

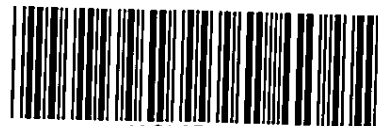
General Domestic Appliances Holdings Limited

**Directors' report and financial
statements**

Registered number 610606

31 December 2007

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COMPANIES HOUSE

Officers and professional advisors

Directors

Andrea Crenna

Mauro Moscardi (Resigned March 2008)

Enrico Vita

Secretary

K Bloodworth (Resigned March 2008)

Registered Office

Morley Way

Peterborough

PE2 9JB

Auditors

KPMG LLP

37 Hills Road

Cambridge

CB2 1XL

Share capital

GBP 26,000,000

VAT No

513936740

Registration number

610606

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Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2007

Principal activities

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

Business review

The domestic appliances market in the UK during 2007 has been a tough market. Total market volumes reduced by 2% from the previous financial year, while the unit prices have slightly increased. In this market situation the Company has strengthened its position, increasing its market share, and increasing sold volumes by 3.3%, with a unit price substantially flat.

In overall terms, the sector was influenced by significantly higher prices for the principal raw materials, mainly the ones whose price is strictly related to the oil price (plastics). The Company itself has been able to offset the increased raw material costs benefiting from the synergies and the reduction on industrial costs within the Indesit Company Group. With reference to production costs, plans to reduce cost and improve productivity were implemented on schedule, achieving the expected results. In particular in May 2007, the Company informed the parties concerned about its intention to close the Blythe Bridge factory in August 2007. The factory closed on the 21st December 2007. Consequently, non-recurring charges totalling £16.4 million were recorded in connection with the related restructuring plan. The relevant products are manufactured at the new Group plant in Poland, providing the Group itself strong competitive advantages in terms of industrial costs.

There were a number of new products introduced during 2007 and the Group also entered into new market segments. The most important product that has been introduced on the market during 2007 has been the new Moon Washing Machine that has brought very positive results. The response of our customers to the new products has been very positive and as a result the Company increased market share by 0.6% in 2007.

During 2007 as it was done in 2006 the Company moved forward in its IT integration plan with Indesit Group Worldwide and we worked to complete the detailed procedural integration of all the processes supported by the common IT platform, with particular respect to the SAP system implementation on Service.

The Logistic department implemented its 3 year re-organisational plan, commenced in 2005 and carried forward in 2006 and 2007, and benefited from the efficiencies of the new network.

The Service department has gone through a continuous improvement process with all the business key performance indicators showing a clear track towards the best in class service. The Call Centre in Peterborough, after its completion in 2005, and its improvement in services in 2006, now is on regime and the service levels are now at high standards. To provide an excellent complete service to the final consumer is the basis of the Indesit strategy in the UK and this continues to be the focus of the Company.

Directors' report *(continued)*

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

Results and dividend

The results for the year are as follows

	2007 £'000	2006 £'000
Profit on ordinary activities before taxation	19,909	8,495
Tax on profit on ordinary activities	(5,692)	(2,494)
Profit on ordinary activities after taxation	14,217	6,001
Transferred to reserves	14,217	6,001

The directors do not recommend the payment of a final dividend (2006 *nil*)

Policy and practice on payment of creditors

Payments to suppliers are generally made in accordance with the terms agreed with them. At 31 December 2007, trade creditors' days of the Company were 90 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.

Currency markets

The average exchange rate for the UK GBP against the Euro remained essentially stable during 2007.

Risks and Management Policies

The key risks to the business are the increase in costs of raw materials, exchange rate fluctuations and changes in the government environmental policy. The directors monitor these risks on a regular basis and take actions where necessary.

Directors and directors' interests

The directors who held office during the year were as follows

Andrea Crenna	
Marco Marini	(Resigned 1 May 2007)
Mauro Moscardi	(Resigned March 2008)
Enrico Vita	(Appointed 1 May 2007)

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.

Directors' report *(continued)*

Employees

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 regular newsletter.

The Company has a policy to encourage and assist in the employment of the disabled, their recruitment, training, career development and promotion, and the retention of employees who become disabled.

Political and charitable contributions

The Company made no political contributions during the year (2006 nil). Donations to UK charities were £100,000 (2006 £100,000).

Significant events during the year and subsequent to year end

A further 8% of the capital of General Domestic Appliances Holdings Ltd was acquired on the 1st October 2007, raising the Group's interest in this Company to 92%.

Disclosure of information to auditors

The directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Accounting policies and adoption of international financial reporting standards - IFRSs

The financial statements of the General Domestic Appliances Holdings Limited have been prepared in accordance with International Financial Reporting Standards – IFRSs (hereafter referred to as either IFRS or IAS) adopted by the European Union.

Approach taken

All amounts are stated in £'000 (except where stated). All comparisons in the remainder of this report and in the financial statements have been made with respect to information for the prior year (indicated within brackets). Percentages (margins and changes) are determined with reference to amounts stated in £'000.

By order of the board

Enrico Vita



Managing Director

Morley Way
Peterborough
PE2 9JB

Date 17th June 2008

Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with IFRSs as adopted by the EU.

The financial statements are required by law to present fairly the financial position and the performance of the Company. The Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation.

In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.



KPMG LLP

37 Hills Road
Cambridge
CB2 1XL
United Kingdom

Independent auditors' report to the members of General Domestic Appliances Holdings Limited

We have audited the group and parent company "financial statements" of General Domestic Appliances Holdings Limited for the year ended 31 December 2007 which comprise the Consolidated Income Statement, the Consolidated and Parent Company Balance Sheet, the Consolidated Cash Flow Statement, the Consolidated Statement of Change in Equity and the related notes. These financial statements have been prepared under the accounting policies set out therein.

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 auditors report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the group and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities set out on page 4 the Company's directors are responsible for the preparation of the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been 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 audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

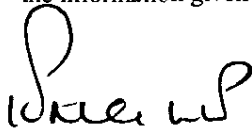
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity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

Independent auditors' report to the members of General Domestic Appliances Holdings Limited *(continued)*

Opinion

In our opinion

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Group's affairs as at 31 December 2007 and of its profit for the year then ended, and
- the parent company financial statements give a true and fair view, in accordance with IFRS as adopted by the EU as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 December 2007
- the financial statements have been properly prepared in accordance with the Companies Act 1985
- the information given in the Directors report is consistent with the financial statements



KPMG LLP
Chartered Accountants
Registered Auditor

Date 18 June 2008


Consolidated Income Statement
for the year ended 31 December 2007

	<i>Note</i>	2007 £000	2006 £000
Revenues	2	685,767	661,989
Cost of sales	3	(564,294)	(551,381)
Gross Profit		121,473	110,608
Selling and distribution expenses	4	(58,169)	(61,089)
General and administrative expenses	5	(28,604)	(29,039)
Other income	6	2,966	-
Other expenses	7	(17,899)	(7,488)
Operating Profit		19,767	12,992
Net financial income/(charges)	8	142	(4,497)
Profit before tax		19,909	8,495
Taxation	9	(5,692)	(2,494)
Profit for the year		14,217	6,001

Consolidated Balance Sheet
at 31 December 2007

	<i>Note</i>	2007 £000	2006 £000
Non-current assets			
Property, plant and equipment	10	64,520	79,767
Goodwill	11	39,600	39,600
Other intangible assets with a definite life	11	9,235	13,278
Non-current receivables	13	251	8,030
Deferred tax assets	15	8,363	16,023
Total non-current assets		121,969	156,698
Inventories	17	50,053	58,734
Trade and other receivables	18	121,937	119,515
Due from tax authorities	20	336	318
Cash and cash equivalents	21	110,560	95,593
Total current assets		282,886	274,160
Total assets		404,855	430,858
Equity			
Share capital	23	25,900	25,900
Retained earnings		(39,229)	(45,230)
Profit for the year		14,217	6,001
Total equity		888	(13,329)
Non-current liabilities			
Medium to long-term financial payables	25	194,041	163,219
Employee benefits	27	22,744	25,370
Non-current trade payables	28	205	38,064
Provisions for risks and charges	29	5,500	5,781
Deferred tax liabilities	15	4,757	6,631
Other non-current liabilities	30	-	12
Total non-current liabilities		227,247	239,077
Bank overdrafts and other financial payables		12,154	5,659
Current provisions for risks and charges	29	4,684	4,619
Trade payables	31	115,465	159,268
Due to tax authorities	33	16,663	15,238
Other payables	35	27,754	20,326
Total current liabilities		176,720	205,110
Total liabilities		403,967	444,187
Total equity and liabilities		404,855	430,858

These financial statements were approved by the board of directors on 17th June 2008 and were signed on its behalf by

Enrico Vita
Director


Company Balance Sheet
at 31 December 2007

	<i>Note</i>	2007 £000	2006 £000
Non-current assets			
Investments in group undertakings	12	285,009	255,263
Non-current receivables	14	25,992	21,755
Deferred tax assets	16	1,995	1,142
Total non-current assets		312,996	278,160
Current assets			
Trade and other receivables	19	202	54
Cash and cash equivalents	22	3,137	8
Total current assets		3,339	62
Total assets		316,335	278,222
Equity			
Share capital	23	25,900	25,900
Retained earnings		89,044	89,748
Loss for the year		(1,583)	(704)
Total equity		113,361	114,944
Non-current liabilities			
Medium to long-term financial payables	24	186,708	156,506
Total non-current liabilities		186,708	156,506
Current liabilities			
Bank overdrafts and other financial payables		12,154	5,659
Trade payables	32	4,112	646
Due to tax authorities	34	-	467
Total current liabilities		16,266	6,772
Total liabilities		202,974	163,278
Total equity and liabilities		316,335	278,222

These financial statements were approved by the board of directors on 17th June '2008. and were signed on its behalf by

Enrico Vita
 Director



Cash Flow Statement
for the year ended 31 December 2007

	2007 £000	2006 £000
Profit for the year	14,217	6,001
Income taxes	5,692	2,494
Depreciation and amortisation	21,528	22,807
Other non monetary income and expenses	(142)	4,497
Decrease in trade and other receivables	5,357	8,847
Decrease in inventories	8,681	3,748
(Decrease) in trade and other payables	(43,802)	(1,236)
Change in other assets and liabilities	5,777	(2,905)
Loss on sale of property, plant & equipment	144	189
Receipt of income taxes	298	443
Payment of interest	(759)	(392)
Cash flow from operating activities	16,991	44,493
Investment in tangible fixed assets	(6,417)	(12,828)
Proceeds from disposal of fixed assets	5,418	795
Investments in intangible assets	(1,384)	(2,836)
Cash flow (absorbed by) investing activities	(2,382)	(14,869)
Increase of long term financial payables	30,822	6,966
Change in current financial payables	7,396	(3,715)
Change in non-current financial payables	(37,859)	2,481
Cash flow from (absorbed by) financing activities	359	5,732
Net cash flow	14,967	35,356
Cash and cash equivalent, at the start of the year	95,593	60,237
Cash and cash equivalent, at the end of the year	110,560	95,593
Total change in cash and cash equivalents	14,967	35,356

Statement of Changes in Equity as at 31 December 2007

As at 31 December 2007

	2007 £000	2006 £000
Profit for the financial year	14,217	6,001
Total profit for the year	14,217	6,001
Opening equity	(13,329)	(19,330)
Closing equity	888	(13,329)

Notes

(forming part of the financial statements)

1 Accounting policies

Company Activities

General Domestic Appliances Holdings Limited is a Company based in the UK, and is active in the production and sale of white goods, namely household appliances for the cooking sector (cookers, ovens and hobs), the refrigeration sector (refrigerators and freezers), the laundry sector (washing machines, dryers and combined washer-dryers) and the dishwashing sector

Approval of the financial statements as of 31 December 2007

The financial statements as of 31 December 2007 were approved by the Board of Directors on the 17th June 2008 and have been audited

Declaration of compliance with international accounting standards and transition to IFRS

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and its interpretations adopted by the International Accounting Standards Board (IASB)

Basis of preparation

The currency of presentation of the financial statements is sterling (£) and the financial statement balances are stated in thousands of sterling (£) (except where stated otherwise) The financial statements are prepared on an historical cost basis

Basis of Consolidation

Subsidiaries are entities controlled by the group Control exists when the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities In assessing control, potential voting rights that currently are exercisable are taken into account The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases The accounting policies of the subsidiaries have been changed when necessary to align them with the policies adopted by the group

Accounting estimates

The preparation of financial statements involves making assumptions and estimates that affect the value of assets and liabilities and the related explanatory information, as well as the value of contingent assets and liabilities at the reference date

These estimates are used to value the tangible and intangible assets subject to impairment, as well as to record provisions for doubtful accounts, inventory obsolescence, employee benefits, taxation, and risks and charges

Notes (continued)

1 Accounting policies (continued)

Accounting estimates (continued)

The estimates and related assumptions are based on both prior experience and an assessment of their reasonableness. Estimates and assumptions are reviewed regularly and, if later estimates differ from those made initially, the effects are immediately reflected in the income statement. If the changes in estimate related to both the current and future periods, their effects are reflected in the income statements for the periods concerned.

Treatment of foreign currency balances and transactions

Foreign currency transactions

All transactions are recorded in the functional currency of the principal operating environment in which each Group Company operates. Transactions not carried out in the functional currency of the Group Company concerned are translated to this currency using the exchange rates applying at the time of the related transactions. Monetary assets and liabilities are translated using the exchange rates applying on the accounting reference date and any exchange differences are recorded in the income statement. The non-monetary assets and liabilities recorded at historical cost in the foreign currencies concerned are translated using the historical rates applying at the time of the related transactions. The non-monetary assets and liabilities stated at fair value in the foreign currencies concerned are translated using the exchange rates applying at the time that their fair value was determined.

Classification of financial instruments issued by the Company

Following the adoption of IAS 32, financial instruments issued by the Company are treated as equity (i.e. forming part of shareholders' funds) only to the extent that they meet the following two conditions:

- a) they include no contractual obligations upon the Company to deliver cash or other financial assets or to exchange financial assets or financial liabilities with another party under conditions that are potentially unfavourable to the Company, and
- b) where the instrument will or may be settled in the Company's own equity instruments, it is either a non-derivative that includes no obligation to deliver a variable number of the Company's own equity instruments or is a derivative that will be settled by the Company's exchanging a fixed amount of cash or other financial assets for a fixed number of its own equity instruments.

To the extent that this definition is not met, the proceeds of issue are classified as a financial liability. Where the instrument so classified takes the legal form of the Company's own shares, the amounts presented in these financial statements for called up share capital and share premium account exclude amounts in relation to those shares.

Finance payments associated with financial liabilities are dealt with as part of finance expenses. Finance payments associated with financial instruments that are classified in equity are dividends and are recorded directly in equity.

Property, plant and equipment

Investment in own operating assets

Property, plant and equipment are recorded at purchase cost or, if produced internally, at production cost, comprising the cost of materials, labour and a reasonable allocation of overheads and related charges, and stated net of accumulated depreciation and any impairment of value determined in the basis described below. If necessary and significant, the cost of fixed assets includes an initial estimate of dismantling and removal costs. Ordinary maintenance expenses are charged to the income statement, whilst the costs of replacing certain parts and improvement expenditure are capitalised when it is probable that they will generate measurable economic benefits in the future. The financial charges incurred to finance the purchase or production of fixed assets are capitalised when the associated loans relate solely to such assets.

Notes (continued)

1 Accounting policies (continued)

Depreciation

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, significant component parts of plant and machinery with different useful lives are depreciated separately. Useful lives are monitored on a constant basis, having regard for changes in the intensity with which these assets are used, any changes in the depreciation schedules are applied on a prospective basis.

Residual value is verified with reference to the estimated present value of expected future cash flows and adjusted, where necessary, every time events suggest that the carrying value of property, plant and equipment may be impaired, or when there is a marked decrease in their market value, significant technological changes or evidence of significant obsolescence. Such write-downs are reversed if the reasons for recording them cease to apply. Land, whether or not used for the construction of civil or industrial buildings, is not depreciated since it is deemed to have an indefinite useful life.

The useful lives of property, plant and equipment are grouped into the following categories:

Category	Useful lives
Buildings and temporary constructions	From 10 to 25 years
Plant and machinery	From 5 to 10 years
Industrial and commercial equipment	From 3 to 10 years
Other assets	
- vehicles and internal transport	From 4 to 10 years
- furniture, IT and office machines	5 years

Goodwill

Goodwill is an intangible assets with an indefinite life, deriving from a business combination recognised using the purchase method of accounting, and is recorded to reflect the positive difference between purchase cost and the value of the Group's equity interest at the time of acquisition, after having recorded all assets, liabilities and identifiable contingent liabilities attributable to both the Group and third parties at their full fair value. The value of goodwill is verified with reference to the *cash generating* units that benefit from the synergies deriving from the acquisition. The expected cash flows are discounted at the cost of capital, having regard for the specific risks associated with the unit concerned. Impairment is recorded if recoverable value, represented by the discounted cash flows, is less than the related book value.

Research and development expenditure

The costs of research incurred to acquire new knowledge are charged to the income statement as incurred. Development expenditure incurred to create new products or improve existing products, or to develop and improve production processes, are capitalised if the innovations made result in technically feasible processes and/or commercially saleable products, on condition that there is an intention to complete the development project, sufficient resources are available for such completion, and the economic costs and benefits deriving from such innovations can be measured reliably. Capitalised expenditure includes both internal and external design costs (including payroll and materials) and the portion of general production costs reasonably attributable to the projects concerned. Capitalised development expenditure is treated as an intangible asset with a finite life and is amortised over the expected period of economic benefit, which is generally taken to be 7 years. Adjustments are recorded to reflect any impairment identified subsequent to initial recognition.

Other development expenses are charged to the income statement in the year incurred.

Notes (continued)

1 Accounting policies (continued)

Other intangible assets

Other intangible assets expected to generate measurable economic benefits are deemed to have a finite life and are recorded at cost. They are amortised on a straight-line basis over the period of expected economic benefit, which is deemed to be between 5 and 25 years. Adjustments are recorded to reflect any impairment identified subsequent to the initial recognition of these intangible assets.

Trade receivables

Trade and other receivables are stated at their nominal amount (discounted if material) less impairment losses.

Other current and non-current financial assets

Financial assets held for trading are classified as current assets and measured at fair value, with recognition of any profits or losses in the income statement.

Securities and other financial assets classified as available for sale are stated at their fair value.

Receivables maturing beyond one year that do not earn interest or which earn interest at below market rates are discounted using market rate.

The interest earned on financial assets, determined using the effective interest method, and is credited to the income statement. The fair value of financial assets held for trading and those available for sale is represented by their market price at the balance sheet date.

Inventories

Inventories are stated at the lower of cost or their net realisable value. Cost is determined on a weighted-average cost basis and includes purchasing-related expenses, inclusive of indirect charges, and the costs of converting products and bringing them to their present location and condition. Net realisable value is determined with reference to market prices after deducting completion costs and selling expenses. Obsolete and slow-moving materials and finished products are written down to reflect their estimated realisable value.

Cash and cash equivalents

Cash and cash equivalents are recorded at nominal value, comprise cash on hand and bank deposits.

Impairment of assets

At each reporting date, the Company subjects the book value of intangible assets with an indefinite life, goodwill and intangible assets in process of formation, to impairment testing on the basis described in the relevant paragraphs. With the exclusion of inventories and deferred tax assets and except as discussed in relation to property, plant and equipment, other assets are subjected to impairment testing if events suggest that they may have suffered a loss in value. If the test shows that the recorded assets or a cash-generating unit (CGU) have suffered a loss in value, their recoverable value is estimated and the excess carrying value is charged to the income statement. The loss in value of a CGU is allocated first against the related goodwill, if any, and then against the value of other assets. The recoverable value of investments in securities held to maturity and receivables recorded at amortised cost is represented by the present value of future cash flows discounted using the effective interest rate determined at the time of initial recognition. Current receivables are not discounted and the recoverable value of other assets is represented by their selling price, or if greater, by their value in use determined by discounting estimated future cash flows using a market rate. Any losses in the value of securities held to maturity and receivables stated at amortised cost are written back if any subsequent increases in their recoverable value can be determined on an objective basis. Losses in the value of goodwill are not reinstated. If the loss in value of an individual asset cannot be determined, the Group identified the loss in the value of the CGU to which it belongs.

Notes (continued)

1 Accounting policies (continued)

Share capital

Share capital is recorded at nominal value. Dividends are recorded as a liability in the year in which they are declared.

Employee benefits

The costs of defined contribution plans for employee pensions and similar benefits are charged to the income statement on an accruals basis. The net liability to employees under defined benefit plans, is recorded at the expected future value of the benefits to be received by employees and accrued by them in the current and prior years. These benefits are discounted and the resulting liability is stated net of the fair value of any plan assets. The net liability is determined separately for each plan using actuarial assumptions and is calculated each year, or more frequently, with help from an independent actuary using the projected unit credit method. The benefits are discounted using the rate of interest for a bond with an AA rating and a maturity date that is consistent with the timing of the related payments to employees. The actuarial gains and losses arising subsequent to 1 January 2004, the IFRS transition date, are recorded in the income statement on a straight-line basis over the residual working lives of employees, to the extent that their cumulative net value exceeds by more than 10% the greater of the total liability arising under defined benefit plans or the fair value of the assets servicing these plans (corridor method) at the end of the prior year.

Stock options

Some senior managers based in the UK are granted stock options as part of the scheme run by the Group.

Provisions for risks and charges

The provisions for risks and charges are recorded to cover the Group's obligations, of a legal or implicit nature (under contracts or for other reasons), deriving from past events. Provisions for risks and charges are recorded if the related liabilities are likely to crystallise and the amounts concerned can be estimated reliably. If the settlement of such obligations is expected to take place after more than one year and the effects of this are significant, they are discounted using a rate that takes account of the cost of money and the specific risks associated with the liabilities concerned. Any changes in the estimated amount of provisions are reflected in the income statement in the year identified. In the event of discounting, the increase in the provision due to the passage of time and the effect of any changes in the discounting rate are recorded as a financial charge.

The principal liabilities covered by provisions are described below.

Provision for product warranty

The provisions for legally-required and voluntary warranty costs are recorded at the time the related products are sold. The provision is determined with reference to the call rate for the products still under warranty cover, the period of time between sell in and sell out (start of the warranty period) and the average unit cost of the work performed.

Income and expenditure

Sales

Revenues from the sale of goods are recorded when the principal risks and benefits of ownership are transferred to the purchaser. Revenues from the sale of goods are generally recognised when they are handed over to the transport firms which, under the terms of current contracts, mark the time when the above risks and benefits are transferred. Revenues are not recorded if their recoverability is considered to be uncertain.

Notes (continued)

1 Accounting policies (continued)

Sales (continued)

Sales are stated net of discounts, allowances, rebates and returns, and do not include the proceeds from the disposal of raw materials and scrap. Revenues from the services are recorded in the income statement based on their stage of completion at the balance sheet date, determined with reference to the work performed or, alternatively, to the percentage of completion with respect to the total.

Grants

Grants from the State or other bodies, recognised in the form of direct payments or tax benefits, are recorded as deferred income in the balance sheet, among other liabilities, at the time their collection become reasonable certain or when compliance with all the requirements to obtain them is assured. Capital grants are released to the income statement on a systematic basis as income in order to match the accounting recognition of the costs for which such grants were made.

Operating grants are credited to the income statement at the time the requirements for their recognition are met, or when it becomes certain that they will be recognised in order to offset the eligible costs.

Other income

Other income includes all forms of non-financial revenue not covered above and is recorded on the basis described in relation to revenues from the sale of goods and services.

Expenses

The costs of purchasing goods and services are recorded when the amounts concerned can be determined reliably. The costs of purchasing goods are recognised on delivery which, under the terms of current contracts, marks the time when the related risks and benefits are transferred. The costs of services are recorded on an accruals basis with reference to the time they are received.

Cost of sales

Cost of sales includes all the costs of manufacturing finished products, comprising raw materials, the purchase of components, the cost of direct and indirect, internal and external processing, industrial depreciation, all production-related charges, and the provisions for costs to be incurred in relation to products sold.

Selling, distribution, general and administrative expenses

Selling, distribution, general and administrative expenses comprise all the costs incurred to commercialise products and provide services, the costs of distributing products to the Group's warehouses and to customers, general and administrative expenses and related charges, as well as all the other non-financial expenses that are not part of core operating activities.

Leases and rentals

Operating leases and rental charges are expensed on an accruals basis to match the economic benefits deriving from the leased or rented assets. If such economic benefits are less than the related charges, effectively as a result of loss contracts, the difference between the discounted charges and benefits is recorded as a cost in the income statement.

Net financial charges

Net financial charges include the interest expense accrued on all forms of loan, cash discounts allowed to customers for early payments with respect to the agreed terms of sale, financial income from cash and cash equivalents, dividends, and exchange gains and losses, as well as the economic effects recorded in the income statement of valuing the transactions that hedge interest rate and exchange rate risks.

Notes (continued)

1 Accounting policies (continued)

Taxation

Income taxes are recorded in the income statement, except for those relating to transactions reflected directly in shareholders' equity, which are also recorded in shareholders' equity. Income taxes include current taxes and the adjustments to deferred tax assets and liabilities. Current taxes are based on an estimate of the amount that Indesit Company expects to be paid by multiplying the taxable income of each Group Company by the tax rate in force on the accounting reference date.

Deferred tax assets and liabilities are recorded using the liability method, considering all the timing differences that emerge between the fiscal value of assets and liabilities and their carrying values in the financial statements. Deferred tax assets and liabilities are not recognised in relation to goodwill or those assets and liabilities that do not affect taxable income. The recoverability of deferred tax assets is verified at the end of every period. If it is not likely the deferred tax asset will be recovered, the tax asset is charged back to the income statement. Deferred taxation is recorded using the tax rates expected to be in force for the tax periods in which the related timing differences are forecast to reverse or expire. Deferred tax assets are recorded to the extent it is considered likely that future taxable income will be sufficient to recover such taxes.

Changes in accounting policies, changes in accounting estimates and reclassifications

The Company has not made any changes to its accounting policies in the financial year 2007. Furthermore, no revised or new accounting standards have been issued by the International Accounting Standards Board (IASB) or interpretations released by the International Financial Reporting Interpretations Committee (IFRIC), effective from 1 January 2007, with a significant impact on the financial statements.

Notes (continued)

2 Revenue

Revenue is analysed as follows

	2007 Turnover £000	2006 Turnover £000
Revenues for finished product sold	602,246	583,048
Revenues for service	83,521	78,941
Total revenue	685,767	661,989

Revenues from the provision of services relate to services provided to customers (transport) and to end consumers (after-sales maintenance) and to the sale of extended warranties beyond the legal minimum period

3 Cost of sales

Cost of sales comprises the cost of raw materials and components, external processing, direct and indirect labour, the depreciation of property, plant and equipment, internal movements and logistics, inventory write-downs, provisions for product warranty and provisions for risks and charges. The following table analyses the nature of costs of sales

	2007 £000	2006 £000
Changes in the inventories of finished products	(8,681)	(3,748)
Purchase of raw materials, components and change in inventories	(429,604)	(411,185)
Services	(37,905)	(41,713)
Payroll costs	(73,766)	(79,510)
Depreciation and amortisation	(14,338)	(15,225)
Total cost of sales	(564,294)	(551,381)

Notes (continued)

4 Selling and distribution expenses

Selling and distribution expenses comprise all the costs incurred to commercialise products and provide services, as well as the costs of distributing products to the Group's warehouses and to customers. The following table analyses the nature of selling and distribution costs.

	2007 £000	2006 £000
Services	(31,300)	(33,826)
Payroll costs	(26,281)	(26,204)
Depreciation and amortisation	(588)	(1,059)
Total selling and distribution expenses	(58,169)	(61,089)

5 General and administration expenses

General and administrative expenses include all general management and administrative costs, and all expenditure not directly attributable to production or sales units. The following table analyses the nature of general and administrative expenses.

	2007 £000	2006 £000
Services	(11,379)	(9,284)
Auditors remuneration (audit services)	(210)	(205)
Auditors remuneration (other services)	(11)	-
Payroll costs	(10,402)	(13,027)
Depreciation and amortisation	(6,602)	(6,523)
Total general and administration expenses	(28,604)	(29,039)

6 Other income

Other income is analysed as follows:

	2007 £000	2006 £000
Sale of Hotpoint Brand	2,966	-
Total other income	2,966	-

Notes (continued)

7 Other expenses

	2007 £000	2006 £000
Pension scheme	(902)	594
Redundancy	(14,325)	(5,041)
Royalties from Indesit Group	2,297	1,677
Cost sharing from Indesit Group	(4,825)	(4,529)
Loss on the disposal of fixed assets	(144)	(189)
Total other expenses	(17,899)	(7,488)

8 Net financial charges

	2007 £000	2006 £000
Interest income	5,917	4,231
Interest expenses	(8,984)	(8,698)
Exchange gains	3,376	93
Other financial charges	(167)	(123)
Total net financial charges	142	(4,497)

9 Income taxes

	2007 £000	2006 £000
Recognised in the income statement		
Current tax expense		
Current year	207	-
Adjustment for prior years	(177)	-
	30	-
Deferred tax expense		
Origination and reversal of temporary differences	(528)	358
Adjustment to prior year provision	960	-
Utilisation of tax losses	5,230	2,136
	5,662	2,494
Total tax expense in income statement	5,692	2,494

Notes (continued)

9 Income taxes (continued)

The standard rate of current tax for the year, based on the main UK rate of corporation tax, is 30% (2006 30%) A reconciliation of the expected tax charge/ (credit) based on this standard rate to the actual current tax is as follows

Reconciliation of effective tax rate

	£000	£000
Profit before tax	19,909	8,495
Current tax at 30% (2006 30%)	<u>5,973</u>	<u>2,548</u>
Effects of		
Adjustment to prior years losses brought forward	716	-
Change in deferred tax rate	168	-
R&D tax credit	-	(234)
Non tax deductible expenses	(98)	180
Tax exempt income	(890)	-
Over provided in prior years	(177)	-
Total tax in income statement	<u>5,692</u>	<u>2,494</u>

Notes (continued)

10 Property, plant and equipment - Group

	Land and buildings £000	Plant and equipment £000	Fixtures & fittings £000	Under construction £000	Total £000
Cost					
Balance at 1 January 2006	37,587	198,151	13,333	9,788	258,859
Acquisitions	403	9,058	256	3,212	12,929
Disposals	(2,495)	(1,198)	(55)	-	(3,748)
Transfers	405	6,563	11	(9,741)	(2,762)
Balance at 31 December 2006	35,900	212,574	13,545	3,259	265,278
Balance at 1 January 2007	35,900	212,574	13,545	3,259	265,278
Acquisitions	205	2,659	-	3,553	6,417
Disposals	(1,447)	(18,019)	(215)	-	(19,681)
Transfers	38	3,241	1,543	(3,020)	1,802
Balance at 31 December 2007	34,696	200,455	14,873	3,792	253,816
Depreciation and impairment					
Balance at 1 January 2006	(25,427)	(135,249)	(7,972)	-	(168,648)
Depreciation charge for the year	(1,433)	(17,626)	(936)	-	(19,995)
Disposals	1,712	993	47	-	2,752
Transfers (reclassifications intangible assets)	-	380	-	-	380
Balance at 31 December 2006	(25,148)	(151,502)	(8,861)	-	(185,511)
Balance at 1 January 2007	(25,148)	(151,502)	(8,861)	-	(185,511)
Depreciation charge for the year	(1,224)	(16,306)	(939)	-	(18,469)
Disposals	1,426	14,123	215	-	15,764
Transfers	-	(57)	(1,023)	-	(1,080)
Balance at 31 December 2007	(24,946)	(153,742)	(10,608)	-	(189,296)
Net book value					
At 1 January 2006	12,160	62,902	5,361	9,788	90,211
At 31 December 2006 and 1 January 2007	10,752	61,072	4,684	3,259	79,767
At 31 December 2007	9,750	46,713	4,265	3,792	64,520

Notes (continued)

10 Property, plant and equipment – Group (continued)

Outstanding orders placed for the supply of future capital expenditure for the year ended 31 December 2007 is £46,000 (2006 £742,000)

Tangible Assets under construction £3,792,000 (2006 £3,259,000)

Non-cancellable operating leases

The minimum future payments under non-cancellable operating leases are analysed by maturity band below

	2007 £'000
Within 1 year	8,550
Between 1 and 5 years	21,881
Beyond 5 years	14,146
	<hr/>
	44,577
	<hr/>

The income statement reflects rental charges incurred under operating leases of £10,217,000 (2006 £11 516,000)

Notes (continued)

11 Intangible fixed assets - Group

	Goodwill	Patents and trade-marks	Development Costs	Under construction	Total
	£000	£000	£000	£000	£000
Cost					
Balance at 1 January 2006	44,000	12,664	7,617	1,392	65,673
Acquisitions	-	633	1,132	1,071	2,836
Disposals	-	(3,223)	-	-	(3,223)
Transfers	-	2,733	1,331	(1,392)	2,672
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2006	44,000	12,807	10,080	1,071	67,958
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 1 January 2007	44,000	12,807	10,080	1,071	67,958
Acquisitions	-	533	156	695	1,384
Disposals	-	-	(2,210)	-	(2,210)
Transfers	-	(1,726)	995	(1,071)	(1,802)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2007	44,000	11,614	9,021	695	65,330
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Amortisation and impairment					
Balance at 1 January 2006	(4,400)	(7,971)	(2,742)	-	(15,113)
Amortisation for the year	-	(1,321)	(1,492)	-	(2,813)
Disposals	-	3,226	-	-	3,226
Transfers (reclassifications intangible assets)	-	(380)	-	-	(380)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2006	(4,400)	(6,446)	(4,234)	-	(15,080)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 1 January 2007	(4,400)	(6,446)	(4,234)	-	(15,080)
Amortisation for the year	-	(1,333)	(1,727)	-	(3,060)
Disposals	-	-	565	-	565
Transfers	-	1,080	-	-	1,080
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Balance at 31 December 2007	(4,400)	(6,699)	(5,396)	-	(16,495)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
At 1 January 2006	39,600	4,693	4,875	1,392	50,560
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2006 and 1 January 2007	39,600	6,361	5,846	1,071	52,878
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 December 2007	39,600	4,915	3,625	695	48,835
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

Notes (continued)

11 Intangible fixed assets (continued)

The goodwill relates to the acquisition of Merloni Domestic Appliances Limited in 2003

The asset was subjected to an impairment test as at 31 December 2007. The test performed did not identify the need to adjust the carrying value of the asset.

12 Investments - Company

	2007 £000	2006 £000
Shares in Group undertakings		
At 31 December 2007 and 31 December 2006	285,009	255,263

29,746,255 ordinary shares with a nominal value of £1 each were issued on the 18th December 2007, in settlement of an inter Company loan.

The Company holds investments in the following subsidiaries

<i>Subsidiary undertakings</i>	<i>Percentage of ordinary shares held</i>	<i>Country of incorporation</i>	<i>Status</i>	<i>Type of business</i>
<i>Indesit Company UK Limited</i>	<i>100%</i>	<i>England & Wales</i>	<i>Trading</i>	<i>Manufacture, distribution and servicing of domestic appliances</i>
<i>Creda Limited</i>	<i>100 %</i>	<i>England & Wales</i>	<i>Non trading</i>	
<i>Cannon Industries Limited</i>	<i>100 %</i>	<i>England & Wales</i>	<i>Dormant</i>	
<i>Xpelair Limited</i>	<i>100 %</i>	<i>England & Wales</i>	<i>Non trading</i>	
<i>General Domestic Appliances International Limited</i>	<i>100 %</i>	<i>England & Wales</i>	<i>Non trading</i>	
<i>General Domestic Appliances Sales Limited</i>	<i>100 %</i>	<i>England & Wales</i>	<i>Dormant</i>	
<i>AEI Gala Limited</i>	<i>99.9 %</i>	<i>England & Wales</i>	<i>Dormant</i>	
<i>Hotpoint UK Limited</i>	<i>98 %</i>	<i>England & Wales</i>	<i>Dormant</i>	
<i>Industrial Design Unit Limited</i>	<i>99 %</i>	<i>England & Wales</i>	<i>Dormant</i>	
<i>Fixt Limited</i>	<i>100 %</i>	<i>England & Wales</i>	<i>Undisclosed agent</i>	
<i>Hotpoint Sales Limited</i>	<i>100 %</i>	<i>England & Wales</i>	<i>Dormant</i>	

The Company also holds the entire share capital of the following dormant companies (all incorporated in Great Britain) through its investments in Creda Limited, Cannon Industries Limited and Hotpoint UK Limited: Airdun Limited, Creda Appliances Limited, Creda Domestic Appliance Service Limited, Gwyn J Evans and Company Limited, Jackson Appliances Limited and Oatley Technical Developments Limited.

Notes (continued)

13 Non-current receivables - Group

	2007 £000	2006 £000
Trade receivables to Group undertakings	251	8,030
Total non-current receivables	251	8,030

The debt is expected to be recovered in a period greater than 1 year

14 Non-current receivables - Company

	2007 £000	2006 £000
Trade receivables to Group undertakings	25,992	21,755
Total non-current receivables	25,992	21,755

The debt is expected to be recovered in a period greater than 1 year

15 Deferred tax - Group

Deferred tax assets and liabilities and the related changes during the year are analysed in the following table

	Balance at 1 Jan 2007 £000	(Charge)/credit in profit & loss £000	Balance at 31 Dec 2007 £000
Deferred tax assets			
Loans	840	(103)	737
Pensions liability	7,611	(1,243)	6,368
Tax value of loss carry-forward recognised	7,572	(6,314)	1,258
	16,023	(7,660)	8,363
Deferred tax liabilities			
Accelerated capital allowances	(6,573)	1,871	(4,702)
Other	(58)	3	(55)
	(6,631)	1,874	(4,757)
Net total	9,392	(5,786)	3,606

Notes (continued)

The £6,368,000 deferred tax on pensions liabilities relates to both the UK and Irish Pension Scheme and the Jubilee and Retirement Awards Scheme (see note 27)

16 Deferred tax – Company

	Balance at 1 Jan 2007 £000	(Charge)/credit in profit & loss £000	Balance at 31 Dec 2007 £000
Deferred tax assets			
Loans	840	(103)	737
Tax value of loss carry-forward recognised	302	956	1,258
Net total	1,142	853	1,995

17 Inventories - Group

	2007 £000	2006 £000
Finished product	32,468	34,158
Spare parts	12,692	14,329
Raw material	8,984	13,494
Total gross inventories	54,144	61,981
Provisions	(4,091)	(3,247)
Total net inventories	50,053	58,734

18 Trade and other receivables - Group

Trade receivables comprise amounts due from customers as a result of commercial transactions and the provision of services, stated net of provisions for bad debts

	2007 £000	2006 £000
Trade receivables to Group undertakings	53,982	35,217
Trade receivables	64,586	84,400
Other receivables	5,364	2,653
Total gross receivables	123,932	122,270
Provisions	(1,995)	(2,755)
Total trade and other receivables	121,937	119,515

Notes (continued)

19 Trade and other receivables - Company

	2007 £000	2006 £000
Trade receivables to Group undertakings	146	-
Other receivables	56	54
	<u>202</u>	<u>54</u>
Provisions	-	-
	<u>-</u>	<u>-</u>
Total trade and other receivables	<u>202</u>	<u>54</u>

20 Due from tax authorities - Group

	2007 £000	2006 £000
Corporation tax	-	122
Withholding tax – Group royalty payments	336	196
	<u>336</u>	<u>196</u>
Total due from tax authorities	<u>336</u>	<u>318</u>

21 Cash and cash equivalents - Group

Cash and cash equivalents include bank and postal deposits, as well as cheques and other amounts on hand. The changes in liquidity during the year are analysed in the statement of cash flows.

	2007 £000	2006 £000
Cash and cash equivalents	110,560	95,593
	<u>110,560</u>	<u>95,593</u>
Total cash and cash equivalents	<u>110,560</u>	<u>95,593</u>

22 Cash and cash Equivalents – Company

Cash and cash equivalents includes bank deposits as well as cheques and other amounts on hand.

Notes (continued)

23 Capital and reserves - Group

CALLED UP SHARE CAPITAL

	Number	"A" shares of £1 each £000	"B" shares of £1 each £000	"D" shares of £1 each £000	Total £000
Authorised and allotted - At 31 December 2007	26,000,000	1,140	24,760	100	26,000
Fully paid - At 31 December 2007	26,000,000	1,140	24,760	100	26,000

The "A" shares carry one vote per share. The "B" shares carry one vote per not less than 22 shares. The "D" shares carry no votes. The rights of the "C" and "D" shares are such that they do not constitute equity share capital under either the Companies Act 1985 or FRS 4.

The "D" shares carry a cumulative dividend at a fixed rate per annum of 10% of the nominal value of the "D" shares (with no other right to share in the profits of the Company) payable in priority to dividends on any other class of share in the Company. The "A" and "B" shares rank pari passu as to dividends.

The "D" shares will, on return of capital on a winding-up be repaid at par in priority to any other shares in the Company. The "D" shares are disclosed as a liability in note 24 and 25. The "A" and "B" shares will rank pari passu in the winding-up but so that the total amount distributed in respect of the "B" shares equals the amount distributed in respect of the "A" shares.

24 Medium to long-term financial payables - Company

	2007 £000	2006 £000
Loans from UK Group undertakings	138,372	105,038
Loans from Group undertakings	48,236	51,368
Share capital disclosed as a liability - "D" shares	100	100
Total medium to long term financial payables	186,708	156,506

Notes (continued)

25 Medium to long-term financial payables - Group

	2007 £000	2006 £000
Loans from UK Group undertakings	145,705	111,751
Loans from Group undertakings	48,236	51,368
Share Capital disclosed as a liability – "D" shares	100	100
	<u>194,041</u>	<u>163,219</u>

Loans include accrued interest charges of £23,784,000 (2006 £22,708,000)

Long term loan analysis	Interest rate	Loan	2007 Interest	Total	Loan	2006 Interest	Total
Amounts outstanding							
Loan from Merloni Domestic Appliances	4 2%	36,061	6,878	42,939	36,061	5,378	41,439
Loan from Merloni Domestic Appliances	4 3%	13,000	2,241	15,241	13,000	1,678	14,678
Loan from Merloni Domestic Appliances	4 3%	1,350	175	1,525	1,350	117	1,467
Loan from Merloni Domestic Appliances	4 6%	45,000	10,393	55,393	45,000	8,306	53,306
Loan from Indesit Company Luxembourg	7 2%	45,000	3,236	48,236	45,000	6,368	51,368
Loan from Merloni Domestic Appliances	-	29,746	-	29,746	-	-	-
Loan from Merloni Domestic Appliances	-	-	861	861	-	861	861
Preference Shares	-	100	-	100	100	-	100
Total current loans		<u>170,257</u>	<u>23,784</u>	<u>194,041</u>	<u>140,511</u>	<u>22,708</u>	<u>163,219</u>

Notes (continued)

26 Contingent liabilities

There are no contingent liabilities that management are aware of

27 Employee benefits - Group

The Company operated two defined benefit pension funds, one UK and the other Irish, operated by Indesit Company UK Ltd. These are voluntary pension funds with 2,358 members as of 31 December 2007. As mentioned in the section on events subsequent to year end, the Company has decided to close access to the defined benefit pension fund for UK employees and to start a defined contribution pension plan for new members.

The Company also operates Long Service Award Schemes. Funds have been created for the "Jubilee Award Scheme", which is a gift after 25 and 40 years service and a "retirement award scheme" made for employees retiring over 59 years.

UK pension scheme

Movement in surplus/deficit during the year

	2007 £000	2006 £000
Present value of defined benefit obligations	245,035	249,797
Fair value of plan assets	(243,391)	(224,524)
Present value of net obligations	1,644	25,273
Unrecognised actuarial gains and losses	18,215	(2,794)
Recognised liability for defined benefit obligations	19,859	22,479
Total employee benefits	19,859	22,479

Movements in present value of defined benefit obligation

	2007 £000	2006 £000
At 1 January	249,797	218,394
Current service cost	6,233	4,926
Interest cost	12,565	10,192
Benefits paid from plan assets	(6,483)	(7,650)
Contributions by members	3,259	3,582
Actuarial (gain)/loss	(19,907)	20,353
Plan curtailments	(429)	-
At 31 December	245,035	249,797

Notes (continued)

27 Employee Benefits (continued)

UK Pension scheme

Movements in fair value of plan assets

	2007 £000	2006 £000
At 1 January	(224,524)	(192,731)
Expected return on plan assets	(16,047)	(13,619)
Contributions by employer	(4,942)	(5,458)
Contributions by members	(3,259)	(3,582)
Benefits paid from Plan Assets	6,483	7,650
Actuarial gain	(1,102)	(16,784)
	<hr/>	<hr/>
At 31 December	(243,391)	(224,524)
	<hr/>	<hr/>

Expenses recognised in the income statement

	2007 £000	2006 £000
Current service costs	6,233	4,926
Interest on defined benefit pension plan obligation	12,565	10,192
Expected return on defined benefit plan assets	(16,047)	(13,619)
	<hr/>	<hr/>
Total	2,751	1,499
	<hr/>	<hr/>

The expense is recognised in the following line items in the income statement

	2007 £000	2006 £000
Cost of sales	3,888	3,740
Selling and distribution expenses	1,011	1,117
General and administrative expenses	477	601
Other expenses	902	(532)
Net financial charges	(3,527)	(3,427)
	<hr/>	<hr/>
	2,751	1,499
	<hr/>	<hr/>

Notes (continued)

27 Employee Benefits (continued)

UK Pension scheme (continued)

The fair value of the plan assets and the return on these assets were as follows

	2007 Fair value £000	2006 Fair value £000
Equities	207,369	188,600
Corporate bonds	36,022	35,924
	<u>243,391</u>	<u>224,524</u>

The expected rates of return on plan assets are determined by reference to relevant indices. The overall expected rate of return is calculated by weighting the individual rates in accordance with the anticipated balance in the plan's investment portfolio.

Principal actuarial assumptions (expressed as weighted averages)

	2007	2006
Discount rate	5.65%	5.00%
Inflation rate	3.15%	2.80%
Salary increases	3.65%	3.30%

The long term expected rate of return in investments was as follows

	2007	2006
Equities	8.25%	7.60%
Bonds	5.10%	4.60%

The weighted average expected return on the scheme's assets is 7.12% per annum.

The history of the plans for the current and prior periods as follows

	2007 £000	2006 £000
Present value of defined benefit obligation	245,035	249,797
Fair value of plan assets	(243,391)	(224,524)
	<u>1,644</u>	<u>25,273</u>

The Company expects to contribute approximately £4,000,000 to its defined benefit plans in the next financial year.

Notes (continued)

27 Employee Benefits (continued)

Irish pension scheme

	2007	2006
	£000	£000
Present value of defined benefit obligations	9,536	10,507
Fair value of plan assets	(9,179)	(8,342)
Present value of net obligations	357	2,165
Unrecognised actuarial gains and losses	806	(995)
Recognised liability for defined benefit obligations	1,163	1,170
Total employee benefits	1,163	1,170

Movements in present value of defined benefit obligation

	2007	2006
	£000	£000
At 1 January	10,507	9,542
Current service cost	175	134
Interest cost	511	403
Benefits paid from plan assets	(278)	(287)
Contributions by members	75	71
Actuarial loss	(2,421)	836
Exchange adjustments	967	(192)
At 31 December	9,536	10,507

Movements in fair value of plan assets

	2007	2006
	£000	£000
At 1 January	(8,342)	(7,696)
Expected return on plan assets	(556)	(438)
Contributions by employer	(243)	(188)
Contributions by members	(75)	(71)
Benefits paid from plan assets	278	287
Actuarial gain	527	(391)
Exchange adjustments	(768)	155
At 31 December	(9,179)	(8,342)

Notes (continued)

27 Employee Benefits (continued)

Irish pension scheme

Expense recognised in the income statement

	2007 £000	2006 £000
Current service costs	175	134
Interest on defined benefit pension plan obligation	511	403
Expected return on defined benefit pension plan assets	(556)	(438)
	<u>130</u>	<u>99</u>

The history of the plans for the current and prior periods as follows

	2007 £000	2006 £000
Present value of defined benefit obligation	9,536	10,507
Fair value of plan assets	(9,179)	(8,342)
Deficit	<u>357</u>	<u>2,165</u>

The Company expects to contribute approximately £230,000 to its defined benefit plans in the next financial year

Jubilee and Retirement Award schemes

The directors have estimated the provision required for the retirement award scheme at £1,721,000 (2006 £1,721,000) based on the estimated number of staff who will remain with the Company for the requisite period of 25 and 40 years

28 Non current trade payables - Group

	2007 £000	2006 £000
Trade payables to Group undertakings	205	38,064
Total non-current trade payables	<u>205</u>	<u>38,064</u>

The debt is expected to be paid in a period greater than 1 year

Notes (continued)

29 Provisions for risks and charges - Group

The provisions for risks and charges cover estimated current and non-current liabilities the exact timing or extent of which cannot be determined. This caption is analysed as follows:

	Balance on 1 Jan 07 £000	Charged to the income statement £000	Use of provision £000	Net £000	Balance on 31 Dec 2007 £000
Warranty provision	7,280	7,471	(7,474)	(3)	7,277
Provision for exchanges	224	333	(224)	109	333
Other risk provision	2,896	-	(322)	(322)	2,574
Total provisions	10,400	7,804	(8,020)	(216)	10,184

The provision for product warranty represents the estimated costs to be incurred for work under warranty on products sold. The provision is determined with reference to the call rate for the products still under warranty cover, the period of time between sell in and sell out (start of the warranty period) and the average unit cost of the work performed. The provision is calculated with reference to the expected time distribution of the work to be performed.

The other risk provision related to committed rental costs for the unoccupied buildings.

30 Other non-current liabilities - Group

Other non-current liabilities solely relate to deferred grants from the Welsh Assembly relating to the investment in the factory in Kinnel Park, North Wales.

	2007 £000	2006 £000
Government grant	-	12
Total other non-current liabilities	-	12

The accounting treatment of these tax credits has involved, in accordance with IAS 20, the recognition of non-current liabilities that will be released to the income statement to match the depreciation charged on the capital investment concerned.

31 Trade payables - Group

Trade payable comprise all the amounts due for the purchase of goods and services from the Company's suppliers. All payables fall due within one year. No amounts have been discounted.

	2007 £000	2006 £000
Trade payables to Group undertakings	29,455	60,862
Other payables	86,010	98,406
Total trade payables	115,465	159,268

Notes (continued)

32 Trade Payables – Company

Company trade payables are all inter Group payables

33 Due to tax authorities - Group

	2007 £000	2006 £000
VAT payable	16,378	14,771
Withholding tax	78	-
Current taxes payable	207	467
	<hr/>	<hr/>
Total due to tax authorities	16,663	15,238
	<hr/>	<hr/>

34 Due to tax authorities - Company

	2007 £000	2006 £000
Current taxes payable	-	467
	<hr/>	<hr/>
Total due to tax authorities	-	467
	<hr/>	<hr/>

35 Other payables - Group

Other payables are analysed as follows

	2007 £000	2006 £000
Due to social security & pensions institutions	1,987	2,339
Due to employees	7,197	3,652
Other payables	18,570	14,335
	<hr/>	<hr/>
Total other payables	27,754	20,326
	<hr/>	<hr/>

Notes (continued)

36 Staff numbers and costs

The average number of persons employed by the Company (including directors) during the year, analysed by category

	2007	2006
Number of employees		
Manufacturing	1,584	1,946
Service	1,416	1,512
Distribution	549	617
Administration and research and development	366	391
	<u>3,915</u>	<u>4,466</u>

The aggregate payroll costs of these persons were as follows

	2007 £000	2006 £000
Staff costs		
Wages and salaries	96,289	102,918
Social security costs	9,116	9,967
Other pension costs	5,946	5,263
	<u>111,351</u>	<u>118,148</u>

37 Remuneration of management

	2007 £000	2006 £000
Directors emoluments	739	294
Other benefits	131	13
	<u>870</u>	<u>307</u>

The amount paid to the highest paid director in 2007 was £459,000 (2006 £307,000)

Notes (continued)

38 Transactions with related parties

The Company which is incorporated in England and Wales is controlled by Indesit Company UK Holdings Limited, by virtue of its holdings of 92% of the voting share capital of the Company at the balance sheet date

The Company's ultimate controlling party is Indesit Company S P A, a Company incorporated in Italy, which changed its name from Merloni Elettrodomestici S P A on the 1st January 2005

Transactions with companies within the Merloni S P A Group are as follows

-Indesit Company S P A At the year end the debtor balance amounted to £15,185,000 (2006 £11,887,000) and creditor amounted to £6,010,000 (2006 £35,696,000) Transactions during the year were as follows sales of £24,362,000 (2006 £19,472,000) purchases of £158,856,000 (2006 £139,383,000)

-Indesit Elettrodomestici S A At the year end the debtor balance amounted to £2,809,000 (2006 £3,996,000) and creditor amounted to £23,000 (2006 £nil) Transactions during the year were as follows sales of £7,113,000 (2006 £7,879,000) and purchases of £23,000 (2006 nil)

-Indesit Company Portugal Elettrodomestici S A At the year end the debtor balance amounted to £4,021,000 (2006 £2,071,000) and creditor amounted to £287,000 (2006 £231,000) Transactions during the year were as follows sales of £4,028,000 (2006 £3,216,000) purchases of £724,000 (2006 £644,000)

-Indesit Company France S A At the year end the debtor balance amounted to £3,337,000 (2006 £3,011,000) and creditor amounted to £nil (2006 £nil) Transactions during the year were as follows sales of £5,146,000 (2006 £5,886,000) purchases of £ (2006 £nil)

-Indesit Company Beyaz Esya Pazarlama AS At the year end the debtor balance amounted to £801,000 (2006 £481,000) and creditor amounted to £6,164,000 (2006 £2,978,000) Transactions during the year were as follows sales of £1,857,000 (2006 £959,000) purchases of £26,232,000 (2006 £19,600,000)

-Indesit Company Deutschland GmbH At the year end the debtor balance amounted to £143,000 (2006 £763,000) and creditor amounted to £nil (2006 nil) Transactions during the year were as follows sales of £592,000 (2006 £1,416,000) purchases of £nil (2006 £nil)

-Indesit Company Polska Spzoo At the year end the debtor balance amounted to £9,149,000 (2006 £184,000) and creditor amounted to £3,780,000 (2006 £7,278,000) Transactions during the year were as follows sales of £8,965,000 (2006 £313,000) purchases of £35,143,000 (2006 £18,706,000)

-Indesit Company International Business S A At the year end the debtor balance amounted to £1,244,000 (2006 £1,527,000) and creditor amounted to £114,000 (2006 £57,000) Transactions during the year were as follows sales of £2,429,000 (2006 £2,743,000) purchases of £562,000 (2006 £735,000)

-Indesit Company International BV At the year end the debtor balance amounted to £98,000 (2006 £167,000) and creditor amounted to £nil (2006 £2,000) Transactions during the year were as follows sales of £197,000 (2006 £375,000) purchases of £nil (2006 £2,000)

-Argentron S A At the year end the debtor balance amounted to £17,000 (2006 £69,000) and creditor amounted to £nil (2006 £nil) Transactions during the year were as follows sales of £528,000 (2006 £439,000) purchases of £nil (2006 £nil)

-Merloni Progetti SPA At the year end the debtor balance amounted to £nil (2006 £nil) and creditor amounted to £16,000 (2006 £11,000) Transactions during the year were as follows sales of £nil (2006 £nil) purchases of £21,000 (2006 £24,000)

-Indesit Company SPA (BH) At the year end the debtor balance amounted to £9,565,000 (2006 £8,694,000) and creditor amounted to £nil (2006 nil) Transactions during the year were as follows sales of £16,098,000 (2006 £14,414,000) purchases of £nil (2006 nil)

Notes (continued)

38 Transactions with related parties (continued)

Indesit Company Magyarors At the year end the debtor balance amounted to £551,000 (2006 £348,000) and creditor amounted to £18,000 (2006 nil) Transactions during the year were as follows sales of £1,084,000 (2006 £991,000) purchases of £18,000 (2006 nil)

Wuxi Indesit Home Appliances At the year end the debtor balance amounted to £nil (2006 £nil) and creditor amounted to £273,000 (2006 £137,000) Transactions during the year were as follows sales of £nil (2006 £nil) purchases of £2,984,000 (2006 £2,709,000)

39 Ultimate Parent Company of larger Group

The Company controlled by Indesit Company UK Holdings Limited, a Company incorporated in England and sales, by virtue of its holding 92% of the voting share capital of GDAH at the balance sheet date

The companies ultimate controlling party is considered to be Indesit Company S P A, a Company incorporated in Italy

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