>	<u>(10,127)</u>
Creditors: amounts falling due after more than one year	12	387	2,189
Deferred Income: grants		111	134
Provision for liabilities and charges	13	129	1,971
		<u>(19,672)</u>	<u>(14,421)</u>
Capital and Reserves			
Called up share capital	14	5,246	5,246
Share premium account	15	360	360
Profit and loss account	15	(25,278)	(20,027)
		<u>(19,672)</u>	<u>(14,421)</u>

Approved by the Board of Directors on 25th June 1987


Director


Director

The notes on pages 9 to 18 form part of these accounts.

WILKINSON SWORD LIMITED

NOTES TO THE ACCOUNTS

1. Turnover and loss on ordinary activities before taxation

Class of Business	Turnover		Loss Before Taxation	
	Year Ended <u>28.12.86</u> £'000	13 Mths Ended <u>29.12.85</u> £'000	Year Ended <u>28.12.86</u> £'000	13 Mths Ended <u>29.12.85</u> £'000
Shaving & Personal Products	24,679	25,168	(2,529)	(2,990)
Garden Tools & Scissors	10,174	9,890	(2,689)	(2,098)
Housewares	2,806	3,314	80	(482)
Swords	568	821	(451)	(414)
	<u>38,227</u>	<u>39,193</u>	<u>(5,589)</u>	<u>(5,984)</u>
Geographical Markets				
United Kingdom	21,600	21,317		
Americas	3,553	3,389		
Europe	6,703	8,547		
Africa & Middle East	4,515	2,739		
Pacific	1,856	3,201		
	<u>38,227</u>	<u>39,193</u>		
		Year Ended <u>28.12.86</u> £'000	13 Mths Ended <u>29.12.85</u> £'000	
Loss on ordinary activities before taxation is stated after charging:				
Depreciation of owned fixed assets		1,347	1,492	
Depreciation of assets acquired under finance leases		139	-	
Auditors' remuneration		45	50	
Hire of plant and machinery		37	62	
Operating lease rentals		773	397	

2. Directors and Employees

The average number of employees during the period was:

	Year Ended <u>28.12.86</u>	13 Mths Ended <u>29.12.85</u>
Hourly paid	426	583
Salaried	326	447
	<u>752</u>	<u>1,030</u>

WILKINSON SWORD LIMITED

NOTES TO THE ACCOUNTS (Continued)

2. Directors and Employees (Continued)

Staff costs during the period were:

	Year Ended <u>28.12.86</u> £'000	13 Mths Ended <u>29.12.85</u> £'000
Wages and Salaries	9,952	12,454
Social Security costs	707	835
Other Pension costs	161	182
	<u>10,820</u>	<u>13,471</u>

An actuarial valuation of the contributory pension fund was made on 6th April 1986 which revealed a substantial surplus. On 1st December 1984, in anticipation of this valuation and in accordance with the Trust Deed, the Board of Directors suspended the Company's contributions and reduced members' contributions from 6.5% to 6% of pensionable earnings. This has resulted in a decrease in Company losses before taxation of £488,000 for the year (1985: £595,000).

Emoluments of Directors

	Year Ended <u>28.12.86</u> £'000	13 Mths Ended <u>29.12.85</u> £'000
Salaries	2	-
Contributions to Pension schemes	1	-
	<u>3</u>	<u>-</u>

Of the directors, only N F Nicholson and R C I Bate were employed solely as directors of Wilkinson Sword Limited. The remainder, including the Chairman and the highest paid director, are employed by Wilkinson Sword Group Limited and are remunerated by that Company in respect of their services to the Group as a whole. Their emoluments and payments for compensation for loss of office are dealt with in the accounts of Wilkinson Sword Group Limited.

The number of those directors paid by the Company, falling within each range of remuneration, excluding pension contributions was as follows:

	Year Ended <u>28.12.86</u>	13 Mths Ended <u>29.12.85</u>
£0 - £5,000	2	-

WILKINSON SWORD LIMITED

NOTES TO THE ACCOUNTS (Continued)

Emoluments of Directors (Continued)

The number of UK employees of the Company who received emoluments (excluding pension contributions) in the following ranges were:

	Year Ended <u>28.12.86</u>	13 Mths Ended <u>29.12.85</u>
£30,001 - £35,000	3	4
£35,001 - £40,000	2	2
£40,001 - £45,000	1	1
£45,001 - £50,000	-	-
£50,001 - £55,000	1	3
£55,001 - £60,000	1	-
£60,001 - £65,000	3	-

3. Distribution Costs and Administrative Expenses

	Year Ended <u>28.12.86</u> £'000	13 Mths Ended <u>29.12.85</u> £'000
Distribution costs	9,259	8,810
Administrative expenses	2,861	2,300
Research and Development costs	2,048	2,874
	<u>14,168</u>	<u>13,984</u>

4. Interest Charged

	Year Ended <u>28.12.86</u> £'000	13 Mths Ended <u>29.12.85</u> £'000
Interest payable to fellow subsidiaries	3,415	3,722
Finance lease charges	73	-
Other interest payable	45	64
Less: Interest receivable	(10)	(27)
	<u>3,523</u>	<u>3,759</u>

WILKINSON SWORD LIMITED

NOTES TO THE ACCOUNTS (Continued)

5. Taxation

In accordance with Statement of Standard Accounting Practice 15, the Company has changed its accounting policy for deferred taxation from the deferral method to the liability method. This change in accounting policy does not affect the reported figures for 1985.

Taxation based on the loss for the year of the Company:

	Year Ended <u>28.12.86</u> £'000	13 Mths Ended <u>29.12.85</u> £'000
Overseas tax	10	15
Deferred tax	129	-
Group Relief Receivable		
- current year	-	(2,003)
- prior year	-	(1,201)
	<u>139</u>	<u>(3,189)</u>

Tax relief has been reduced by the following items:

	Year Ended <u>28.12.86</u> £'000	13 Mths Ended <u>29.12.85</u> £'000
Free provision of group relief at 36.25% (1985: 41.5%)	(2,346)	-
Recognition of tax losses	(108)	-
Accelerated Capital Allowances	(177)	107
Other timing differences	726	(107)
	<u>(1,905)</u>	<u>-</u>

6. Extraordinary Item

Provision for the restructuring of the Company's activities (no longer required)/charged (Note 13)	<u>(477)</u>	<u>1,306</u>
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WILKINSON SWIFT LIMITED

NOTES TO THE ACCOUNTS (Continued)

7. <u>Tangible Fixed Assets</u>	Payments on Account & Assets in the course of <u>Construction</u>	<u>Land & Buildings</u>	<u>Plant & Machinery</u>	<u>Total</u>
	£'000	£'000	£'000	£'000
a) Cost or Valuation				
At 30 December 1985	695	1,460	9,511	11,666
Additions - 3rd Party	170	-	1,144	1,314
- Group Companies	-	-	94	94
Disposals - 3rd Party	(206)	-	(625)	(831)
- Group Companies	-	(473)	(585)	(1,058)
	<u>659</u>	<u>987</u>	<u>9,539</u>	<u>11,185</u>
Depreciation				
At 30 December 1985	-	500	6,586	7,086
Additions - Group Companies	-	-	5	5
Charge for the year	-	110	1,376	1,486
Disposals - 3rd Party	-	-	(592)	(592)
- Group Companies	-	(355)	(175)	(560)
	<u>-</u>	<u>225</u>	<u>7,200</u>	<u>7,425</u>
Net Book Value				
At 28 December 1986	<u>659</u>	<u>762</u>	<u>2,339</u>	<u>3,760</u>
At 29 December 1985	<u>695</u>	<u>960</u>	<u>2,925</u>	<u>4,580</u>

Additions of plant and machinery include £245,000 in relation to capitalised leases signed in prior years resulting from a detailed re-examination of leases entered into by the Company. This treatment is considered to have no material effect on prior year's losses.

b) Analysis of cost or valuation				
at 28 December 1986				
Cost	659	189	9,539	10,387
Open Market valuation				
in 1977	-	798	-	798
	<u>659</u>	<u>987</u>	<u>9,539</u>	<u>11,185</u>
c) If the assets had not been				
revalued the balances at				
28 December 1986 would have				
been				
Cost	659	1,059	9,539	11,257
Accumulated depreciation	-	285	7,200	7,485

NOTES TO THE ACCOUNTS (Continued)

	<u>1986</u>	<u>1985</u>
	£'000	£'000
d) Land and Buildings at net book value, comprises:		
Freehold	617	725
Long Leasehold	-	60
Short Leasehold	145	175
	<u>762</u>	<u>960</u>
e) The net book value of plant and machinery includes items held under finance leases as follows:		
At 28th December 1986	£592,000	
At 29th December 1985	£258,000	
	<u>1986</u>	<u>1985</u>
	£'000	£'000
f) Capital expenditure		
Contracted for but no provision made in the accounts	<u>32</u>	<u>229</u>
Authorised by the directors but not contracted for	<u>-</u>	<u>866</u>
g) Obligations under operating leases committed to be made during the following year, analysed between the years in which the commitments expire are as follows:		

	<u>Land & Buildings</u>		<u>Plant & Machinery</u>		<u>Total</u>	
	<u>28.12.86</u>	<u>29.12.85</u>	<u>28.12.86</u>	<u>29.12.85</u>	<u>28.12.86</u>	<u>29.12.85</u>
	£'000	£'000	£'000	£'000	£'000	£'000
Within one year	-	-	10	12	10	12
Two to five years	-	-	969	871	969	871
More than five years	487	487	-	-	487	487
	<u>487</u>	<u>487</u>	<u>979</u>	<u>883</u>	<u>1466</u>	<u>1370</u>

8. Investments

The Company's investments comprise shares in subsidiary companies which cost £230,000 and are stated net of £226,000 written off in previous years. (Continued...)

WILKINSON SWORD LIMITED

NOTES TO THE ACCOUNTS (Continued)

The principal subsidiaries are as follows:

<u>Company</u>	<u>Country of Incorporation</u>	<u>Percentage of Issued Shares</u>		<u>Principal Activity</u>
		<u>WS Ltd</u>	<u>WS Ltd through Subsidiaries</u>	
Bryant & May (NZ) Ltd	New Zealand	Ord 50	-	Dormant
Scripto Industries (Shannon) Ltd	Eire	Ord 35 Pref 19-18	-	In Liquidation
Scripto Industries (Ireland) Ltd	Eire	Ord -	100	In Liquidation
Wilkinson Sword (Argentina) Ltd	Argentina	Ord 100	-	In Liquidation

9. Stocks

	<u>1986</u> £'000	<u>1985</u> £'000
Raw materials and consumables	1,397	1,142
Work in progress	471	821
Finished goods and goods for resale	4,437	5,396
	<u>6,305</u>	<u>7,359</u>

10. Debtors: amounts falling due within one year

Trade debtors	6,109	6,253
Amounts owed by subsidiaries	-	56
Amounts owed by other group companies	2,396	2,382
Other debtors	293	138
Prepayments and accrued income	698	907
	<u>9,496</u>	<u>9,736</u>

11. Creditors: amounts falling due within one year

Bank loans and overdrafts	-	356
Trade Creditors	3,570	6,810
Amounts owed to group companies	34,492	22,423
Taxation - PAYE	155	368
- Corporation Tax	10	-
Social Security	100	246
Other creditors	1,585	1,812
Obligations under finance leases	143	45
	<u>40,055</u>	<u>32,060</u>

WILKINSON SWORD LIMITED

NOTES TO THE ACCOUNTS (Continued)

12. Creditors: amounts falling due after more than one year

Amounts due to Group Companies	6	2,015
Obligations under finance leases	381	174
	387	2,189

Of the lease obligations falling due after more than one year, none are payable after more than five years.

13. Provision for Liabilities and Charges

	<u>Deferred Taxation</u> £'000	<u>Reorganisation Provision</u> £'000	<u>Total</u> £'000
Balance at 30th December 1985	-	1,971	1,971
Utilised during the year	-	(1,494)	(1,494)
Charge for the year in the profit and loss account	129	-	129
Extraordinary credit for the year in the profit and loss account	-	(477)	(477)
	129	-	129

The full potential liability for deferred tax, which is provided for under the liability method is as follows:

	<u>Year Ended</u> <u>28.12.86</u> £'000	<u>13 Mths Ended</u> <u>29.12.85</u> £'000
Capital gains rolled over	378	378
Accelerated capital allowances on plant and machinery	(16)	161
Other timing differences	(125)	(851)
Losses carried forward	(108)	(108)
	129	(420)

In prior years the deferral method for calculating deferred tax was used and the account on that basis showed a net asset balance of £440,000 at 29th December 1985, which was not recognised in the accounts.

WILKINSON SWORD LIMITED

NOTES TO THE ACCOUNTS (Continued)

14. Share Capital

	<u>Authorised</u>		<u>Allotted, Called up and Fully Paid</u>	
	<u>1986</u>	<u>1985</u>	<u>1986</u>	<u>1985</u>
	£'000	£'000	£'000	£'000
6,350,000 Ord shares of 20p each	1,270	1,270	1,270	1,270
19,882,283 Non-Voting "A" Ord shares of 20p each	3,976	3,976	3,976	3,976
3,767,717 Unclassified shares of 20p each	754	754	-	-
	<u>6,000</u>	<u>6,000</u>	<u>5,246</u>	<u>5,246</u>

15. Reserves

	<u>Share Premium Account</u>	<u>Profit & Loss Account</u>
	£'000	£'000
At 30th December 1985	360	(20,027)
Loss for the financial year	-	(5,251)
	<u>360</u>	<u>(25,278)</u>
At 28th December 1986	<u>360</u>	<u>(25,278)</u>

16. Contingent Liabilities

The Company is jointly and severally liable if called upon under a guarantee to provide up to £7,500,000 in relation to overdraft and loan facilities to a fellow subsidiary company (1985: £8,000,000). Of the total facility the sum of £942,000 (1985: £964,000) has been utilised.

The Company was on 23rd June, 1987 released from a joint and several liability in relation to overdraft and loan facilities to Sunbeam Electric (Holdings) Limited of £2,500,000 (1985: £5,000,000).

The Company has given counter indemnities to the National Westminster Bank PLC in respect of advance payment guarantees and performance bonds for a total of £301,000 (1985: £414,000).

The Company has guaranteed to indemnify Kitchen Devils Limited from and against any and all costs, claims, demands, liabilities and expenses paid or incurred in acting as agents for Wilkinson Sword Limited.

Under a Group Registration, the Company is jointly and severally liable for Value Added Tax due from other Group Companies amounting to £736,000 (1985: £1,147,000).

WILKINSON SWORD LIMITED

NOTES TO THE ACCOUNTS (Continued)

17. Net Asset Deficiency

The accounts of the Company show a deficiency in net assets. Wilkinson Sword Group Limited has undertaken to ensure that it will continue to provide sufficient funds to enable Wilkinson Sword Limited to meet its debts to other creditors as these fall due until such time as this deficiency has been eliminated.

18. Post Balance Sheet Event and Ultimate Holding Company

Subsequent to the year end, Allegheny International Inc. disposed of its entire interest in the Company to Swedish Match AB, a company incorporated in Sweden.

WILKINSON SWORD LIMITED

SOURCE AND APPLICATION OF FUNDS

YEAR ENDED 28TH DECEMBER 1986

	Year Ended 28.12.86 £'000	13 Mths Ended 29.12.85 £'000
Sources		
Loss on ordinary activities before taxation	(5,589)	(5,984)
Extraordinary items before taxation	477	(1,306)
Items not involving the movement of funds		
Depreciation	1,486	1,492
Net deferred income realised	-	24
Rationalisation costs provided	-	1,306
	<u>1,486</u>	<u>2,822</u>
Funds absorbed by operations	(3,626)	(4,468)
Funds from other sources		
Disposal of fixed assets	737	4,486
Group relief received	-	3,204
Increase in creditors: amounts due after more than one year	<u>184</u>	<u>174</u>
	<u>921</u>	<u>7,864</u>
	(2,705)	3,396
Applications		
Acquisition of fixed assets	(1,403)	(3,574)
Reorganisation provision applied or released	<u>(1,971)</u>	<u>(301)</u>
	(3,374)	(3,875)
	(6,079)	(479)
Decrease/(Increase) in: Stocks	1,054	(1,442)
Decrease in Debtors	198	941
(Decrease)/Increase in Creditors: amounts due in one year (excluding corporation tax)	<u>(4,084)</u>	<u>1,472</u>
	(2,832)	971
Net flow of funds	(8,911)	492
Increase in Net Indebtedness of Affiliated Companies	10,102	1,046
Increase in Cash Balances	<u>1,191</u>	<u>1,538</u>