ROYAL BANK OF SCOTLAND GROUP PLC
Form 6-K
May 04, 2012

FORM 6-K
SECURITIES AND EXCHANGE COMMISSION
Washington D.C. 20549

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16
of the Securities Exchange Act of 1934

For May 4, 2012

Commission File Number: 001-10306

The Royal Bank of Scotland Group plc

RBS, Gogarburn, PO Box 1000
Edinburgh EH12 1HQ

(Address of principal executive offices)

Indicate by check mark whether the registrant files or will file annual reports under cover of Form 20-F or Form 40-F.

Form 20-F X Form 40-F ___

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):_________

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):_________

Indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes ___ No X

If "Yes" is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b): 82-________

The following information was issued as a Company announcement in London, England and is furnished pursuant to General Instruction B to the General Instructions to Form 6-K:

Risk and balance sheet management (continued)

Market risk

Market risk arises from changes in interest rates, foreign currency, credit spreads, equity prices and risk related factors such as market volatilities. The Group manages market risk centrally within its trading and non-trading portfolios through a comprehensive market risk management framework. This control framework includes qualitative guidance in the form of comprehensive policy statements, dealing authorities, limits based on, but not limited to, value-at-risk (VaR), stress testing, positions and sensitivity analyses.

For a description of the Group's basis of measurement and methodologies, refer to pages 229 to 231 of the Group's 2011 Annual Report and Accounts.

Following the implementation of CRD III at 31 December 2011, the Group is required to calculate: (i) an additional capital charge based on a stressed calibration of the VaR model - Stressed VaR; (ii) an Incremental Risk Charge to capture the default and migration risk for credit risk positions in the trading book; and (iii) an All Price Risk measure for correlation trading positions, subject to a capital floor that is based on standardised securitisation charges. The CRD III capital charges at 31 March 2012 are shown in the table below:

	31 March 2012 £m	31 December 2011 £m
Stressed VaR	1,793	1,682
Incremental Risk Charge	659	469
All Price Risk	262	297

The Group's US trading subsidiary was included in the internal models in March 2012 resulting in an increase in Incremental Risk Charge and Stressed VaR.

Daily distribution of Markets trading revenues

http://www.rns-pdf.londonstockexchange.com/rns/7230C_-2012-5-3.pdf

Note:

(1) The effect of any month end adjustments, not attributable to a specific daily market move, is spread evenly over the days in the month in question.

Risk and balance sheet management (continued)

Market risk (continued)

Key points

- Markets delivered higher trading revenues in Q1 2012 than in Q4 2011. This reflected the temporary improvement in global markets sentiment following the approval of Greece's bailout and debt restructuring and increased liquidity in Europe as a result of the European Central Bank's Long-Term Refinancing Operation programme.

- A higher volume of client activity and normalised bid-offer spreads contributed to more stable and consistent revenues compared with Q4 2011, as seen by trends in average daily revenue and standard deviation. The average daily revenue in Q1 2012 was £27 million compared with £9 million in Q4 2011. The standard deviation of the daily revenues in Q1 2012 was £15 million, down from £18 million in Q4 2011.

- The number of days with negative revenue decreased from 18 in Q4 2011 to two in Q1 2012, primarily reflecting the factors discussed above.

- The two most frequent results were daily revenue of: (i) between £15 million and £20 million, and (ii) between £25 million and £30 million, each of which occurred 13 times in Q1 2012. In Q4 2011, the most frequent result was daily revenue of between zero and £5 million, which occurred 12 times.

VaR disclosures

Counterparty Exposure Management (CEM) manages the OTC derivative counterparty credit and funding risk on behalf of Markets, by actively controlling risk concentrations and reducing unwanted risk exposures. The hedging transactions CEM enters into are booked in the trading book, and therefore contribute to the market risk VaR exposure of the Group. The counterparty exposures themselves are not captured in VaR for regulatory capital. In the interest of transparency and to more properly represent the exposure, CEM exposure and total VaR excluding CEM are disclosed separately.

The table below details VaR for the Group's trading portfolios, analysed by type of market risk exposure, and between Core, Non-Core, CEM and the Group's total trading VaR excluding CEM.

Risk and balance sheet management (continued)

Market risk (continued)

	Quarter ended											
	31 March 2012				31 December 2011				31 March 2011			
		Period				Period				Period		
	Average	end	Maximum	Minimum	Average	end	Maximum	Minimum	Average	end	Maximum	Minimu

Trading VaR	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£
Interest rate	73.8	68.3	95.7	51.2	62.5	68.1	72.3	50.8	60.4	60.2	79.2	4
Credit spread	84.2	88.5	94.9	72.6	68.4	74.3	78.5	57.4	134.1	97.7	151.1	9
Currency	12.5	11.1	21.3	8.2	10.9	16.2	19.2	5.7	12.2	10.5	18.0	[illegible]
Equity	7.5	6.3	12.5	4.7	8.3	8.0	12.5	5.0	11.1	10.7	14.5	[illegible]
Commodity	2.5	1.3	6.0	1.0	4.3	2.3	7.0	2.0	0.2	0.1	0.7	
Diversification (1)		(69.0)				(52.3)				(71.1)		
Total	116.6	106.5	137.0	97.2	109.7	116.6	132.2	83.5	156.4	108.1	181.3	10
Core	82.8	74.5	118.0	63.6	77.3	89.1	95.6	57.7	108.2	72.2	133.9	7
Non-Core	38.7	39.3	41.9	34.2	35.2	34.6	40.7	30.0	113.9	109.4	128.6	10
CEM (2)	79.1	78.5	84.2	73.3		75.8				43.9		
Total (excluding CEM) (2)	53.5	56.6	76.4	41.0		49.7				110.8		

Notes:

(1) The Group benefits from diversification, which reflects the risk reduction achieved by allocating investments across various financial instrument types, industry counterparties, currencies and regions. The extent of diversification benefit depends on the correlation between the assets and risk factors in the portfolio at a particular time. Diversification has an inverse relationship with correlation. The diversification factor is the sum of the VaR on individual risk types less the total portfolio VaR.

(2) CEM and total trading VaR excluding CEM for Q1 2012 have been presented on a minimum, maximum, average and period end basis. For comparative purposes, the period end VaR figures have been shown for Q4 2011 and Q1 2011.

Key points

- The Group's average and maximum total trading VaR and interest rate trading VaR were slightly higher during Q1 2012 than Q4 2011. This was largely driven by pre-hedging activity ahead of UK Gilt and Japanese Government bond auctions in which RBS participated.

- The eurozone sovereign crisis caused unrest in the credit markets over the quarter as France was downgraded and Greece's debt refinancing raised concerns over Italy and Spain's ability to refinance their debt. This caused credit spreads to widen over the majority of the quarter and impacted the Group's credit spread exposure, resulting in a higher average and maximum credit spread VaR in Q1 2012 than in Q4 2011.

- Non-Core trading VaR showed a slight increase over Q1 2012 due to increased hedging activities in CEM as counterparty credit risks deteriorated.

Risk and balance sheet management (continued)

Market risk (continued)

The table below details VaR for the Group's non-trading portfolio, excluding the structured credit portfolio (SCP) and loans and receivables (LAR), analysed by type of market risk exposure and between Core, Non-Core CEM, and the Group's total non-trading VaR excluding CEM.

	Quarter ended											
	31 March 2012				31 December 2011				31 March 2011			
	Average	Period end	Maximum	Minimum	Average	Period end	Maximum	Minimum	Average	Period end	Maximum	Minimu
Non-trading VaR	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	[illegible]
Interest rate	9.6	8.7	10.7	8.7	9.7	9.9	10.9	8.8	7.8	7.0	10.8	[illegible]
Credit spread	13.9	15.2	15.4	12.9	13.9	13.6	15.7	12.1	23.8	22.5	39.3	[illegible]
Currency	3.7	3.3	4.5	3.2	3.5	4.0	5.1	2.4	0.6	0.6	1.8	[illegible]
Equity	1.9	1.8	1.9	1.8	1.9	1.9	2.0	1.8	2.5	2.3	3.1	[illegible]
Diversification (1)		(10.8)				(13.6)				(5.4)		
Total	15.7	18.2	18.3	13.6	16.3	15.8	20.0	14.2	$	19.2		

9

Table of Contents

U.S. INDUSTRIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular amounts in millions)
(unaudited)

Note 8-Earnings Per Share

The Company s basic and diluted weighted average number of common shares outstanding was 74.5 million and 73.4 million for the first quarter of 2003 and 2002, respectively. Options to purchase 5.2 million and 6.1 million shares in the first quarter of 2003 and 2002, respectively, were not included in the Company s computation of diluted earnings per share. The effect of assuming that 0.2 million and 0.9 million shares of restricted stock vested in the first quarter of 2003 and 2002, respectively, was also excluded from the computation of diluted earnings per share.

Note 9-Restructuring Reserves

As of December 31, 2002, the Company has remaining accruals of $8.9 million for restructuring costs. The activity in the restructuring liability accounts by cost category is as follows:

	Lease and Contract Related Accruals	Severance and Related Accruals	Total Accruals
Balance at September 30, 2002	$ 8.8	$ 0.6	$ 9.4
Cash payments	(0.3)	(0.2)	(0.5)
Balance at December 31, 2002	$ 8.5	$ 0.4	$ 8.9

Approximately $2.0 million of the reserves are included in the balance sheet caption Accrued expenses and other current liabilities, while the remaining $6.9 million are recorded in the balance sheet caption Other liabilities. The remaining severance and related accruals are with respect to three former employees. The Company expects the remaining accruals to be paid with cash over the periods provided by the severance and lease agreements of two and five years, respectively.

Note 10-Income Taxes

During the first quarter 2003, the IRS completed its examination of the federal income tax returns for fiscal 1995 through 1997. As a result of the audit settlement, a tax benefit of $13.6 million was recorded in the first quarter of 2003. A substantial portion of the proposed adjustments derived from the spin-off of the Company from Hanson PLC in 1995. The Company expects to provide taxes at a 39% effective rate on income from continuing operations through the remainder of fiscal 2003. During the first quarter of 2002, no income tax benefit was recorded for the loss from continuing operations because of the uncertainty of its ultimate realization.

Note 11- Discontinued Operations

Discontinued Operations

On December 28, 2001, the Board of Directors approved a formal Disposal Plan in connection with the Company s obligation to pay debt amortization as set forth in the restructured debt agreements. The Disposal Plan called for the sale of five businesses Ames True Temper, Selkirk, Lighting Corporation of America, Spear & Jackson and SiTeco Lighting. The Company completed the sales of Ames True Temper in January 2002, Lighting Corporation of America in April 2002, Selkirk in June 2002, Spear & Jackson in September 2002 and SiTeco Lighting in October 2002. The operating results of these businesses were included in the Company s expected loss on disposal, which was recorded in September 2001 and adjusted in fiscal 2002, in accordance with APB No. 30. Summarized results of these businesses are as follows:

	First Quarter

	2003	**2002**
Net sales	$ 7.7	$ 287.1
Operating (loss) income	(0.4)	11.5

The first quarter of 2003 includes only the SiTeco Lighting business for the period up until it was sold, on October 18, 2002, whereas the first quarter of 2002 includes the results of all five businesses.

Table of Contents

U.S. INDUSTRIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular amounts in millions)
(unaudited)

Note 12-Segment Data

The Company currently operates in two reportable business segments Bath & Plumbing and Rexair. The following is a summary of the significant accounts and balances by segment, reconciled to the consolidated totals.

		Bath & Plumbing	Rexair	Corporate	Consolidated Total
Net Sales					
First Quarter	2003	$ 255.2	$ 26.1	$	$ 281.3
	2002	227.8	26.6		254.4
Total Operating Income (Loss)					
First Quarter	2003	$ 15.4	$ 6.0	$ (3.8)	$ 17.6
	2002	14.2	7.6	(7.2)	14.6
Capital Expenditures					
First Quarter	2003	$ 2.6	$ 0.4	$	$ 3.0
	2002	5.1	0.1		5.2
Depreciation and Amortization					
First Quarter	2003	$ 5.2	$ 0.8	$ 0.2	$ 6.2
	2002	5.4	0.8	0.5	6.7
Assets					
As of December 31, 2002		$ 1,025.3	$ 116.2	$ 195.0	$ 1,336.5
As of September 30, 2002		1,023.1	117.3	434.9	1,575.3

Corporate assets included net assets held for sale of $103.8 million and short-term escrow deposits of $142.9 million as of September 30, 2002.

The Company has experienced some seasonality in its Bath and Plumbing segment. Sales of several products such as spas and swimming pool equipment are sensitive to weather conditions and tend to experience a significant decrease in sales during the fall and winter months (predominantly the first and second fiscal quarters). Sales are also affected when weather affects outside construction and installation.

Note 13-Supplemental Joint Issuer and Guarantor Financial Information

The following pages represent the supplemental consolidating condensed financial statements of U.S. Industries, Inc. (USI), USI Global and USIAH which are the jointly obligated issuers of the Company s Senior Notes, and USI Atlantic, which is the guarantor of the Notes, and their subsidiaries which are not guarantors of the Notes, as of December 31, 2002 and September 30, 2002 and for the three months ended December 31, 2002 and 2001, respectively. Certain of the other subsidiaries have pledged their stock and assets as collateral for the Senior Notes. Refer to the Company s Annual Report on Form 10-K for the year ended September 30, 2002 with respect to certain security interests in favor of the holders of the Notes.

11

Table of Contents

U.S. INDUSTRIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular amounts in millions)
(unaudited)

Note 13-Supplemental Joint Issuer and Guarantor Financial Information (continued)

	First Quarter 2003						
	USI	USI Global	USI Atlantic	USIAH	Other Subsidiaries	Eliminations	Consolidated
Net sales	$	$	$	$	$ 281.3	$	$ 281.3
Operating costs and expenses:							
Cost of products sold					196.6		196.6
Selling, general and administrative expenses	3.4				63.7		67.1
Operating income (loss)	(3.4)				21.0		17.6
Interest expense	(11.6)	(4.3)			(2.8)		(18.7)
Interest income	0.3				0.3		0.6
Intercompany interest income (expense), net	(11.4)	15.8			(4.4)		
Other income (expense), net	(1.4)				2.0		0.6
Other intercompany income (expense)		(12.7)		15.4	(2.7)		
Minority interest income (expense)	(15.4)			15.4			
Equity in earnings (losses) of investees, net	37.8	5.8	30.3	(0.5)		(73.4)	
Income before income taxes and discontinued operations	(5.1)	4.6	30.3	30.3	13.4	(73.4)	0.1
Benefit from (provision for) income taxes	18.8	(5.0)			(0.2)		13.6
Income from continuing operations	13.7	(0.4)	30.3	30.3	13.2	(73.4)	13.7
Income from discontinued operations							
Net income	$ 13.7	$ (0.4)	$ 30.3	$ 30.3	$ 13.2	$ (73.4)	$ 13.7

	First Quarter 2002						
	USI	USI Global	USI Atlantic	USIAH	Other Subsidiaries	Eliminations	Consolidated
Net sales	$	$	$	$	$ 254.4	$	$ 254.4
Operating costs and expenses:							
Cost of products sold					178.8		178.8
Selling, general and administrative expenses	7.1				53.9		61.0
Goodwill impairment charges							
Operating loss	(7.1)				21.7		14.6
Interest expense	(10.1)	(8.6)			(4.2)		(22.9)
Interest income	1.4				0.5		1.9
Intercompany interest income (expense), net	(7.2)	15.2			(8.0)		
Other income (expense), net	0.9				(1.5)		(0.6)
Other intercompany income (expense)		(15.4)		15.4			
Minority interest income (expense)	(15.4)			15.4			

Equity in (losses) earnings of investees, net	30.5	1.1	23.1	(7.7)		(47.0)	
Loss before income taxes and discontinued operations	(7.0)	(7.7)	23.1	23.1	8.5	(47.0)	(7.0)
Provision (benefit) for income taxes							
Loss from continuing operations	(7.0)	(7.7)	23.1	23.1	8.5	(47.0)	(7.0)
Loss from discontinued operations							
Net loss	$ (7.0)	$ (7.7)	$ 23.1	$ 23.1	$ 8.5	$ (47.0)	$ (7.0)

Table of Contents

U.S. INDUSTRIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular amounts in millions)
(unaudited)

Note 13-Supplemental Joint Issuer and Guarantor Financial Information (Continued)

	At December 31, 2002						
	USI	USI Global	USI Atlantic	USIAH	Other Subsidiaries	Eliminations	Consolidated
ASSETS							
Current assets:							
Cash and cash equivalents	$ 1.0	$	$	$	$ 42.9	$	$ 43.9
Restricted cash collateral accounts	5.3						5.3
Trade receivables, net					211.0		211.0
Inventories					188.3		188.3
Deferred income taxes	31.0						31.0
Income taxes receivable	51.5				(18.3)		33.2
Other current assets	4.3				22.1		26.4
Total current assets	93.1				446.0		539.1
Restricted cash collateral accounts	13.2						13.2
Property, plant and equipment, net	0.5				143.0		143.5
Pension assets	71.8				71.1		142.9
Insurance for asbestos claims					145.0		145.0
Other assets	17.5	1.8			22.7		42.0
Goodwill and other intangibles, net					310.8		310.8
Investments in subsidiaries	1,156.5	816.3	732.5	664.5		(3,369.8)	
Intercompany receivable (payable), net	(680.9)	(30.9)		205.7	506.1		
Total assets	$ 671.7	$ 787.2	$ 732.5	$ 870.2	$ 1,644.7	$ (3,369.8)	$ 1,336.5
LIABILITIES AND STOCKHOLDERS EQUITY							
Current liabilities:							
Notes payable	$	$	$	$	$ 21.8	$	$ 21.8
Current maturities of long-term debt	33.7				8.5		42.2
Trade accounts payable					90.8		90.8
Accrued expenses and other current liabilities	16.3	0.9			95.8		113.0
Total current liabilities	50.0	0.9			216.9		267.8
Long-term debt	324.3	121.8			71.4		517.5
Minority interest				137.7		(137.7)	
Deferred income taxes	3.2				11.2		14.4
Asbestos claims					145.0		145.0
Other liabilities	37.0				97.6		134.6
Total liabilities	414.5	122.7		137.7	542.1	(137.7)	1,079.3
Commitments and contingencies							
Stockholders equity	257.2	664.5	732.5	732.5	1,102.6	(3,232.1)	257.2
Total liabilities and stockholders equity	$ 671.7	$ 787.2	$ 732.5	$ 870.2	$ 1,644.7	$ (3,369.8)	$ 1,336.5

13

Table of Contents

U.S. INDUSTRIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular amounts in millions)
(unaudited)

Note 13-Supplemental Joint Issuer and Guarantor Financial Information (Continued)

	At September 30, 2002						
	USI	**USI Global**	**USI Atlantic**	**USIAH**	**Other Subsidiaries**	**Eliminations**	**Consolidated**
ASSETS							
Current assets:							
Cash and cash equivalents	$ 0.3	$	$	$	$ 31.8	$	$ 32.1
Restricted cash collateral accounts	98.2	44.7					142.9
Trade receivables, net					230.7		230.7
Inventories					183.0		183.0
Deferred income taxes	47.0	(12.4)			(3.6)		31.0
Net assets held for sale					103.8		103.8
Income taxes receivable	37.2						37.2
Other current assets	5.8	0.2			18.6		24.6
Total current assets	188.5	32.5			564.3		785.3
Restricted cash collateral accounts	15.4						15.4
Property, plant and equipment, net	0.6				143.7		144.3
Pension assets	70.9				69.5		140.4
Insurance for asbestos claims					145.0		145.0
Other assets	5.8	2.0			27.1		34.9
Goodwill and other intangibles, net					310.0		310.0
Investments in subsidiaries	1,046.4	889.1	696.6	659.4		(3,291.5)	
Intercompany receivable (payable), net	(573.1)	(8.2)		190.3	391.0		
Total assets	$ 754.5	$ 915.4	$ 696.6	$ 849.7	$ 1,650.6	$ (3,291.5)	$ 1,575.3
LIABILITIES AND STOCKHOLDERS EQUITY							
Current liabilities:							
Notes payable	$	$	$	$	$ 15.3	$	$ 15.3
Current maturities of long-term debt	198.0	54.5			23.4		275.9
Trade accounts payable					99.5		99.5
Accrued expenses and other liabilities	32.2	3.9			95.6		131.7
Total current liabilities	230.2	58.4			233.8		522.4
Long-term debt	241.0	197.6			78.3		516.9
Minority interest				153.1		(153.1)	
Deferred income taxes	5.2				12.7		17.9
Asbestos claims					145.0		145.0
Other liabilities	40.4				95.0		135.4
Total liabilities	516.8	256.0		153.1	564.8	(153.1)	1,337.6
Commitments and contingencies							
Stockholders equity	237.7	659.4	696.6	696.6	1,085.8	(3,138.4)	237.7
	$ 754.5	$ 915.4	$ 696.6	$ 849.7	$ 1,650.6	$ (3,291.5)	$ 1,575.3

Total liabilities and stockholders equity							

Table of Contents

U.S. INDUSTRIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular amounts in millions)
(unaudited)

Note 13-Supplemental Joint Issuer and Guarantor Financial Information (Continued)

	First Quarter 2003						
	USI	USI Global	USI Atlantic	USIAH	Other Subsidiaries	Eliminations	Consolidated
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	$ (36.2)	$ 7.1	$	$	$ 24.8	$	$ (4.3)
INVESTING ACTIVITIES:							
Proceeds from sale of businesses, net					103.8		103.8
Purchases of property, plant and equipment					(3.0)		(3.0)
Proceeds from sale of excess real estate					10.8		10.8
Net transfers with subsidiaries	(13.8)	107.6			(164.1)	70.3	
NET CASH (USED IN) PROVIDED BY INVESTING ACTIVITIES	(13.8)	107.6			(52.5)	70.3	111.6
FINANCING ACTIVITIES:							
Proceeds from long-term debt	23.5				2.9		26.4
Repayment of Restructured Facilities		(75.9)			(24.7)		(100.6)
Repayment of Senior Notes	(104.8)	(54.8)					(159.6)
Escrow deposits	(38.0)						(38.0)
Escrow withdrawals	178.1						178.1
Payment of financing fees	(7.9)				(1.0)		(8.9)
Proceeds from notes payable, net					6.0		6.0
Net transfers with parent		13.8			56.5	(70.3)	
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	50.9	(116.9)			39.7	(70.3)	(96.6)
Effect of exchange rate changes on cash and cash equivalents	(0.2)	2.2			(0.9)		1.1
INCREASE IN CASH AND CASH EQUIVALENTS	0.7				11.1		11.8
Cash and cash equivalents at beginning of period	0.3				31.8		32.1
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 1.0	$	$	$	$ 42.9	$	$ 43.9

Table of Contents

U.S. INDUSTRIES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(Tabular amounts in millions)
(unaudited)

Note 13-Supplemental Joint Issuer and Guarantor Financial Information (Continued)

	First Quarter 2002						
	USI	USI Global	USI Atlantic	USIAH	Other Subsidiaries	Eliminations	Consolidated
NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES	$(28.0)	$(12.3)	$ 0.2	$	$ 45.8	$	$ 5.7
INVESTING ACTIVITIES:							
Proceeds from sale of businesses, net							
Purchases of property, plant and equipment					(5.2)		(5.2)
Proceeds from sale of excess real estate							
Proceeds from sale of fixed assets					1.3		1.3
Net transfers with subsidiaries	27.0	81.7				(108.7)	
Other investing activities, net					(0.1)		(0.1)
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	27.0	81.7			(4.0)	(108.7)	(4.0)
FINANCING ACTIVITIES:							
Proceeds from long-term debt	18.7				9.4		28.1
Repayment of long-term debt	(15.0)	(20.0)			(10.3)		(45.3)
Repayment of notes payable, net					0.6		0.6
Proceeds from exercise of stock options							
Purchase of treasury stock							
Payment of dividends							
Net transfers with parent		(27.0)	(0.1)		(81.6)	108.7	
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	3.7	(47.0)	(0.1)		(81.9)	108.7	(16.6)
Effect of exchange rate changes on cash and cash equivalents	(0.8)	(22.4)			27.0		3.8
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1.9		0.1		(13.1)		(11.1)
Cash and cash equivalents at beginning of period	(0.3)				65.5		65.2
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 1.6	$	$ 0.1	$	$ 52.4	$	$ 54.1

Table of Contents

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

(Tabular amounts in millions)

Disclosure Concerning Forward-Looking Statements

In December 1995, the Private Securities Litigation Reform Act of 1995 (the Act) was enacted by the United States Congress. The Act, as amended, contains certain amendments to the Securities Act of 1933 and the Securities Exchange Act of 1934. These amendments provide protection from liability in private lawsuits for forward-looking statements made by public companies. The Company takes advantage of the safe harbor provisions of the Act.

This Quarterly Report on Form 10-Q contains both historical information and other information that may be used to infer future performance. Examples of historical information include the Company s quarterly financial statements and the commentary on past performance contained in its Management s Discussion and Analysis. While the Company has specifically identified certain information as being forward-looking in the context of its presentation, the Company cautions the reader that, with the exception of information that is clearly historical, all the information contained in this Quarterly Report on Form 10-Q should be considered to be forward-looking statements as referred to in the Act. Without limitation, when it uses the words believe, estimate, plan, expect, intend, anticipate, continue, project, probably, should and si the Company intends to clearly express that the information deals with possible future events and is forward-looking in nature.

Forward-looking information involves risks and uncertainties. This information is based on various factors and assumptions about future events that may or may not actually come true. As a result, the Company s operations and financial results in the future could differ substantially from those the Company has discussed in the forward-looking statements in this Quarterly Report and other documents that have been filed with the Securities and Exchange Commission. In particular, various economic and competitive factors, including those outside the Company s control, such as interest rates, foreign currency exchange rates, inflation rates, instability in domestic and foreign financial markets, terrorist acts, consumer spending patterns, energy costs and availability, freight costs, availability of consumer and commercial credit, adverse weather, levels of residential and commercial construction, and changes in raw material costs, could cause the Company s actual results during the remainder of 2003 and in future years to differ materially from those expressed in any forward-looking statement made in this Quarterly Report on Form 10-Q. All subsequent written and oral forward-looking statements attributable to the Company are expressly qualified in their entirety by the foregoing factors.

Results of Operations

General

U.S. Industries, Inc., together with its subsidiaries (the Company), manufactures and distributes consumer and industrial products. The Company has a Bath & Plumbing segment and a Rexair segment, which consists solely of the Rexair business. On December 28, 2001, the Company s Board of Directors adopted a formal Disposal Plan in connection with the Company s obligation to pay debt amortization. The Disposal Plan called for the sale of five businesses Ames True Temper, Selkirk, Lighting Corporation of America, Spear & Jackson and SiTeco Lighting, during 2002. The results of operations classified as discontinued are excluded from the following discussions of the Company s continuing operating results and are discussed separately under the caption, Discontinued Operations.

Table of Contents

Overall

	First Quarter	
	2003	**2002**
Net Sales		
Bath & Plumbing	$255.2	$227.8
Rexair	26.1	26.6
Total Net Sales	$281.3	$254.4
Operating Income (Loss)		
Bath & Plumbing	$ 15.4	$ 14.2
Rexair	6.0	7.6
	21.4	21.8
Corporate expenses	(3.8)	(7.2)
Total Operating Income (Loss)	$ 17.6	$ 14.6

The Company s overall sales increased $26.9 million or 11% in the first quarter of 2003 as compared to the comparable prior year period. Operating income for the first quarter of 2003 increased by $3.0 million or 21%. These increases reflect the improved results experienced by our Bath & Plumbing segment as well as cost reductions achieved in our corporate offices. These increases were offset slightly by Rexair s results.

Bath & Plumbing

Sales in the Bath & Plumbing segment increased by $27.4 million or 12% for the first quarter of 2003 in comparison with the prior year s first quarter. More than half of the sales increase was achieved through strong sales and marketing efforts in place at Jacuzzi and Sundance Spas which caused higher demand domestically for spas, fueled by the early release of the 2003 spa product line. The Company also experienced improved sales in its Zurn business, which enhanced its product offerings and market share, and in its U.K. bath and sinks businesses, which had additional sales to home centers through the addition of Homebase, the largest home center chain in the U.K., subsequent to the first quarter of 2002. The U.K. bath and sinks business also experienced improved weather conditions and implemented customer programs that have increased sales to existing customers. Zurn has been able to achieve increased sales despite continued softness in the U.S. commercial and institutional construction segment. In addition, firming of the British pound and Euro against the dollar contributed $5.0 million of the increase in sales.

Operating income increased by $1.2 million or 8% in the first quarter of 2003 in comparison with the comparable quarter in the prior year. The increase was primarily attributable to increased sales in the spas business. Operating income was negatively impacted by increases in certain insurance and retirement benefit expenses and costs incurred during the consolidation of whirlpool bath manufacturing plants. The plants were consolidated into a new manufacturing plant in Chino, California, that became fully operational in the first quarter of 2003. Operating income was positively impacted by $0.6 million as a result of foreign currency exchange rate fluctuations. Recent increases in natural gas prices are expected to decrease profits at Eljer over the remainder of 2003, but the effects are not expected to be significant for the overall segment.

Rexair

The Rexair segment consists solely of the Rexair business, which the Company reacquired in August 2001. Rexair is a leading manufacturer of premium vacuum cleaner systems. Sales decreased by $0.5 million in the first quarter of 2003 as compared to the first quarter of 2002 as a result of decreased unit sales in international markets, offset by increased unit sales in domestic markets. Various promotional programs aimed at increasing distributors and dealer counts have resulted in a 5% increase in sales levels domestically. Political and economic uncertainty in certain foreign regions has contributed to the decrease in units sold internationally. Operating income decreased by $1.6 million primarily due to decreased overhead absorption related to an inventory reduction program instituted in September 2002 and the decrease in sales discussed above. The inventory reduction program was concluded in December 2002 but is expected to have a carryover affect into the second quarter that is projected to reduce income by approximately $0.6 million.

18

Table of Contents

Corporate Expenses

Corporate expenses for the first quarter of 2003 were lower than in the first quarter of 2002 by $3.4 million, reflecting a $1.7 million decrease in personnel related expenses due to the decrease in staff during the latter half of the prior year, $1.0 million decrease in professional fees and $0.7 million increase in pension income. The increase in pension income resulted from the retention of excess plan assets following the disposition of a business sold in January 2002. In July 2002, the Company announced the closing of its corporate office in Iselin, New Jersey, along with the consolidation into offices in West Palm Beach, Florida. This move, together with the elimination of the Bath & Plumbing executive level of management, led to a reduction in overhead costs.

Interest Income and Expense

The decrease in interest expense for the first quarter of 2003 compared to the respective prior year periods was largely due to a lower debt balance resulting from payments made to satisfy the permanent debt reductions of the Restructured Credit Facilities.

The decrease in interest income in the first quarter of 2003 is due to the sale of the 12.5% Strategic Notes in January 2002. As part of the sale agreement, the Company received only $1.6 million for interest earned from October 1, 2001 through the sale of the Notes on January 16, 2002.

Other income (expense), net

Other income (expense), net was $0.6 million in the first quarter of 2003 and ($0.6) million in the first quarter of 2002. Included in other income in 2003 is a gain of $3.4 million on the sale of an excess property. Included in other expense in fiscal 2002 is a gain on the sale of the Strategic Notes of $2.2 million.

Taxes

During the first quarter 2003, the IRS completed its examination of the federal income tax returns for fiscal 1995 through 1997. As a result of the audit settlement, a tax benefit of $13.6 million was recorded in the first quarter of 2003. A substantial portion of the proposed adjustments derived from the spin-off of the Company from Hanson plc in 1995. The Company expects to provide taxes at a 39% effective rate on income from continuing operations through the remainder of fiscal 2003. During the first quarter of 2002, no income tax benefit was recorded for the loss from continuing operations because of the uncertainty of its ultimate realization.

Discontinued Operations

Discontinued Operations

On December 28, 2001, the Board of Directors approved a formal Disposal Plan in connection with the Company s obligation to pay debt amortization as set forth in the restructured debt agreements. The Disposal Plan called for the sale of five businesses Ames True Temper, Selkirk, Lighting Corporation of America, Spear & Jackson and SiTeco Lighting. The Company completed the sales of Ames True Temper in January 2002, Lighting Corporation of America in April 2002, Selkirk in June 2002, Spear & Jackson in September 2002 and SiTeco Lighting in October 2002.

The operating results of these businesses were included in the Company s expected loss on disposal, which was recorded in September 2001 and adjusted in the third quarter of fiscal 2002, in accordance with APB No. 30. Summarized results of these businesses, which have not been included in the Condensed Consolidated Statements of Operations, are as follows:

	First Quarter	
	2003	**2002**
Net sales	$ 7.7	$287.1
Operating (loss) income	(0.4)	11.5

The first quarter of 2003 includes only the SiTeco Lighting business for the period up until it was sold, on October 18, 2002, whereas the first quarter of 2002 includes the results of all five businesses.

Liquidity and Capital Resources

The Company s primary sources of liquidity and capital resources are cash and cash equivalents, cash provided from operations and available borrowings under the Company s Restructured Facilities. The Company expects to satisfy operating needs through operating cash flow and borrowings under the Company s Restructured Facilities.

Net cash used in operating activities of continuing operations was $4.3 million for the first quarter of 2003, compared to cash used of $10.3 million for the first quarter of 2002. The decrease in cash used was primarily due to improved operating results in the Bath & Plumbing segment as well as reduced corporate expenses, as discussed more fully in the Results of Operations section. The Company typically uses cash in the first half of its fiscal year due to the seasonality of the Jacuzzi and Zurn businesses. Sales of several Jacuzzi products such as spas and swimming pool equipment are sensitive to weather conditions and tend to experience a significant decrease in sales during the fall and winter months (predominantly the first and second fiscal quarters). Sales of Jacuzzi and Zurn are also affected when weather affects outside construction and installation.

Net cash provided by discontinued operations in the first quarter of 2002 of $16.0 million consisted largely of cash provided by Lighting Corporation of America, which was sold in April 2002.

Net cash provided by investing activities of $111.6 million for the first quarter of 2003 consisted of net proceeds of $103.8 million from the sale of SiTeco Lighting and $10.8 million from the sale of excess real estate, partially offset by $3.0 million of capital expenditures. Net cash used by investing activities of $4.0 million for the first quarter of 2002 primarily included $5.2 million in capital expenditures, offset by $1.3 million from the sale of fixed assets.

Net cash used in financing activities was $96.6 million for the first quarter of 2003, which consisted of net repayments of long-term debt and notes of $227.8 million, escrow deposits of $38.0 million, payments of financing fees of $8.9 million, offset by $178.1 million of withdrawals from the escrow accounts. The escrow deposits were made for the benefit of the holders of the Company s Senior Notes and certain other creditors as required under the terms of the Restructured Facilities. Cash withdrawn from these accounts was used in the tender offers of the Notes (see further information below), as well as to pay down the Restructured Facilities as provided for in the amendment to the facilities. The financing fees were comprised of $2.0 million in consent fees related to the Exchange Offer on the 7.125% Notes and $6.9 million in costs related to the amendment of the Restructured Facilities. Net cash used in financing activities of $16.6 million for the first quarter of 2002 consisted of net repayments of long-term debt and notes.

The Company s share repurchase program has been suspended indefinitely, as the Restructured Facilities entered into on August 15, 2001 contain restrictions on the purchase of Company stock, dividends and other restrictive payments. In March 2001, the Company s Board of Directors indefinitely suspended the Company s quarterly payment of dividends.

During the three months ended December 31, 2002, the Company paid approximately $0.5 million related to its restructuring plans, and expects to pay approximately $2.0 million in the next 12 months (see Note 9).

On September 9, 2002, the Company commenced an Exchange Offer to exchange cash and notes with an interest rate of 11.25% payable December 31, 2005 (the New Notes) for all outstanding 7.125% Notes due October 2003. In connection with the Exchange Offer, the Company also solicited consents from a majority of the 7.125% Note holders to a proposed amendment to the indenture under which the 7.125% Notes were issued so that the cash deposited into a cash collateral account from the sales of the Company s non-core assets that is proportionally allocable to tendering holders could be used to pay the cash consideration in the Exchange Offer.

In the first quarter of 2003, approximately $238.2 million or 95% of the 7.125% Notes were tendered and accepted for exchange. All Note holders who tendered their 7.125% Notes received an amount of cash and principal amount of New Notes that together equaled the principal amount of the 7.125% Notes tendered. The transaction resulted in $104.8 million paid to the note holders from the 7.125% Notes escrow account, New Notes issued of $133.4 million and a gross balance remaining of 7.125% Notes amounting to $11.8 million. All other terms of the New Notes are substantially similar to those of the 7.125% Notes. A consent payment of $15 per $1,000 principal amount of the New Notes issued was paid out of the Company s general working capital to all holders who delivered their consents on or prior to the consent date, resulting in an additional payment to tendering note holders of approximately $2.0 million.

Table of Contents

On October 24, 2002, the Company commenced an offer to purchase up to $54.8 million in aggregate principal amount of its outstanding 7.25% Notes due December 1, 2006. In the first quarter of 2003, an amount just shy of 100% of the 7.25% Notes were tendered and accepted for exchange. The transaction resulted in $54.8 million paid to the Note holders from the 7.25% Notes escrow account.

On October 18, 2002, the Company completed the sale of SiTeco Lighting to funds advised by JPMorgan Partners, the private equity arm of JPMorgan Chase & Company. Net proceeds of approximately $103.8 million were applied to reduce the Company s funded and unfunded senior debt, including $34.0 million deposited into escrow accounts for the benefit of the holders of the Company s Senior Notes and certain other creditors.

Also in October 2002, the Restructured Facilities were amended, extending the maturity of the facilities to October 4, 2004. For more detailed information on these facilities (the Restructured Facilities or Restructured Debt Facility), refer to the Company s Annual Report on Form 10-K for the year ended September 30, 2002. The Restructured Facilities require cumulative permanent reductions of the Company s senior debt over the term of the facilities. In addition, the Senior Notes and Restructured Facilities contain cross-default and cross-acceleration provisions.

During the first quarter of 2003, the Company received funds of $16.6 million related primarily to the sale of excess real estate and an income tax refund. These funds were applied to reduce the Company s funded and unfunded senior debt, including $4.0 million deposited into escrow accounts for the benefit of the holders of the Company s Senior Notes and certain other creditors. In January 2003, the Company received funds totaling $48.3 million related primarily to a federal income tax refund, and in February 2003, the Company received $8.6 million upon granting a license for certain technology which was the subject of patent litigation. These funds will also be applied to reduce the Company s funded and unfunded senior debt, including $20.4 million deposited into escrow accounts for the benefit of the holders of the Company s Senior Notes and certain other creditors. Amounts that will be applied to reduce the Restructured Facilities are classified as current maturities as of December 31, 2002. These debt reductions satisfy all of the required permanent reductions of the Company s senior debt required prior to maturity of the facilities.

Below is a pro forma summary of the Company s debt after considering the receipt of the tax refund and the licensing fee discussed above:

	As of Dec 31, 2002	Pro Forma As of Dec 31, 2002
Notes payable	$ 21.8	$ 21.8
7.125% Senior Notes due fiscal 2004	11.6	11.6
7.25% Senior Notes due fiscal 2007	69.8	69.8
11.25% Senior Notes due fiscal 2006	133.4	133.4
Restructured Facilities, Rexair	71.0	63.7
Restructured Facilities, U.S. Industries	265.1	235.9
Other long-term debt	8.8	8.8
	581.5	545.0
Less escrow for Senior Notes	(5.6)	(23.5)
Net debt outstanding	$ 575.9	$ 521.5

Table of Contents

Below is a summary of the Company s contractual cash obligations as of December 31, 2002:

		Payments due in fiscal					Payments due Thereafter
	Total	2003	2004	2005	2006	2007	
Long-term Debt	$559.7	$30.6	$12.9	$308.1	$134.9	$71.4	$1.8
Escrow deposits for Senior Notes	(5.6)		(5.3)			(0.3)	
Notes Payable	21.8	21.8					
Operating Leases	27.2	6.9	6.7	5.1	4.0	2.4	2.1
Total Contractual Cash Obligations	$603.1	$59.3	$14.3	$313.2	$138.9	$73.5	$3.9

The Company s commercial commitments consist of standby letters of credit, bankers acceptances and commercial letters of credit. Below is a summary of the Company s commercial commitments as of December 31, 2002. Although they all expire in less than one year, the Company expects to renew almost all of them. The Company has escrow accounts totaling $12.6 million as of December 31, 2002 related to these commitments.

Standby Letters of Credit	$38.6
Bankers Acceptances	3.9
Commercial Letters of Credit	2.5
Total	$45.0

The Company continues to guarantee the lease payments of an Ames True Temper master distribution center. The lease obligation will expire in 2015. The lease payments totaled $3.6 million for 2002, and increase by 2.25% each year thereafter. In connection with the sale of Ames True Temper in January 2002, the Company obtained a security interest and indemnification from Ames True Temper on the lease that would enable it to exercise remedies in the event of default. The Company has sold a number of assets and operating entities over the last several years and has, on occasion, retained responsibility for certain product liability, environmental and other claims. The Company has recorded reserves for asserted and potential unasserted claims related to these obligations when appropriate.

At December 31, 2002, excluding all amounts related to the Rexair Credit Facility, the Company had approximately $355.0 million committed under the Restructured Facilities, of which approximately $271.5 million had been utilized and the balance of $83.5 million was available. Also at December 31, 2002, $13.7 million was available for borrowing solely by Rexair under the Rexair Credit Facility. The amounts for the Company and Rexair include letters of credit outstanding of $13.7 million. The Company also had letters of credit outstanding with other financial institutions totaling $31.3 million as of December 31, 2002.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

In the normal course of doing business, the Company is exposed to the risks associated with changes in interest rates and currency exchange rates. To limit the risks from such fluctuations, the Company has in the past, and may in the future, enter into hedging transactions that have been authorized pursuant to the Company s policies, but does not engage in such transactions for trading purposes. Based on the Company s overall exposure to interest rate changes, a hypothetical increase of 100 basis points across all maturities of its floating rate debt obligations, would decrease the Company s pre-tax earnings over the remaining nine months of fiscal 2003 by approximately $2.6 million. The Company is also exposed to foreign currency exchange risk related to its international operations as well as its U.S businesses, which import or export goods. The Company has made limited use of financial instruments to manage these risks.

Table of Contents

Item 4. Controls and Procedures

Within 90 days prior to the date of this report, the Company, under the supervision and with the participation of the Company s management, including the Chief Executive Officer and the Chief Financial Officer, performed an evaluation of the effectiveness of the Company s disclosure controls and procedures. Based on this evaluation, the Company s Chief Executive Officer and Chief Financial Officer concluded that the Company s disclosure controls and procedures are effective for gathering, analyzing and disclosing the information the Company is required to disclose in the reports it files under the Securities Exchange Act of 1934, within the time periods specified in the SEC s rules and forms. The Company s management necessarily applied its judgment in assessing the costs and benefits of such controls and procedures, which by their nature can provide only reasonable assurance regarding management s control objectives. There have been no significant changes in the Company s internal controls or other factors that could significantly affect internal controls subsequent to the date of their evaluation.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

See Note 5 to the Company s Condensed Consolidated Financial Statements.

Item 2. Changes in Securities and Use of Proceeds

Exchange Offer

On November 8, 2002, the Company completed an offer to exchange (the Exchange Offer) $238.2 million of its 7-1/8% Senior Notes due 2003 (the 2003 Notes) for cash and 11-1/4% Senior Notes due December 31, 2005 (the 2005 Notes). The 2005 Notes have terms substantially similar to the 2003 Notes except for the interest rate payable, an extended maturity date and revised redemption provisions. Any 2003 Notes not exchanged for the 2005 Notes continue to be outstanding and will be due and payable on their original maturity date of October 15, 2003. The 2003 Notes continue to be entitled to the cash allocable to the 2003 Notes remaining in a notes escrow account and continue to be secured in the assets of the Company, USI Global Corp., USI American Holdings, Inc. (collectively, the Issuers) and their subsidiaries as provided for in the indenture (the Indenture) dated as of October 27, 1998 among the Issuers, USI Atlantic Corp. and Bank One Trust Company, N.A., as amended by the first, second and third supplemental indentures. In conjunction with the Exchange Offer, the Company solicited consents to the amendment of (i) the equal and ratable provision and (ii) certain redemption provisions in a covenant in the Indenture. The amendment of the equal and ratable covenant contained in Section 1009 of the Indenture allowed the Company to distribute pro rata the amounts allocable to the tendering holders of the 2003 Notes on deposit in the notes escrow account to pay the cash consideration in respect of the Exchange Offer for the 2003 Notes and tender or exchange offer consideration in respect of tender or exchange offers for the 2003 Notes that may be made from time to time. Those who did not participate in the Exchange Offer (or decline to participate in any subsequent tender or exchange offer) remain entitled to their proportionate share of the funds which will remain in the notes escrow account. The revised redemption provisions provide that the 2005 Notes are redeemable, in whole or in part, at any time at the Company s option (i) without premium or penalty using the 2005 Notes collateral amount and (ii) otherwise at the following percentages of the principal amount to be redeemed: (x) 103% to but not including the first anniversary of the date the 2005 Notes were issued; (y) 102% from the first anniversary of the issue date through December 30, 2004; and (z) 101% from December 31, 2004 to but not including the maturity date. The 2005 Notes are required to be redeemed without premium or penalty to the extent the 2005 Notes collateral amount equals or exceeds 10% of the outstanding aggregate principal amount of the 2003 Notes.

Offer to Purchase

On November 25, 2002, the Company completed an offer to purchase (the Offer to Purchase) up to $54,800,000 aggregate principal amount of 7-1/4% Senior Notes due 2006 (the 2006 Notes). In conjunction with the Offer to Purchase, the Company solicited consents to the amendment of (i) the equal and ratable provision and (ii) the inclusion of an offer to purchase covenant in the indenture (the 2006 Indenture) dated as of December 1, 1996 among the Issuers, USI Atlantic Corp. and Wells Fargo Bank Minnesota, N.A., as amended by the first, second, third and fourth supplemental indentures.

The amendment, which modified the equal and ratable covenant contained in Section 1007 of the 2006 Indenture, allowed the Company to distribute the aggregate cash consideration pro rata to the tendering holders in the Offer to Purchase and to pay tender or exchange offer consideration in tender or exchange offers for the 2006 Notes that may be made from time to time. The 2006 Notes that remain outstanding after the Offer to Purchase or any subsequent tender or exchange offer are still secured by the funds that remain in the notes escrow account.

The amendment to the 2006 Indenture also requires the Company to make an offer to purchase outstanding 2006 Notes at a purchase price equal to 100% of the principal amount to be redeemed, plus any accrued and unpaid interest, to the extent the cash balance in the notes escrow account equals or exceeds 10% of the outstanding principal amount of the 2006 Notes.

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits:

4.1 Third Supplemental Indenture to the 1998 Indenture dated as of November 8, 2002 among USI, USI American Holdings, Inc., USI Global Corp., as issuers, USI Atlantic Corp., as Guarantor, and Bank One Trust Company, N.A., as Trustee (filed as Exhibit 4.1 to the Company s Report on Form 8-K filed on November 8, 2002)*

4.2 Fourth Supplemental Indenture to the 1996 Indenture, dated as of November 25, 2002, by and among USI, USI American Holdings, Inc., USI Global Corp., as issuers, USI Atlantic Corp., as Guarantor and Wells Fargo Bank Minnesota, N.A., as Trustee (filed as Exhibit 4.2(e) of the Form 10K filed December 24, 2002)*

10.1(a) Waiver, dated as of October 30, 2002 to the Amendment, Restatement, General Provisions and Intercreditor Agreement dated as of August 15, 2002 and amended and restated as of September 23, 2002, among U.S. Industries, Inc., USI Global Corp., USI American Holdings, Inc., USI Atlantic Corp., Rexair Holdings, Inc., Rexair, Inc., and the other Subsidiaries of USI party thereto, Wilmington Trust Company, the individual named as the Individual Trustee, Bank of America, N.A., and the various bank and other lender parties thereto (filed as Exhibit 10.13(b) of the Form 10K filed December 24, 2002)*

10.1(b) Amendment and Consent, dated as of October 30, 2002, to the Amendment, Restatement, General Provisions and Intercreditor Agreement dated as of August 15, 2002 and amended and restated as of September 23, 2002, among U.S. Industries, Inc., USI Global Corp., USI American Holdings, Inc., USI Atlantic Corp., Rexair Holdings, Inc., Rexair, Inc., and the other Subsidiaries of USI party thereto, Wilmington Trust Company, the individual named as the Individual Trustee, Bank of America, N.A. and the various bank and other lender parties thereto (filed as Exhibit 10.13(c) of the Form 10K filed December 24, 2002)*

10.2 Standstill Agreement dated as of December 5, 2002 between U.S. Industries, Inc. and Southeastern Asset Management, Inc. (filed as Exhibit 10.48 to the Form 10K filed December 24, 2002)*

---

* Incorporated by reference.