

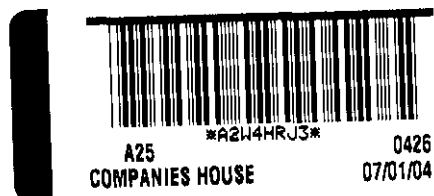
REGISTERED NUMBER: 4372979

MERLONI ELETTRODOMESTICI UK LIMITED

Reports And Financial Statements

31 December 2002

M R Salvage & Co
Bourne End
Bucks
SL8 5YS



MERLONI ELETTRODOMESTICI UK LIMITED

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MERLONI ELETTRODOMESTICI UK LIMITED

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REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Marco Milani

SECRETARY

Marco Marini

REGISTERED OFFICE

Morley Way
Peterborough
Cambridgeshire
PE2 9JB

BANKERS

Barclays Bank plc

SOLICITORS

Taylor Wessing
50 Victoria Embankment
London

AUDITORS

M R Salvage & Co
7/8 Eghams Court
Boston Drive
Bourne End
Buckinghamshire
SL8 5YS

REPORT OF THE DIRECTORS

The directors present their annual report with the financial statements of the company for the period ended 31 December 2002.

ACTIVITIES

The company was incorporated on 13 February 2002. The company is the holding company of a group of consumer product companies. The principal activities of the subsidiaries are the manufacture, distribution and servicing of domestic appliances.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The profit and loss account is set out on page 6. The loss for the period on ordinary activities after taxation amounted to Euro 9,353,956.

DIVIDENDS AND TRANSFER TO RESERVES

The directors do not recommend the payment of a dividend.

CHANGES IN FIXED ASSETS

Details of changes in fixed assets are given in notes 7 and 8 to the financial statements.

DIRECTORS

The directors in office in the period were as follows:-

Huntsmoor Limited	(appointed on incorporation; resigned 28 February 2002)
Huntsmoor Nominees Limited	(appointed on incorporation; resigned 28 February 2002)
L Bettonte	(appointed 28 February 2002)
J McDarren	(appointed 28 February 2002)

None of the directors had any disclosable interest in the shares of the company or its subsidiaries at 31 December 2002.

J McDarren resigned as a director on 31 March 2003 and M Milani was appointed a director on 31 March 2003.

CHANGES IN NAME

On 8 July 2003 the company changed its name to Merloni Elettrodomestici UK Holdings Limited. On the same date one of the company's principal trading subsidiaries, General Domestic Appliances Limited, changed its name to Merloni Elettrodomestici UK Limited.

RESEARCH AND DEVELOPMENT

The Company's subsidiaries continued to invest in the research and development of new products, including the development of features and the enhancement of specifications.

DIRECTORS' REPORT (continued)

EMPLOYMENT OF DISABLED PEOPLE

It is the Group's policy to:

1. Encourage and assist the recruitment and employment of disabled people;
2. Offer disabled workers opportunities for training, career development and promotion in accordance with their abilities; and
3. Make every effort to retain newly disabled employees in their own job or to find suitable alternative employment within Group companies, 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 Group.

EMPLOYEE INVOLVEMENT

With the co-operation of its employees and Trade Union representatives, the Group continuously seeks improved means of exchanging information of the Group's performance, future plans and prospects and to encourage awareness of the market and economic factors which influence the Group's development and growth.

PAYMENTS TO CREDITORS

It is the Group practice to make payments to suppliers in accordance with agreed terms, provided that the supplier has performed in accordance with the relevant terms and conditions.

The company holds investments in Group companies, does not trade itself and does not have suppliers within the meaning of the Companies Act 1985.

AUDITORS

M R Salvage & Co were appointed by the Directors during the period.

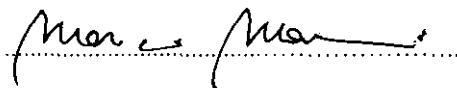
M R Salvage & Co will be proposed for reappointment in accordance with Section 385 of the Companies Act 1985.

Approved by the board of Directors and signed on behalf of the Board

M Marini
Secretary

2003

Approved by the Board on:



Date 14 NOVEMBER 2003

Registered Office:

Morley Way
Peterborough
Cambridgeshire
PE2 9JB

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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 as at the end of the financial year and of the profit or loss of the Company for the period. In preparing those financial statements, the Directors are required to:

1. Select suitable accounting policies and then apply them consistently;
2. Make judgements and estimates that are reasonable and prudent;
3. State whether applicable accounting standards have been followed; and
4. Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for the system of internal control, safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF MERLONI ELETTRODOMESTICI UK LIMITED

We have audited the financial statements of Merloni Elettrodomestici UK Limited for the period ended 31 December 2002 which comprise the profit and loss account, the balance sheet, and the related notes 1 to 19. 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 company and the company's members as a body for this report or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of Directors' responsibilities, the Company's Directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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.

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

Basis of opinion

We conducted our audit in accordance with United Kingdom 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 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 2002 and of its loss for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

M R Salvage & Co

M R Salvage & Co.,
Chartered Accountants and Registered Auditors
Bourne End, Bucks, SL8 5YS

25 NOVEMBER 2003

PROFIT AND LOSS ACCOUNT
For The Period Ended 31 December 2002

		Period ended 31 December <u>2002</u>
	<u>Note</u>	<u>Euro '000</u>
Administrative expenses		2,590
		<hr/>
Operating loss	2-3	(2,590)
Interest receivable and similar income	4	175
Interest payable	5	(6,939)
		<hr/>
Loss on ordinary activities before taxation		(9,354)
Taxation	6	-
		<hr/>
Loss for the financial period after taxation		(9,354)
Dividends paid and proposed		-
		<hr/>
Retained loss for the financial period		(9,354)
		<hr/>

CONTINUING OPERATIONS

The company commenced activities in the period and the profit and loss account above represents continuing operations.

TOTAL RECOGNISED GAINS AND LOSSES

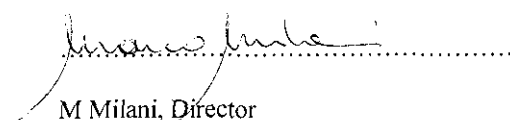
The company has no recognised gains or losses other than the profit or loss for the above financial period.

MERLONI ELETTRODOMESTICI UK LIMITED
Balance Sheet - 31 December 2002

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		2002
	Note	Euro '000
Fixed Assets		
Intangible fixed assets	7	220
Investments	8	429,769
		<hr/>
		429,989
		<hr/>
Current Assets		
Debtors	9	6,836
Cash at bank and in hand	10	54,814
		<hr/>
		61,650
		<hr/>
Creditors : Amounts falling due within one year	11	(181,121)
		<hr/>
Net Current Liabilities		(119,471)
Total Assets Less Current Liabilities		310,518
Creditors : Amounts falling due after more than one year	12	(95,750)
		<hr/>
Net Assets		214,768
		<hr/>
Capital and Reserves:		
Called up share capital	14	100,000
Share premium account	15	124,122
Profit and loss account		(9,354)
		<hr/>
Equity Shareholders' Funds	16	214,768
		<hr/>

Signed on behalf of the Board of Directors:


M Milani, Director

Approved by the Board on :

...14 November 2003.

Date

NOTES TO THE FINANCIAL STATEMENTS**For The Period Ended 31 December 2002****1. ACCOUNTING POLICIES****Basis of accounting**

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

The company is exempt from the requirement to prepare consolidated accounts under Section 228 Companies Act 1985 on the basis that the company is a wholly owned subsidiary of a parent undertaking established in a member state of the European Economic Community. The results of the company and its subsidiaries are included in the consolidated financial statements of Merloni Elettrodomestici S.p.A, a company incorporated in Italy. Accordingly, these financial statements present information relating to the affairs of the company only and not about the group that the company heads.

Intangible fixed assets

Intangible fixed assets are amortised over their useful life which the Directors consider to be three years.

Investments

Investments are stated at cost, including acquisition costs, less any provisions for diminution in value.

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 periods differing from those in which they are included in financial statements. Deferred tax assets and liabilities are not discounted.

Foreign currencies

The financial statements are prepared in Euros. The exchange rate to £ at 31 December 2002 was 1.57 Euros to £1 sterling.

Assets and liabilities in other currencies are translated into Euros at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into Euros at the rate of exchange ruling at the date of the transaction. Exchange differences are taken to the profit and loss account.

Cash flow statement

The company has taken advantage of the exemption from the requirement to prepare a cash flow statement permitted by Financial Reporting Standard 1 "Cash Flow Statements". Consolidated financial statements of the ultimate parent company Merloni Elettrodomestici S.p.A. are available to the public (see note 18).

NOTES TO THE FINANCIAL STATEMENTS

For The Period Ended 31 December 2002 (continued)

2. OPERATING PROFIT

The operating profit is stated after charging:

	<u>2002</u>
	<u>Euro '000</u>
Foreign currency exchange losses	2,484

Audit fees of €7,000 are borne by a fellow group company.

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES STAFF COSTS (INCLUDING DIRECTORS)

The company did not have any employees.

The directors who served in the period were executives of Merloni Elettrodomestici S.p.A., and were remunerated for their services by that company, with the relevant disclosures shown in those accounts. They did not receive any remuneration for their services as directors of the company and it is not practical to allocate emoluments for other services.

4. INTEREST RECEIVABLE

	<u>2002</u>
	<u>Euro '000</u>
Bank interest	175

5. INTEREST PAYABLE

Interest payable and similar charges:

	<u>2002</u>
	<u>Euro '000</u>
Financing loan interest	6,485
Other interest	454
	<u>6,939</u>

NOTES TO THE FINANCIAL STATEMENTS

For The Period Ended 31 December 2002 (continued)

6. TAXATION

	<u>2002</u>
	<u>Euro '000</u>
U K Corporation tax on the result for the period at 30%	-
Deferred taxation	-
	-
	-

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

	<u>31.12.02</u>
	<u>Euro '000</u>
Loss on ordinary activities before tax	(9,354)
Tax at standard rate	2,806
Deferred tax asset not recognised	(2,806)
	-
Tax charge in profit and loss account	-

A potential deferred tax asset of €2,806,000 in respect of current years losses, has not been recognised on the grounds that there is insufficient evidence at the current time that the asset will be recoverable in the foreseeable future.

7. INTANGIBLE FIXED ASSETS

	<u>2002</u>
	<u>Euro '000</u>
Consulting costs	
Costs	323
Amortisation	(103)
	-
Net book value at 31 December 2002	220

8. INVESTMENTS

	<u>2002</u>	
	<u>Euro '000</u>	<u>Euro '000</u>
<i>At the start of the period</i>	-	-
Acquisitions:		
• 8 March 2002 General Domestic Appliances Holdings Limited	205,647	
• 11 October 2002 Merloni Domestic Appliances Limited	69,122	
• 31 October 2002 Merloni Electromenager SA	155,000	
	-	-
Balance at 31 December 2002		429,769

NOTES TO THE FINANCIAL STATEMENTS

For The Period Ended 31 December 2002 (continued)

8. INVESTMENTS (continued)

Details of the company's principal subsidiary undertakings are as follows:-

<u>Name</u>	<u>Country of Incorporation</u>	<u>Shares held</u>
General Domestic Appliances Holdings Limited	United Kingdom	£1 Ordinary voting – 50%
Merloni Domestic Appliances Limited	United Kingdom	£1 Ordinary - 53.5%
Merloni Electromenager SA	France	€154.55 Ordinary - 99.99%

All the principal subsidiaries are involved in the manufacture, distribution and servicing of domestic appliances.

The Company holds investments in the following sub-subsidiaries through its investment in General Domestic Appliances Holdings Limited:

Sub-subsidiary undertakings	Percentage of ordinary shares held	Country of incorporation	Type of business
General Domestic Appliances Limited	100 per cent	Great Britain	Manufacture, distribution and servicing of domestic appliances
Creda Limited	100 per cent	Great Britain	Non trading
Cannon Industries Limited	100 per cent	Great Britain	Dormant
Xpelair Limited	100 per cent	Great Britain	Dormant
General Domestic Appliances International Limited	100 per cent	Great Britain	Non trading
General Domestic Appliances Sales Limited	100 per cent	Great Britain	Dormant
AEI Gala Limited	99.9 per cent	Great Britain	Dormant
Hotpoint UK Limited	98 per cent	Great Britain	Dormant
Industrial Design Unit Limited	99 per cent	Great Britain	Dormant
Fixt Limited	100 per cent	Great Britain	Undisclosed agent

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, Cannon Domestic Appliances Limited; Creda Appliances Limited, Creda Domestic Appliance Service Limited, Gwyn J Evans and Company Limited, Hotpoint Sales Limited, Jackson Appliances Limited and Oatley Technical Developments Limited.

The Company holds investments in the following sub-subsidiaries through its investment in Merloni Domestic Appliances Limited:-

Sub-subsidiary undertakings	Percentage of ordinary shares held	Country of incorporation	Type of business
Indesit (Properties) Limited	99 per cent	Great Britain	Non trading
RTC International Limited	99 per cent	Great Britain	Non trading
Ariston Group Services Limited	99 per cent	Great Britain	Non trading

NOTES TO THE FINANCIAL STATEMENTS

For The Period Ended 31 December 2002 (continued)

9. DEBTORS

	<u>2002</u>
	<u>Euro '000</u>
Other debtors	32
Prepayments and accrued income	5,747
Amount owed by group undertaking	1,057
	<hr/>
	6,836
	<hr/>

10. CASH AT BANK

Cash at bank includes €54,467,436 held on fixed deposit as collateral for the benefit of the Company's bankers in respect of a letter of credit (note 17).

11. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2002</u>
	<u>Euro '000</u>
Loans	100,038
Amounts owed to group undertakings	77,421
Taxation	-
Other creditors	409
Accrued interest	3,253
	<hr/>
	181,121
	<hr/>

12. CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>2002</u>
	<u>Euro '000</u>
Loans	95,750
	<hr/>

For The Period Ended 31 December 2002 (continued)

13. ANALYSIS OF LOANS

	<u>2002</u>
	<u>Euro '000</u>
The loans are repayable as follows:-	
Within one year of balance sheet date	100,038
Within two to five years of balance sheet date	95,750
	<hr/>
	195,788
	<hr/>

The loan repayable within one year is unsecured discounted redeemable loan stock. The amount of €100,038,000 represents the principal amount payable which includes finance costs of €4,288,000. Finance costs of €3,231,000 have been charged to the profit and loss account for the period with €1,057,000 carried forward.

The loan payable in more than one year is repayable in March 2007 and bears interest at the Euribors 365 6 months rate plus 60 basis points as quoted in Reuters. The loan is unsecured.

Both loans are due to other group undertakings.

14. CALLED UP SHARE CAPITAL

	<u>2002</u>
	<u>Euro '000</u>
Authorised	
100,000,000 ordinary shares of €1 each	100,000
	<hr/>
Allotted, called up and fully paid	
100,000,000 ordinary shares of €1 each	100,000
	<hr/>

The company was incorporated with an authorised share capital of 1,000 ordinary shares of €1 each. This was increased to 95,750,000 ordinary shares of €1 each and 100,000,000 ordinary shares of €1 each by written resolutions dated 28 February 2002 and 11 October 2002 respectively.

The Company issued 1 share on incorporation.

On 11 October 2002 the Company issued 30,841,083 shares of €1 each for consideration of €2.241215 per share for the acquisition of Merloni Domestic Appliances Limited (see note 8).

On 31 October 2002 the Company issued 69,158,916 shares of €1 each for consideration of €2.241215 per share for the acquisition of Merloni Electromenager SA (see note 8).

MERLONI ELETTRODOMESTICI UK LIMITED
NOTES TO THE FINANCIAL STATEMENTS

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For The Period Ended 31 December 2002 (continued)

15. SHARE PREMIUM ACCOUNT

	<u>2002</u>
	<u>Euro '000</u>
At the start of the period	-
Arising on shares issued in the period (note 14)	124,122
	<hr/>
At 31 December 2002	124,122
	<hr/>

16. RECONCILIATION OF MOVEMENTS ON SHAREHOLDERS' FUNDS

	<u>2002</u>
	<u>Euro '000</u>
Issued share capital (notes 14 and 15)	224,122
Loss for the financial period after taxation	(9,354)
Opening equity shareholders' funds on incorporation	-
	<hr/>
Closing equity shareholders' funds at 31 December 2002	214,768
	<hr/>

17. CONTINGENCIES AND COMMITMENTS

During the year the Company and its parent Company Merloni Elettrodomestici S.p.A. entered into a Put and Call Option Agreement with General Electric Company (GE) (a New York Corporation) and its wholly owned subsidiary International General Electric (USA) Limited (IGE) (a Company incorporated in the UK).

Under this Agreement GE has the right to require the Company to purchase (the PUT rights) and the Company has the right to require GE to sell (the CALL rights), IGE's equity share interest in General Domestic Appliances Holdings Limited (GDAH), which comprises the remaining 50% of the voting shares of GDAH (1,140,000 "A" shares) together with 100,000 non-voting "D" shares in GDAH.

The Put and Call rights are exercisable over defined tranches of shares between September 2002 and September 2008 with a total price of US \$357,000,000. (Euro equivalent 340,421,474)

The first Put right was exercised in accordance with the Agreement and on 10 January 2003 the Company acquired the first tranche of 20% of the remaining shares in GDAH held by IGE at that time.

The Company has arranged a letter of credit facility with its bankers for US \$357,000,000 to fulfil its contractual obligation to GE under the Put and Call Agreement. The facility has a final maturity date of February 2010 and the obligations of the Company under this facility are guaranteed by Merloni Elettrodomestici S.p.A. As a security to this arrangement the Company is required to hold cash funds as collateral in favour of the bank. At 31 December 2002 this amounted to US \$57,120,000 (Euro 54,467,436). The Company's bankers hold a first fixed charge over this amount.

NOTES TO THE FINANCIAL STATEMENTS

For The Period Ended 31 December 2002 (continued)

17. CONTINGENCIES AND COMMITMENTS (continued)

A fellow group company, Merloni International Business SA, provides exchange risk hedging operations on behalf of group companies.

At 31 December 2002 Merloni International Business SA had entered into forward contracts, expiring on 9 January 2003, on behalf of the company as follows:-

Forward purchase \$US

<u>US\$ Amount</u>	<u>€ equivalent</u>
20,000,000	21,570,300
20,000,000	20,251,114

Forward purchase \$US/£GB

<u>US\$ amount</u>	<u>£ amount</u>	<u>€ equivalent</u>
15,660,000	10,000,000	15,372,790
12,637,600	8,000,000	12,298,232
15,586,400	10,000,000	15,372,790
7,902,200	5,000,000	7,686,395
12,565,200	8,000,000	12,298,232
6,381,000	4,000,000	6,149,116

The € equivalent is calculated using the exchange rates in force on maturity.

Included within amounts owed to group undertakings is €2,075,300 which has been charged to the profit and loss account in respect of exchange losses on those contracts at 31 December 2002.

The Company had no other commitments or contingent liabilities at 31 December 2002.

18. PARENT COMPANY AND RELATED PARTY DISCLOSURES

The Company's immediate parent company is Merloni Ariston International SA, a company incorporated in Luxembourg.

The Company's ultimate parent company and controlling party is Merloni Elettrodomestici S.p.A., a company which is incorporated in Italy.

Pursuant to the exemption granted by Financial Reporting Standard 8 "Related Party Disclosures", transactions and balances with other companies within the Merloni Elettrodomestici S.p.A. group have not been disclosed in these financial statements.

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

19. POST BALANCE SHEET EVENTS

On 10 January 2003 the Company acquired 20% of the shareholding of International General Electric (USA) Limited in General Domestic Appliances Holdings Limited. (see also note 17).

On 8 July 2003 the Company changed its name to Merloni Elettrodomestici UK Holdings Limited.

