

Company Registration No. 00106725

**INDESIT COMPANY UK LIMITED**  
**(formerly MERLONI ELETTRODOMESTICI UK LIMITED)**

**Directors' report and financial statements**

**31 December 2004**



**Indesit Company UK Limited (formerly Merloni Elettrodomestici UK Limited)**  
**Directors' report and financial statements**

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**Indesit Company UK Limited**

**Directors' report and financial statements**

**Officers and professional advisers**

**Directors**

M Milani  
M Marini

**Secretary**  
Filippo Simonetti

**Registered office**

Morley Way  
Peterborough  
PE2 9JB

**Bankers**

HSBC Bank plc  
Cathedral Square  
Peterborough  
PE1 1XL

**Auditors**

KPMG LLP  
37 Hills Road  
Cambridge  
CB2 1XL

## Director's report

The Directors present the annual report and the audited financial statements for the year to 31 December 2004.

### Principal activities

The principal activities of the Company are the manufacture, distribution and servicing of domestic appliances.

### Results and dividends

The results for the year are as follows:

	2004 £000	2003 £000 as restated - see note 16
Profit on ordinary activities before taxation	5,935	1,270
Tax on profit on ordinary activities	(2,216)	1,476
	<hr/>	<hr/>
Profit on ordinary activities after taxation	3,719	2,746
	<hr/>	<hr/>
Transferred to reserves (see note 15)	3,719	2,746
	<hr/>	<hr/>

The Directors do not recommend the payment of a final dividend (2003 - £nil).

### Review of the business and future prospects

The UK domestic appliance market has been extremely competitive during the year with growth in the low end price market segment driven by increased competition from Europe and Asia brought on by the strength of sterling, and retailer behaviour. Marketing and production strategies were implemented to sustain the Company's market share and profitability respectively.

The UK market is likely to remain competitive during the forthcoming year, with continued downward pressures on selling prices.

### Change of name

On 1 January 2005 the company changed its name to Indesit Company UK Limited.

## **Directors' report** *(continued)*

### **Directors and their interests**

The Directors of the Company who held office during the year are disclosed on page 1.

None of the directors who held office at the end of the financial year had any disclosable interest in the shares and debentures of the company.

According to the register of directors' interests, no rights to subscribe for shares in or debentures of the company or any other group company were granted to any of the directors or their immediate families, or exercised by them, during the financial year.

### **Research and development**

Research and development is continuing in a number of areas to make technological advancements and to produce new as well as improved products for our customers.

### **Employment of disabled people**

It is the Company's policy to:

- a) encourage and assist the recruitment and employment of disabled people;
- b) offer disabled workers opportunities for training, career development and promotion in accordance with their abilities; and
- c) make every effort to retain newly disabled employees in their own job or to find suitable alternative employment within the Company, with the ultimate objective of giving disabled persons the same opportunities as able-bodied employees and to maximise their working capabilities for the mutual benefit of individuals and the Company.

### **Employee involvement**

With the co-operation of its employees and Trade Union representatives, the Company continuously seeks improved means of exchanging information on the Company's performance, future plans and prospects and to encourage awareness of the market and economic factors which influence the Company's development and growth. As part of such communications, the Company produces a newsletter.

### **Policy and practice on payment of creditors**

Payments to suppliers are generally made in accordance with the terms agreed with them. At 31 December 2004, trade creditors days of the Company were 80 days. This represents the ratio, expressed in days, between amounts invoiced to the Company in the year by its suppliers and amounts falling due within one year to trade creditors at the year end.

### **Political and charitable contributions**

The company made no political contributions during the year. Donations to UK charities amounted to £4,374 (2003: £6,475).

## **Directors' report** *(continued)*

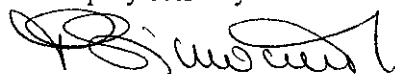
### **Auditors**

M R Salvage & Co. resigned as auditors on 18 January 2005 and the directors thereupon appointed KPMG LLP to fill the vacancy arising.

In accordance with Section 388 of the Companies Act 1985, a resolution for the re-appointment of KPMG LLP as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the Board

Filippo Simonetti  
Company Secretary



28 July 2005

## **Statement of directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG LLP

37 Hills Road  
Cambridge  
CB2 1XL  
United Kingdom

**Report of the independent auditors to the members of Indesit Company UK Limited (formerly Merloni Elettrodomestici UK Limited)**

We have audited the financial statements on pages 7 to 30.

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

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 5, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

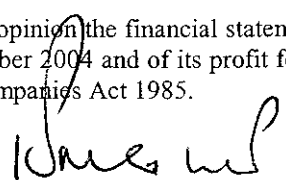
**Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Chartered Accountants  
Registered Auditor

29 July 2005



**Indesit Company UK Limited**  
**Profit and loss account**  
**Year ended 31 December 2004**

		<b>2004</b>	<b>2003</b>
	<b>Note</b>	<b>£000</b>	<b>as restated – note 16</b>
			<b>£000</b>
<b>TURNOVER</b>	2	<b>664,116</b>	591,410
Change in stocks of finished goods and work in progress		8,892	266
Raw materials and consumables		(427,272)	(361,557)
Other external charges		(1,132)	(1,236)
Staff costs	4-5	(136,961)	(137,333)
Depreciation and other amounts written off tangible and intangible fixed assets		(23,144)	(20,913)
Other operating charges		(75,211)	(59,143)
Profit/(loss) on sale of fixed assets		400	(96)
<b>OPERATING PROFIT</b>		<b>9,688</b>	11,398
Net interest payable and similar expenditure	6	(3,753)	(10,128)
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	3	<b>5,935</b>	1,270
Tax (charge)/credit on profit on ordinary activities	7	(2,216)	1,476
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION AND FOR THE FINANCIAL YEAR</b>		<b>3,719</b>	2,746
<b>RETAINED PROFIT FOR THE FINANCIAL YEAR</b>		<b>3,719</b>	2,746


All activities during the current and previous financial periods derive from continuing operations.


**Indesit Company UK Limited**  
**Balance sheet**  
**31 December 2004**

	Note	2004	2003
		£000	as restated – note 16 £000
<b>FIXED ASSETS</b>			
Intangible assets	8	39,670	41,800
Tangible assets	9	100,490	97,691
		<u>140,160</u>	<u>139,491</u>
<b>CURRENT ASSETS</b>			
Stocks	10	56,330	40,545
Debtors	11	143,693	134,173
Cash at bank and in hand		83,947	86,605
		<u>283,970</u>	<u>261,323</u>
<b>CREDITORS: amounts falling due within one year</b>	12	(352,867)	(335,833)
<b>NET CURRENT LIABILITIES</b>		<u>(68,897)</u>	<u>(74,510)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>71,263</u>	<u>64,981</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	13	(14,591)	(12,028)
<b>NET ASSETS</b>		<u>56,672</u>	<u>52,953</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	14	5,010	5,010
Share premium account	15	70,904	70,904
Profit and loss account	15	(19,242)	(22,961)
<b>EQUITY SHAREHOLDERS' FUNDS</b>		<u>56,672</u>	<u>52,953</u>

These financial statements were approved by the Directors on 28 July 2005

Signed on behalf of the Board of Directors

  
M Marini  
Director



**Indesit Company UK Limited**  
**Statement of total recognised gains and losses**  
**Year ended 31 December 2004**

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	as restated – note 16 <b>£000</b>
Profit for the financial year	<b>3,719</b>	<b>2,746</b>
<b>Total recognised gains and losses related to the year</b>	<b>3,719</b>	<b>2,746</b>
Prior year adjustments (as explained in note 16)	<b>(4,478)</b>	
<b>Total gains and losses recognised since last annual report</b>	<b>(759)</b>	

**Reconciliation of movements in shareholders' funds**  
**Year ended 31 December 2004**

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	as restated – note 16 <b>£000</b>
Profit for the financial year	<b>3,719</b>	<b>2,746</b>
Net increase to shareholders' funds	<b>3,719</b>	<b>2,746</b>
Opening equity shareholders' funds (originally £57,431,000 before prior year adjustment of £4,478,000)	<b>52,953</b>	<b>50,207</b>
Closing equity shareholders' funds	<b>56,672</b>	<b>52,953</b>

**Indesit Company UK Limited**  
**Notes (forming part of the financial statements)**  
**Year ended 31 December 2004**

**1. ACCOUNTING POLICIES**

The financial statements have been prepared in accordance with applicable accounting standards.

The following principal accounting policies have been applied consistently throughout the year and the preceding year in dealing with items which are considered material in relation to the group's financial statements.

The particular accounting policies adopted are described below.

**Basis of preparation**

The financial statements have been prepared in accordance with applicable accounting standards, and under the historical cost accounting rules.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As the company is a wholly owned subsidiary of General Domestic Appliances Holdings Limited ("GDAH"), the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of GDAH, within which this company is included, can be obtained from the address given in note 20.

**Goodwill**

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions by group companies since 1 January 1998 is capitalised. Positive goodwill is amortised to £nil by equal instalments over its estimate useful life of 20 years in the accounts.

**Intangible fixed assets and amortisation**

Trademarks purchased by the company are amortised to £ nil by equal annual instalments over their useful economic lives, generally their respective unexpired periods, of between 5 and 10 years.

**Fixed assets and depreciation**

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

*Depreciation of freehold property*

a) Freehold land

No depreciation is charged on freehold land.

b) Freehold buildings

Expenditure on freehold buildings incurred prior to 5 November 1962 is depreciated in equal annual instalments at a rate of 2% per annum. Expenditure incurred after this date, including that which is in respect of additions to existing buildings, is depreciated in equal annual instalments at a rate of 4% per annum.

**Indesit Company UK Limited**

**Notes (continued)**

**Year ended 31 December 2004**

**1. ACCOUNTING POLICIES (continued)**

*Depreciation of leasehold property*

Long leases (those with not less than fifty years unexpired) are depreciated over fifty years. Short leases are depreciated by equal annual instalments over the period of their unexpired term.

*Depreciation of plant and machinery, fixtures, tools and vehicles*

Depreciation is provided by equal annual instalments over the anticipated lives of the assets at rates of not less than 10% per annum

**Foreign currencies**

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the contracted rate or the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

**Government grants**

Capital based government grants are included within accruals and deferred income in the balance sheet and credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate.

Any revenue grants or assistance received from government sources are set off against the expenditure to which they relate.

**Leases**

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

**Post retirement benefits**

Retirement benefits to directors and employees are provided by a defined benefit scheme. The assets of the scheme are held independently of the company by the trustees. In respect of this scheme the company has adopted the transitional provisions of FRS 17, details of which are set out in Note 19. The current accounting policy in respect of this scheme as required by SSAP 24 is set out below.

The amount charged to the profit and loss account is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from cost. The regular cost is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from regular cost are charged to the profit and loss account as a constant percentage of payroll over the estimated average working life of scheme members. Any difference between amounts charged in the profit and loss account and contributions paid to the scheme is shown as a separately identified liability or asset in the balance sheet.

**Indesit Company UK Limited**  
**Notes (continued)**  
**Year ended 31 December 2004**

**1. ACCOUNTING POLICIES (continued)**

**Research and development expenditure**

Expenditure on research and development expenditure is written off to the profit and loss account in the year in which it is incurred.

**Stocks and work-in-progress**

Stocks and work-in-progress are valued at the lower of cost and net realisable value. Cost is represented by raw materials, labour and an appropriate proportion of production overheads. Net realisable value is based upon estimated selling costs less all further costs to completion and all relevant marketing, selling and distribution costs.

**Warranty provision**

Provision is made for the best estimate of costs arising on guarantees in respect of sales in the period outstanding at the balance sheet date.

**Deferred taxation**

Deferred taxation is provided in full for timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in years different from those in which they are included in financial statements. Deferred tax assets and liabilities are not discounted.

**Turnover**

Turnover represents the total net sales value of sales to third parties of the Company's products and services, excluding VAT. Revenue is recognised on delivery, which is deemed to be the point at which the risks and rewards of ownership have been transferred.

**2. TURNOVER**

	2004 £000	2003 £000
<b>Geographical analysis of turnover:</b>		
United Kingdom	605,523	535,218
Western Europe	56,561	54,433
Other	2,032	1,759
	<hr/> 664,116	<hr/> 591,410

SSAP 25 Segmental reporting has not been complied with as the directors consider that such disclosures would be seriously prejudicial to the interests of the group.

**Indesit Company UK Limited**

**Notes (continued)**

**Year ended 31 December 2004**

**3. PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION**

	2004	2003 as restated
	£000	£000
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors remuneration:		
Audit	184	206
Other	4	-
Depreciation and other amounts written off tangible and intangible fixed assets		
Owned	19,907	17,688
Leased	1,037	1,025
Hire of plant and machinery	889	1,030
Hire of plant and machinery – rentals under operating leases	3,768	4,045
Hire of other assets – operating leases	2,965	3,936
Research and development expenditure	3,930	4,305
Amortisation of goodwill	2,200	2,200
Reorganisation and redundancy costs (note 13)	2,802	5,660
<i>after crediting</i>		
(Profit) / loss on sale of tangible fixed assets	(400)	96

**4. REMUNERATION OF DIRECTORS**

	2004	2003
	£000	£000
Directors' emoluments	1,033	700
Other benefits	19	46
	1,052	746

Emoluments of the highest paid director totalled £778,000. There are no retirement benefits accruing for any of the directors (2003: £nil).

**Indesit Company UK Limited****Notes (continued)**

Year ended 31 December 2004

**5. STAFF NUMBERS AND COSTS**

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

	Number of employees	
	2004	2003
Manufacturing	2,965	3,457
Service	1,634	1,660
Distribution	734	820
Administration and research and development	406	425
	<hr/>	<hr/>
	5,739	6,362
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows:

	2004	2003
	£000	£000
<b>Staff costs</b>		
Wages and salaries	119,247	119,605
Social security costs	11,217	10,870
Other pension costs	6,497	6,858
	<hr/>	<hr/>
	136,961	137,333
	<hr/>	<hr/>

**6. NET INTEREST PAYABLE AND SIMILAR EXPENDITURE**

	2004	2003
	£000	£000
Interest and similar income receivable from group undertakings	-	301
Other interest receivable and similar income	-	2
Interest on corporation tax	-	841
Net exchange gains	3,128	-
	<hr/>	<hr/>
	3,128	1,144
	<hr/>	<hr/>
Amounts payable to group undertakings	(6,714)	(6,025)
Bank loans, overdrafts and financial expenses	(167)	(83)
Net exchange losses	-	(5,164)
	<hr/>	<hr/>
	(6,881)	(11,272)
	<hr/>	<hr/>
Net interest	(3,753)	(10,128)
	<hr/>	<hr/>



**Indesit Company UK Limited**

**Notes (continued)**

**Year ended 31 December 2004**

**7. TAX ON PROFIT ON ORDINARY ACTIVITIES**

	2004	2003 as restated
	£000	£000
UK taxation: - current		
Corporation tax at 30% (2003: 30%)	-	971
Adjustment to prior year provision	254	(1,437)
	<hr/>	<hr/>
	254	(466)
Deferred tax:		
Current year (2003: originally £1,388,000 before prior year adjustment of £1,919,000)	2,400	(3,307)
Adjustment to prior year provision	(438)	2,297
	<hr/>	<hr/>
	1,962	(1,010)
	<hr/>	<hr/>
Tax charge/(credit) on profit on ordinary activities	2,216	(1,476)
	<hr/>	<hr/>

*Factors affecting the current tax charge for the current period*

The standard rate of current tax for the year, based on the main UK rate of corporation tax, is 30% (2003: 30%). A reconciliation of the notional current tax charge/(credit) based on the standard rate to the actual current tax charge is as follows:

	2004	2003 as restated
	£000	£000
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before tax	5,935	1,270
	<hr/>	<hr/>
Current tax at 30% (2003: 30%)	1,781	381
<i>Effects of:</i>		
Losses brought forward	(1,529)	(1,193)
Goodwill amortisation	660	660
Capital allowances in excess of depreciation	(463)	(1,079)
R&D tax credit	(223)	-
Adjustments to tax charge in respect of previous periods	254	1,195
Non tax deductible expenses	123	105
Movement in short term timing differences	(349)	(535)
	<hr/>	<hr/>
Total current tax (charge)/credit (see above)	254	(466)
	<hr/>	<hr/>

**Indesit Company UK Limited**

**Notes (continued)**

**Year ended 31 December 2004**

**8. INTANGIBLE ASSETS**

	<b>Trade marks</b>	<b>Goodwill</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost</b>			
At beginning of year	-	44,000	44,000
Additions	70	-	70
	<hr/>	<hr/>	<hr/>
At end of year	70	44,000	44,070
	<hr/>	<hr/>	<hr/>
<b>Amortisation</b>			
At beginning of year	-	2,200	2,200
Charge for the year	-	2,200	2,200
	<hr/>	<hr/>	<hr/>
At end of year	-	4,400	4,400
	<hr/>	<hr/>	<hr/>
<b>Net book value</b>			
<b>At 31 December 2004</b>	<b>70</b>	<b>39,600</b>	<b>39,670</b>
	<hr/>	<hr/>	<hr/>
At 31 December 2003	-	41,800	41,800
	<hr/>	<hr/>	<hr/>

The directors consider each acquisition separately for the purpose of determining the amortisation period for any goodwill that arises. The directors believe 20 years represents the estimated useful life over which the company will benefit from the acquisition of the share capital of Merloni Domestic Appliances Limited acquired 1 June 2003.

**Indesit Company UK Limited**

**Notes (continued)**

Year ended 31 December 2004

**9. TANGIBLE FIXED ASSETS**

	Freehold property	Leasehold property long	Leasehold property short	Plant and machinery	Fixtures, tools and vehicles	Total
	£000	£000	£000	£000	£000	£000
<b>Cost</b>						
At beginning of year	15,939	18,269	3,266	120,962	86,690	245,126
Additions	260	150	-	10,053	13,505	23,968
Disposals	-	-	-	(6,501)	(429)	(6,930)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	16,199	18,419	3,266	124,514	99,766	262,164
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Accumulated depreciation</b>						
At beginning of year	7,898	11,245	2,030	77,167	49,095	147,435
Charge for the year	704	1,012	25	7,060	12,143	20,944
Disposals	-	-	-	(6,276)	(429)	(6,705)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	8,602	12,257	2,055	77,951	60,809	161,674
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<b>Net book value</b>						
At 31 December 2004	7,597	6,162	1,211	46,563	38,957	100,490
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2003	8,041	7,024	1,236	43,795	37,595	97,691
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

**Indesit Company UK Limited**

**Notes (continued)**

**Year ended 31 December 2004**

**9. TANGIBLE FIXED ASSETS (continued)**

Included in freehold property is land amounting to £2,780,269 (2003:£2,763,818) which is not depreciated.

Included within plant and machinery are enhancement costs of £530,347 (2003:£669,257) which have been capitalised.

Estimated future capital expenditure, for which no provision has been made in the financial statements amounts to:

	2004 £000	2003 £000
Commitments contracted for at 31 December 2004	5,710	9,196

**10. STOCKS**

	2004 £000	2003 as restated £000
Raw materials and consumables	9,041	2,153
Work-in-progress	1,900	6,408
Finished goods and goods for resale	45,389	31,984
	56,330	40,545

**11. DEBTORS: DUE WITHIN ONE YEAR**

	2004 £000	2003 £000
Trade debtors	117,435	118,709
Amounts owed by group undertakings	20,302	9,611
Amounts owed by GDAH group undertakings	809	809
Corporation tax	1,381	268
Other debtors	3,005	2,793
Prepayments and accrued income	761	1,983
	143,693	134,173

**Indesit Company UK Limited**

**Notes (continued)**

**Year ended 31 December 2004**

**12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR**

	2004	2003 as restated
	£000	£000
Trade creditors	118,170	119,842
Amounts owed to group undertakings	147,382	138,494
Amounts owed to GDA group undertakings	56,415	49,964
Other creditors including taxation and social security	25,790	22,211
Accruals and deferred income	5,110	5,322
	<u>352,867</u>	<u>335,833</u>

**13. PROVISIONS FOR LIABILITIES AND CHARGES**

	Balance at 2003 as restated £000	Charged/ (credited) to profit and loss £000	Applied £000	Balance at 2004 £000
Deferred taxation	1,385	1,962	-	3,347
Reorganisation provision	513	2,802	(3,303)	12
Service and collection provisions	10,130	931	(2,709)	8,352
Onerous lease provision	-	2,880	-	2,880
	<u>12,028</u>	<u>8,575</u>	<u>(6,012)</u>	<u>14,591</u>

Service and collection provisions relate to amounts provided for future costs of repair for goods sold under warranty in the year (guarantee year being one year from date of installation) and future costs of collection for faulty goods for those collections that are outstanding as at the balance sheet date.

The reorganisation provision relates to provision for further reorganisation costs expected to be incurred following the change in ownership in the previous financial year.

The onerous lease provision relates to amounts provided for future lease costs of a building not occupied by the company less sub letting income.

**Indesit Company UK Limited**

**Notes (continued)**

**Year ended 31 December 2004**

**13. PROVISIONS FOR LIABILITIES AND CHARGES (continued)**

**Deferred Taxation**

Deferred taxation provided in the financial statements, and the total net deferred tax liabilities, are as follows:

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>as restated £000</b>
<b>Deferred tax assets</b>		
Trading losses	(3,103)	(4,920)
	<hr/>	<hr/>
<b>Deferred tax liabilities</b>		
Excess of tax allowances over related depreciation	6,450	6,305
	<hr/>	<hr/>
	6,450	6,305
	<hr/>	<hr/>
<b>Net deferred tax liabilities at the end of the year</b>	<b>3,347</b>	<b>1,385</b>
	<hr/>	<hr/>
Net deferred tax liabilities at the start of the year	1,385	2,395
Adjustment in respect of previous years	(438)	2,297
Current year movement	2,400	(3,307)
	<hr/>	<hr/>
<b>Net deferred tax liabilities at the end of the year</b>	<b>3,347</b>	<b>1,385</b>
	<hr/>	<hr/>

**14. CALLED UP SHARE CAPITAL**

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
<b>Authorised, called up, allotted and fully paid:</b>		
5,010,000 ordinary shares of £1 each	5,010	5,010
	<hr/>	<hr/>

**15. RESERVES**

	<b>Share premium £000</b>	<b>Profit and loss account £000</b>
Balance at 1 January 2004 as previously stated	70,904	(18,483)
Prior year adjustment (see note 16)	-	(4,478)
	<hr/>	<hr/>
Balance at 1 January 2004 as restated	70,904	(22,961)
Retained earnings for the financial year	-	3,719
	<hr/>	<hr/>
Balance at 31 December 2004	70,904	(19,242)
	<hr/>	<hr/>

**Indesit Company UK Limited**

**Notes (continued)**

**Year ended 31 December 2004**

**16. PRIOR YEAR ADJUSTMENTS**

Following an internal review of systems and processes in 2004, £6.4m of prior year adjustments were identified relating to the correction of trade creditors and stock. The effect of these adjustments has been to reduce stock by £3.4m and increase trade creditors by £3m. Profit before tax is reduced by £6.4m. The tax effect of these adjustments increases the tax credit by £1.9m and decreases the deferred tax provision by the same amount.

The adjustments decrease the retained profit recorded in 2003 by £4.5m increase creditors by £3m decrease provisions for liabilities and charges by £1.9m and decrease stock by £3.4m. The effect on the 2004 financial statements is to decrease opening reserves by £4.5m.

**17. OPERATING LEASE COMMITMENTS**

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

	Land and buildings		Other	
	2004	2003	2004	2003
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	18	31	339	343
Within two to five years	265	371	2,631	2,622
After five years	3,064	3,366	-	-
	<u>3,347</u>	<u>3,768</u>	<u>2,970</u>	<u>2,965</u>

**18. CONTINGENT LIABILITIES**

There is a dispute against the company following the termination of a lease at Trafford Park, Manchester. The landlord's surveyors have presented a schedule of dilapidations in the total sum of £1,019,000. This sets out potential costs in replacing the heating system, together with legal costs. The company have instructed their surveyors, who have submitted a counter schedule in the sum of £150,000; additionally the company have a claim under lessees in the sum claimed of £262,000. The directors consider that it is less than probable that a liability will crystallise, therefore no provision has been made in the accounts.

There is a claim against Indesit Company UK limited by Medibeg NV for a breach of contract to supply materials where the claimant is requesting payment of damages and loss of profit arising from the breach of contract; the damages are provisionally estimated at £281,662. Indesit Company UK Limited presented a counter claim against Medibeg NV for breach of contract. The case is now in arbitration in the International Chamber of Commerce in Brussels. The Directors consider that it is less than probable that a liability will crystallise, thus no provision has been made in the accounts.

**Indesit Company UK Limited**

**Notes (continued)**

**Year ended 31 December 2004**

**18. CONTINGENT LIABILITIES (continued)**

In December 2002 the European Union introduced legislation on the disposal of electrical and electronic products (WEEE, Waste Electrical and Electronic Equipment), making manufacturers responsible for recovery and disposal of old products. Under this legislation it may become necessary to make provisions to cover future charges for the disposal of products put on the market after 13 August 2005. The government in the UK intends to make regulations to transpose the WEEE Directive into law in summer 2005, therefore no provision for WEEE has been accrued in the accounts.

**19. PENSIONS**

The group and company accounts for pensions in accordance with SSAP24 and the disclosures in (a) are those required by that standard. The disclosures in (b) are those required under the transitional provisions of FRS 17.

The company operates two pension schemes one for employees based in the UK and one for employees based in Ireland.

All the UK employees who are members of a pension scheme are now members of the Merloni Domestic Appliances Limited Pension Scheme.

Prior to 1 July 2002 the employees of the company (then General Domestic Appliances Limited) were members of the GEC 1972 Plan, the principal pension plan of the Marconi Group. A bulk transfer was completed on 18 February 2004 from the GEC 1972 Plan to the Merloni Domestic Appliances Pension Scheme in respect of the past service pension rights of those employees.

If the pension arrangements had recognised in the financial statements, the company's net assets and profit and loss account reserve would have been as follows:-

	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>as restated £000</b>
Share capital	<b>5,010</b>	5,010
Share premium account	<b>70,904</b>	70,904
Profit and loss reserve	<b>(19,242)</b>	(22,961)
Net pension liability	<b>(26,464)</b>	(26,926)
	<hr/>	<hr/>
Net assets	<b>30,208</b>	26,027
	<hr/>	<hr/>



# Indesit Company UK Limited

## Notes (continued)

Year ended 31 December 2004

### 19. PENSIONS (continued)

#### (a) SSAP 24 information

The company operates a defined benefit pension scheme, the Merloni Domestic Appliances Limited Pension Scheme ("the Scheme"). The assets of the scheme are held separately from those of the company in an independently administered fund.

It is the company's policy to charge contributions to the scheme to the profit and loss account so as to spread pension costs over employees' working lives with the company and these have been assessed in consultation with a qualified actuary.

The last formal valuation of the Scheme was carried out at 30 June 2002. The principal actuarial assumptions for the review were discount rate of 5.25% per annum at 31 December 2004, investment returns from equities and properties would be 8.5% per annum, 5.0% per annum from bonds, salary increases would average 3.25% and that present and future pensions would increase at the rate of 2.75%.

The present value of the UK Scheme liabilities was calculated based on the PXA92 mortality tables.

The pension cost for the current year totalled £6,293,922 (year ended 31 December 2003: £6,729,555). As at balance sheet date there were outstanding pension contributions of £624,046 (December 2003: £622,027).

#### (b) FRS17 information

The valuation for FRS17 disclosure has been based on the most recent review at 31 December 2004. Scheme assets are stated at their market value at the balance sheet date.

The company contribution rate has been 9.1% of pensionable earnings since September 2003 and will remain at this rate for 2005.

Assumptions used to calculate Scheme liabilities:-

#### Valuation method

#### Projected Units

	2004	2003	2002
Discount rate	5.25%	5.40%	5.50%
Inflation rate	2.75%	2.75%	2.50%
Limited price index pension increases	2.75%	2.75%	2.50%
Salary increases	3.25%	3.25%	4.00%

The long term expected rate of return on investments was as follows:-

	2004	2003	2002
Equities and properties	8.50%	6.80%	6.50%
Bonds	5.00%	5.10%	4.75%
Cash	3.50%	3.75%	4.00%

**Indesit Company UK Limited**

**Notes (continued)**

Year ended 31 December 2004

**19. PENSIONS (continued)**

<u>Net pension deficit was:</u>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Equities and properties	127,717	107,504	96,123
Bonds	30,174	26,876	22,875
Cash	491	-	1,292
	<hr/>	<hr/>	<hr/>
Total market value of pension Scheme assets	158,382	134,380	120,290
Present value of Scheme liabilities	(194,508)	(171,399)	(150,119)
	<hr/>	<hr/>	<hr/>
Scheme deficit	(36,126)	(37,019)	(29,829)
Related deferred tax asset	10,838	11,106	8,949
	<hr/>	<hr/>	<hr/>
Net pension liability	(25,288)	(25,913)	(20,880)
	<hr/>	<hr/>	<hr/>
<u>Movement in deficit during the year:</u>	<b>2004</b>		<b>2003</b>
	<b>£000</b>		<b>£000</b>
Deficit in Scheme at the beginning of the year	(37,019)		(29,829)
Current service costs	(7,690)		(9,066)
Contributions	6,630		7,274
Other finance income	(320)		(831)
Actuarial gain / (loss)	2,273		(4,567)
	<hr/>		<hr/>
Scheme deficit at the end of the year	(36,126)		(37,019)
	<hr/>		<hr/>
<u>History of experience gains and losses:</u>			
	<b>2004</b>		<b>2003</b>
	<b>£000</b>		<b>£000</b>
Difference between expected return and actual return on assets	11,891		4,706
Experience gains and losses on liabilities	(3,318)		(9,562)
Total amount recognised in statement of recognised gains and losses	2,273		(4,567)

**Indesit Company UK Limited**

**Notes (continued)**

**Year ended 31 December 2004**

**19. PENSIONS (continued)**

The following amounts would have been recognised in the profit and loss statements for the year ended 31 December 2004 under FRS 17:-

	<b>2004</b>	<b>2003</b>
<b>Profit and loss account</b>	<b>£000</b>	<b>£000</b>
Operating results – current service cost	(7,690)	(9,066)
<b>Other financial costs</b>		
Expected return on pension scheme assets	8,788	7,448
Interest on pension scheme liabilities	(9,108)	(8,279)
	(320)	(831)
	(8,010)	(9,897)
	<b>2004</b>	<b>2003</b>
<b>Statement of recognised gains and losses</b>	<b>£000</b>	<b>£000</b>
Actual return less expected return on pension scheme assets	11,891	4,706
Experience gains and losses arising on pension scheme liabilities	(3,318)	(9,562)
Changes in assumptions underlying present value of scheme liabilities	(6,300)	289
Actuarial gain /(loss) recognised	<b>2,273</b>	<b>(4,567)</b>

The pension cost for the current year totalled £6,293,922 (2003: £6,729,555). As at balance sheet date there were outstanding pension contributions of £624,046 (2003: £622,027).

Information in respect of the Merloni Ireland pension plan is detailed below:

**(a) SSAP 24 information**

The company operates a defined benefit pension scheme, the Merloni Ireland Pension Plan ("the Scheme"). The assets of the scheme are held separately from those of the company in an independently administered fund.

It is the company's policy to charge contributions to the scheme to the profit and loss account so as to spread pension costs over employees' working lives with the company and these have been assessed in consultation with a qualified actuary.

**Indesit Company UK Limited**

**Notes (continued)**

**Year ended 31 December 2004**

**19. PENSIONS (continued)**

The last formal valuation of the Scheme was carried out at 1 January 2004. The principal actuarial assumptions for the review were a long term discount rate of 4.75%, medium term discount rate of 4.5%, investment returns from equities and properties would be 8% per annum, 4.5% per annum from bonds, salary increases would average 3.50% and that present and future pensions would increase at the rate of 2.0%.

The pension cost for the current year totalled £202,724 (year ended 31 December 2003: £126,435). As at balance sheet date there were nil outstanding pension contributions (December 2003: £ nil).

**(b) FRS17 information**

The valuation for FRS17 disclosure has been based on the most recent review at 31 December 2004. Scheme assets are stated at their market value at the balance sheet date.

Although the Irish Scheme was not disclosed under FRS 17 in the 2003 financial statements, it was disclosed under SSAP 24. However, the FRS 17 disclosure for this scheme is now included in this year's financial statements.

The company contribution rate for 2004 was 8.0% of pensionable earnings until 30 September 2004. It will then increase to 17.4% until 31 March 2005. Thereafter, the company contribution rate will be 18.4% of pensionable earnings.

Assumptions used to calculate Scheme liabilities:-

<u>Valuation method</u>	<u>Projected Units</u>		
	<b>2004</b>	<b>2003</b>	<b>2002</b>
Discount rate (long term)	<b>4.75%</b>	5.25%	5.50%
Discount rate (medium term)	<b>4.50%</b>	5.00%	5.25%
Inflation rate	<b>2.00%</b>	2.00%	2.00%
Limited price index pension increases	<b>2.50%</b>	2.50%	2.50%
Salary increases	<b>3.50%</b>	3.50%	3.50%

The long term expected rate of return on investments was as follows:-

	<b>2004</b>	<b>2003</b>	<b>2002</b>
Equities and properties	<b>8.00%</b>	8.75%	8.75%
Bonds	<b>4.50%</b>	4.60%	4.70%
Cash	<b>2.00%</b>	2.00%	2.00%

**Indesit Company UK Limited**  
**Notes (continued)**  
**Year ended 31 December 2004**

**19. PENSIONS (continued)**

<u>Net pension deficit was:</u>	<b>2004</b>	<b>2003</b>	<b>2002</b>
Equities and properties	<b>4,212</b>	4,180	4,341
Bonds	<b>2,454</b>	1,933	775
Cash	<b>304</b>	273	51
	<hr/>	<hr/>	<hr/>
Total market value of pension Scheme assets	<b>6,970</b>	6,386	5,167
Present value of Scheme liabilities	<b>(8,651)</b>	(7,834)	(6,613)
	<hr/>	<hr/>	<hr/>
Scheme deficit	<b>(1,681)</b>	(1,448)	(1,446)
Related deferred tax asset	<b>505</b>	435	433
	<hr/>	<hr/>	<hr/>
Net pension liability	<b>(1,176)</b>	(1,013)	(1,013)
	<hr/>	<hr/>	<hr/>
	<b>2004</b>		<b>2003</b>
<u>Movement in deficit during the year:</u>	<b>£000</b>		<b>£000</b>
Deficit in Scheme at the beginning of the year	<b>(1,448)</b>		(1,446)
Current service costs	<b>(163)</b>		(189)
Contributions	<b>121</b>		109
Other finance income	<b>54</b>		80
Actuarial gain / (loss)	<b>(240)</b>		114
Exchange rate effect	<b>(5)</b>		(116)
	<hr/>		<hr/>
Scheme deficit at the end of year	<b>(1,681)</b>		(1,448)
	<hr/>		<hr/>
<u>History of experience gains and losses:</u>			
	<b>2004</b>		<b>2003</b>
	<b>£000</b>		<b>£000</b>
Difference between expected return and actual return on assets	<b>166</b>		497
Experience gains and losses on liabilities	<b>387</b>		(66)
Total amount recognised in statement of recognised gains and losses	<b>(240)</b>		114

**Indesit Company UK Limited**  
**Notes (continued)**  
**Year ended 31 December 2004**

**19. PENSIONS (continued)**

The following amounts would have been recognised in the profit and loss statements for the year ended 31 December 2004 under FRS 17:-

	<b>2004</b>	<b>2003</b>
<b>Profit and loss account</b>	<b>£000</b>	<b>£000</b>
Operating results – current service cost	(163)	(189)
<b>Other financial costs</b>		
Expected return on pension scheme assets	441	438
Interest on pension scheme liabilities	(387)	(358)
	<u>54</u>	<u>80</u>
	<u>(109)</u>	<u>(109)</u>
<b>Statement of recognised gains and losses</b>	<b>2004</b>	<b>2003</b>
	<b>£000</b>	<b>£000</b>
Actual return less expected return on pension scheme assets	166	497
Experience gains and losses arising on pension scheme liabilities	387	(66)
Changes in assumptions underlying present value of scheme liabilities	(793)	(317)
	<u></u>	<u></u>
Actuarial (loss)/gain recognised	<u>(240)</u>	<u>114</u>

The pension cost for the current year totalled £202,724 (year ended 31 December 2003: £126,435).  
As at balance sheet date there were nil outstanding pension contributions (December 2003: £ nil).

## Indesit Company UK Limited

### Notes (continued)

Year ended 31 December 2004

#### 20. PARENT COMPANY AND RELATED PARTY DISCLOSURES

The company is controlled by General Domestic Appliances Holdings Limited (GDAH), a company incorporated in England and Wales. GDAH is controlled by Merloni Elettrodomestici UK Holdings Limited (which changed its name to changed its name to Indesit Company UK Holdings Limited on 1<sup>st</sup> January 2005), by virtue of its holding 68% of the voting share capital of GDAH at the balance sheet date.

The company's ultimate controlling party is considered to be Merloni Elettrodomestici S.p.A. (Merloni S.p.A.), which, on 1<sup>st</sup> January 2005 changed its name to Indesit Company S.p.A.), a company incorporated in Italy.

Transactions with group companies outside the Indesit Companies UK Holdings Limited Group were:

- Merloni Elettrodomestici S.p.A. (which on 1<sup>st</sup> January 2005 changed its name to Indesit Company S.p.A.) at the year end the debtor balance amounted to £8,193,000 (2003: £2,813,000) and creditor amounted to £52,145,000 (2003: £47,078,000) transactions during the year were as follows: sales of £15,517,000 (2003: £6,388,000) purchases of £160,239,000 (2003: £93,379,000).

- Merloni Elettrodomestici S.A. (which on 1<sup>st</sup> January 2005 changed its name to Indesit Elettrodomestici S.A.) at the year end the debtor balance amounted to £2,246,000 (2003: £1,703,000) and creditor balance amounted to £ 521 (2003: £nil) transactions during the year were as follows: sales of £5,466,000 (2003: £2,973,000) purchases of £ nil (2003: nil).

- Merloni Elettrodomestici S.A. (which on 1<sup>st</sup> January 2005 changed its name to Indesit Company Portugal Elettrodomestici S.A.) at the year end the debtor balance amounted to £1,365,000 (2003: £955,000) and creditor balance amounted to £2,320,000 (2003: £2,818,000) transactions during the year were as follows: sales of £1,792,000 (2003: £943,000) purchases of £2,998,000 (2003: £2,818,000).

- Merloni Elettrodomestici S.A. (which on 1<sup>st</sup> January 2005 changed its name to Indesit Company France S.A.) at the year end the debtor balance amounted to £93,000 (2003: £nil) and creditor balance amounted to £336,000 (2003: £90,000) transactions during the year were as follows: sales of £ nil (2003: £nil) purchases of £31,000 (2003: £355,000).

- Merloni Elettrodomestici Beyaz Esya Pazarlama AS (which on 1<sup>st</sup> January 2005 changed its name to Indesit Company Beyaz Esya Pazarlama AS) at the year end the debtor balance amounted to £nil (2003: £nil) and creditor balance amounted to £349,000 (2003: £323,000) transactions during the year were as follows: sales of £nil (2003: £ nil) purchases of £2,566,000 (2003: £1,264,000).

- Merloni Hausgerate GmbH (which on 1<sup>st</sup> January 2005 changed its name to Indesit Company Deutschland GmbH) at the year end the debtor balance amounted to £227,000 (2003: £42,000) and creditor balance amounted to £nil (2003: £nil) transactions during the year were as follows: sales of £380,000 (2003: £40,000) purchases of £nil (2003: nil).

- Merloni Indesit Polska Spzoo (which on 1<sup>st</sup> January 2005 changed its name to Indesit Company Polska Spzoo) at the year end the debtor balance amounted to £91,000 (2003: £nil) and creditor balance amounted to £1,966,000 (2003: £1,125,000) transactions during the year were as follows: sales of £85,000 (2003: nil) purchases of £4,900,000 (2003: £2,198,000).

- Merloni International Business S.A. (which on 1<sup>st</sup> January 2005 changed its name to Indesit Company International Business S.A.) at the year end the debtor balance amounted to £192,000 (2003: £42,000) and creditor balance amounted to £485,000 (2003: £53,000) transactions during the year were as follows: sales of £327,000 (2003: nil) purchases of £243,000 (2003: nil), interest payable of £379,000 (2003: £226,000) and interest receivable of £126,000 (2003: £14,000).

## **Indesit Company UK Limited**

### **Notes (continued)**

**Year ended 31 December 2004**

#### **20. PARENT COMPANY AND RELATED PARTY DISCLOSURES (continued)**

- Merloni International Trading BV (which on 1<sup>st</sup> January 2005 changed its name to Indesit Company International Business S.A.) at the year end the debtor balance amounted to £57,000 (2003: £37,000) and creditor balance amounted to £4,000 (2003: £nil) transactions during the year were as follows: sales of £240,000 (2003: £34,000) purchases of £4,000 (2003: nil).

- Argentron S.A. at the year end the debtor balance amounted to £86,000 (2003: £nil) and creditor balance was £nil (2003: £nil) transactions during the year were as follows: sales of £86,000 (2003: nil) purchases of £nil (2003: nil).

Consolidated financial statements are prepared for GDAH, and copies may be obtained from General Domestic Appliances Holdings, Morley Way, Peterborough, PE2 9JB.

Consolidated financial statements for Merloni S.p.A. are prepared and copies may be obtained from Merloni Elettrodomestici S.p.A, Viale Aristide Merloni 47, 60044 Fabriano (AN), Italy.

#### **21. POST BALANCE SHEET EVENT**

On 1st April 2005, 25% of the minority shareholding of International General Electric (USA) Limited in General Domestic Appliances Holdings Limited was sold to Indesit Company UK Holdings Limited (formerly Merloni Elettrodomestici UK Holdings Limited). From this date Indesit Company UK Holdings Limited held 76% and International General Electric (USA) Limited continued to own 24% of the shareholding in General Domestic Appliances Holdings Limited.

On 1<sup>st</sup> January 2005 Merloni Elettrodomestici UK Limited changed its name to Indesit Company UK Limited.