

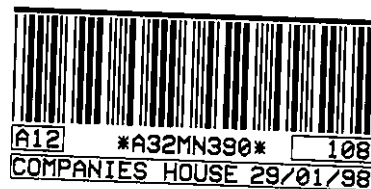


HOTPOINT LIMITED

Report and Financial Statements

31 March 1997

**Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR**





REPORT AND FINANCIAL STATEMENTS 1997

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REPORT AND FINANCIAL STATEMENTS 1997

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

B A Enders	(Resigned 31 December 1996)
A P Hutchinson	(Resigned 5 May 1997)
G E White (Managing)	
E Bradley	(Appointed 6 July 1997)

SECRETARY

M Holdaway

REGISTERED OFFICE

Morley Way
Peterborough
PE2 8JB

BANKERS

Midland Bank plc

AUDITORS

Deloitte & Touche
Chartered Accountants
Hill House
1 Little New Street
London EC4A 3TR

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements for the year ended 31 March 1997.

ACTIVITIES

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

RESULTS AND DIVIDENDS

The results for the year are as follows:

	1997 £'000	1996 £'000
Profit on ordinary activities before taxation	18,653	11,655
Tax on profit on ordinary activities	(2,713)	(3,810)
Profit on ordinary activities after taxation	15,940	7,845
Interim dividends paid	(14,810)	(11,700)
Transferred to/(withdrawn from) reserves	1,130	(3,855)

The Directors do not recommend the payment of a final dividend.

REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

The Company maintained its leading market position in the UK against increased competition from low-priced imports. UK sales grew slightly and there was strong growth registered in the export market, notably in Western Europe.

The UK market is likely to remain price competitive. The Company objective remains to enhance its UK position, whilst seeking opportunities to develop key European and other export markets.

DIRECTORS AND THEIR INTERESTS

The Directors who served throughout the year are shown on page 1. None of the Directors had an interest in the shares of the Company, its parent company, or any subsidiaries thereof as at 31 March 1997.

RESEARCH AND DEVELOPMENT

Research and development is continuing across all manufactured products to provide added value features to customers.

EMPLOYMENT OF DISABLED PEOPLE

It is the Company's policy to:

- encourage and assist the recruitment and employment of disabled people;
- offer disabled workers opportunities for training, career development and promotion in accordance with their abilities; and
- make every effort to retain newly disabled employees in their own job or to find suitable alternative employment within the Company,

with the ultimate objective of giving disabled persons the same opportunities as able-bodied employees to maximise their working capabilities for the mutual benefit of individuals and the Company.



DIRECTORS' REPORT

EMPLOYEE INVOLVEMENT

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

AUDITORS

A resolution for the reappointment of Deloitte & Touche as auditors of the Company is to be proposed at the forthcoming Annual General Meeting.

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

M Holdaway
Company Secretary

23 January 1998

Morley Way
Peterborough
PE2 8JB



Chartered Accountants

Deloitte & Touche
Hill House
1 Little New Street
London EC4A 3TR

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International + 44 171 936 3000
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LDE: DX 599

AUDITORS' REPORT TO THE MEMBERS OF HOTPOINT LIMITED

We have audited the financial statements on pages 5 to 13 which have been prepared under the accounting policies set out on pages 7 and 8.

Respective responsibilities of the Directors and auditors

The Directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss for the financial year and to state whether the accounts have been prepared in accordance with applicable accounting standards.

The Directors are responsible for ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The Directors 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.

It is our responsibility as auditors to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you.

Basis of opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and
Registered Auditors

26 January 1998

**Deloitte Touche
Tohmatsu
International**

Aberdeen, Bath, Belfast, Birmingham, Bournemouth, Bracknell, Bristol, Cambridge, Cardiff, Crawley, Dartford, Edinburgh, Glasgow, Leeds, Leicester, Liverpool, London, Manchester, Milton Keynes, Newcastle upon Tyne, Nottingham, St Albans and Southampton.

Principal place of business at which a list of partners' names is available:
Stonecutter Court, 1 Stonecutter Street, London EC4A 4TR.

Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

PROFIT AND LOSS ACCOUNT
Year ended 31 March 1997

	Note	1997 £'000	1996 £'000
TURNOVER	2	325,692	309,550
OPERATING PROFIT	3	18,599	11,597
Interest receivable and similar income	6	54	58
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		18,653	11,655
Tax on profit on ordinary activities	7	(2,713)	(3,810)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		15,940	7,845
Dividends paid on equity shares		(14,810)	(11,700)
Amounts transferred to/(withdrawn from) reserves		1,130	(3,855)
Reserves brought forward		1,652	5,507
Reserves carried forward		2,782	1,652

All activities derive from continuing operations. There are no recognised gains or losses or movements in shareholders' funds other than the amounts transferred to reserves in the current financial year and withdrawn from reserves in the preceding financial year. Accordingly, no statement of total recognised gains and losses or reconciliation of movement in shareholders' funds is given.

BALANCE SHEET
31 March 1997

	Note	1997 £'000	1996 £'000
FIXED ASSETS			
Tangible assets	8	55,571	53,644
CURRENT ASSETS			
Stocks	9	28,542	32,075
Debtors	10	50,201	49,338
Cash at bank and in hand		18,349	12,177
		97,092	93,590
CREDITORS: amounts falling due within one year			
Trade creditors		44,739	39,684
Other creditors including taxation and social security	11	20,155	20,792
		64,894	60,476
NET CURRENT ASSETS		32,198	33,114
TOTAL ASSETS LESS CURRENT LIABILITIES		87,769	86,758
PROVISIONS FOR LIABILITIES AND CHARGES	12	(9,073)	(9,192)
		78,696	77,566
CAPITAL AND RESERVES			
Called up share capital	13	5,010	5,010
Share premium account		70,904	70,904
Profit and loss account		2,782	1,652
EQUITY SHAREHOLDERS' FUNDS		78,696	77,566

These financial statements were approved by the Directors on 23 January 1998.
 Signed on behalf of the Board of Directors


 G E White
 Director



NOTES TO THE ACCOUNTS
Year ended 31 March 1997

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Stocks and work-in-progress

Stocks and work-in-progress are valued at the lower of cost and net realisable value. Cost is represented by raw materials, labour and an appropriate proportion of production overheads.

Depreciation of freehold property

(i) Freehold land

No depreciation is charged on freehold land.

(ii) Freehold buildings

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

Depreciation of leasehold property

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

Depreciation of plant and machinery, fixtures, tools and vehicles

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

Government grants

- (i) Regional Development Grants are treated as deferred income which is credited to the profit and loss account by instalments over the expected useful economic life of the related asset on a basis consistent with the depreciation policy.
- (ii) Any revenue grants or assistance received from government sources are set off against the expenditure to which they relate.

Deferred taxation

Deferred taxation is provided at a rate of 33% on timing differences arising from the inclusion of income and expenditure in taxation computations in periods different from those in which they are included in the financial statements, to the extent that it is probable that a liability or asset will crystallise in the future.

Product design and development

Product design and development expenditure is written off in the year in which it is incurred.

Foreign exchange

Gains or losses on foreign currency transactions and translation differences on assets and liabilities have been treated as normal items of the year's operations. Assets and liabilities as at 31 March 1997 have been translated at the exchange rates ruling on that date, except where these are covered by forward exchange contracts in which case they have been converted at the sterling value fixed by such contracts.

NOTES TO THE ACCOUNTS
Year ended 31 March 1997

1. ACCOUNTING POLICIES (continued)

Pension costs

The expected cost of providing pensions, as calculated periodically by independent actuaries, is charged to the profit and loss account so as to spread the cost over the expected average remaining service lives of current employees (Note 16).

2. TURNOVER

Turnover represents the total net sales value of sales to third parties of the Company's products and services, excluding Value Added Tax.

Under an agreement dated 26 July 1990, the Company entered into an agency arrangement with General Domestic Appliances Sales Limited, a subsidiary of the Company's parent company General Domestic Appliances Limited, whereby:

- (a) all of the Company's products and services would be purchased by General Domestic Appliances Sales Limited; and
- (b) the Company would act as agent for General Domestic Appliances Sales Limited for the sale of all products and services to third parties.

These sales were made by the Company as agent for General Domestic Appliances Sales Limited, a fellow group undertaking.

	1997 £'000	1996 £'000
Geographical analysis of turnover:		
United Kingdom	300,157	284,398
Western Europe	21,513	19,912
Other	4,022	5,240
	<u>325,692</u>	<u>309,550</u>

3. OPERATING PROFIT

The following items have been charged in arriving at operating profit:

	1997 £'000	1996 £'000
Change in stocks of finished goods and work-in-progress	3,533	5,045
Raw materials and consumables	180,624	174,308
Other external charges (note 5)	247	269
Staff costs (note 4)	86,503	84,532
Depreciation	14,372	14,349
Research and development	2,910	2,795
Other operating charges	<u>18,904</u>	<u>16,655</u>

NOTES TO THE ACCOUNTS
Year ended 31 March 1997

4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

	1997 £'000	1996 £'000
Directors' emoluments	216	203
Highest paid Director Emoluments (excluding pension contributions)	114	109

Two directors who served during the year are members of a defined benefit scheme. The amount of the accrued pension of the highest paid director at 31 March 1997 is £4,121 p.a.

Mr B A Enders, a Director of the Company during part of the year, also served as an executive of General Electric Company (U.S.A.) ("GE"). It is not practicable to allocate the total remuneration he received between his service as an executive of GE and his service as a Director of the Company.

	£'000	£'000
Staff costs during the year		
Wages and salaries	75,931	74,323
Social security costs	7,850	7,723
Pension costs	2,722	2,486
	86,503	84,532
	1997 No.	1996 No.
Average number of persons employed:		
Manufacturing	2,220	2,350
Service	1,923	1,942
Distribution	488	488
Administration	313	344
	4,944	5,124

5. OTHER EXTERNAL CHARGES

	1997 £'000	1996 £'000
Other external charges include:		
Auditors' remuneration: audit fees	98	97
Hire of plant and machinery	149	172
Rental payments - land and buildings	1,586	1,885

A further £1,500 was paid to the auditors during the year for other services (1996: £nil).

NOTES TO THE ACCOUNTS
Year ended 31 March 1997

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	1997 £'000	1996 £'000
Miscellaneous interest	20	21
Interest on staff sales advances	34	37
	<u>54</u>	<u>58</u>

7. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1997 £'000	1996 £'000
UK taxation:		
Corporation tax at 33% (1996 - 33%)	6,295	4,243
Deferred taxation	(97)	(360)
ACT surrendered by IGE (USA) Holdings Limited, a related company	(3,550)	-
Adjustments to prior years' tax provisions		
Foreign tax	101	157
Deferred taxation	34	(36)
Corporation tax	(70)	(194)
	<u>2,713</u>	<u>3,810</u>

8. TANGIBLE FIXED ASSETS

	Freehold property £'000	Leasehold property long £'000	Leasehold property short £'000	Plant and machinery £'000	Fixtures, tools and vehicles £'000	Total £'000
Cost						
At 1 April 1996	11,121	9,164	3,176	50,798	48,436	122,695
Additions	123	170	-	2,779	13,501	16,573
Disposals	-	-	-	(138)	(8,810)	(8,948)
Intra Group transfers	-	-	-	-	(11)	(11)
At 31 March 1997	<u>11,244</u>	<u>9,334</u>	<u>3,176</u>	<u>53,439</u>	<u>53,116</u>	<u>130,309</u>
Accumulated depreciation						
At 1 April 1996	6,119	3,628	1,226	33,759	24,319	69,051
Charge for the year	281	360	127	3,447	10,157	14,372
Disposals	-	-	-	(123)	(8,562)	(8,685)
At 31 March 1997	<u>6,400</u>	<u>3,988</u>	<u>1,353</u>	<u>37,083</u>	<u>25,914</u>	<u>74,738</u>
Net book value						
At 31 March 1997	<u>4,844</u>	<u>5,346</u>	<u>1,823</u>	<u>16,356</u>	<u>27,202</u>	<u>55,571</u>
At 31 March 1996	<u>5,002</u>	<u>5,536</u>	<u>1,950</u>	<u>17,039</u>	<u>24,117</u>	<u>53,644</u>



NOTES TO THE ACCOUNTS

Year ended 31 March 1997

8. TANGIBLE FIXED ASSETS (continued)

The cost of assets which were fully depreciated at 31 March 1997 amounted to £28,978,000 (1996 - £21,967,000).

Included in freehold property is land amounting to £1,541,701 (1996 - £1,541,701) which is not depreciated.

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

	1997 £'000	1996 £'000
Commitments contracted for at 31 March	3,938	2,615
Authorised but not committed at 31 March	1,455	2,610

9. STOCKS

	1997 £'000	1996 £'000
Raw materials and work-in-progress	7,320	7,315
Finished goods and goods for resale	21,222	24,760
	<u>28,542</u>	<u>32,075</u>

10. DEBTORS

	1997 £'000	1996 £'000
Corporation tax	41	-
Trade debtors	35,476	34,109
Amounts owed by fellow subsidiaries	12,179	12,091
Other debtors	716	1,022
Prepayments and accrued income	1,789	2,116
	<u>50,201</u>	<u>49,338</u>

Trade debtors of £35,476,000 (1996 - £34,109,000) are disclosed in respect of amounts outstanding on the sales of products and services made by the Company as agent for General Domestic Appliances Sales Limited. All amounts fall due within one year, apart from £1,050,000 included within corporation tax in respect of ACT recoverable.



NOTES TO THE ACCOUNTS

Year ended 31 March 1997

11. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	1997 £'000	1996 £'000
Corporation tax	-	2,029
PAYE, social security and VAT	6,736	5,166
Other creditors including Government grants and deferred income	13,419	13,597
	<u>20,155</u>	<u>20,792</u>

12. PROVISIONS FOR LIABILITIES AND CHARGES

	Balance at 31 March 1996 £'000	(Credited)/ charged to profit and loss account £'000	Applied £'000	Balance at 31 March 1997 £'000
Deferred taxation	3,440	(63)	-	3,377
Reorganisation provision	340	358	(604)	94
Service and collection provisions	5,412	645	(455)	5,602
	<u>9,192</u>	<u>940</u>	<u>(1,059)</u>	<u>9,073</u>

Deferred taxation has been provided in full on all timing differences.

The application of deferred taxation is represented by the cash flows caused by advance corporation tax.

	1997 £'000	1996 £'000
The amounts of deferred taxation provided in the financial statements are:		
Capital allowances in excess of depreciation	3,406	3,564
Other timing differences	(29)	(124)
	<u>3,377</u>	<u>3,440</u>

13. CALLED UP SHARE CAPITAL

	1997 £'000	1996 £'000
Authorised, allotted and fully paid: 5,010,000 (1996 - 5,010,000) ordinary shares of £1 each	<u>5,010</u>	<u>5,010</u>



NOTES TO THE ACCOUNTS

Year ended 31 March 1997

14. OPERATING LEASE COMMITMENTS

At 31 March 1997, the Company was committed to making the following payments during the next year:

	Land & buildings £'000
Leases which expire:	
Within one year	2
Within two to five years	198
After five years	914
	<hr/>
	1,114
	<hr/>

15. FORWARD FOREIGN EXCHANGE COMMITMENTS

The Company has outstanding forward foreign exchange contracts, entered into in the normal course of business, the value of which at 31 March 1997 amounted to £13,662,693 (1996 - £9,722,055).

16. PENSIONS

The Company is an associated company of The General Electric Company, p.l.c. ("GEC") and all its U.K. employees who are members of a pension plan are members of The GEC Plan ("the Plan"), the principal pension plan of the GEC Group. The Plan is funded and is of the "defined benefit" type. Particulars of the most recent actuarial valuation, which was at 5 April 1994, will be disclosed in the report and accounts of GEC for the year ended 31 March 1997.

The pensions cost charge of the Company in respect of employees who are members of the Plan consists of employers' contributions payable which are similar across the Group as a whole as a percentage of pensionable earnings. Based on the advice of a qualified actuary, contributions for the year ended 31 March 1997 amounting to £2,631,000 (1996 - £2,397,000) were calculated at 6 per cent. of members' pensionable pay.

17. PARENT COMPANY

The Company's parent company is General Domestic Appliances Limited ("GDA"). The GDA group is the only group of which the Company is a member for which group accounts are prepared. The parent company and its subsidiary undertakings are described in this document as 'Group Companies'. GDA is owned jointly by The General Electric Company, p.l.c., registered in England and Wales, and General Electric Company, a company incorporated in the United States of America.

Pursuant to the exemption granted by Financial Reporting Standard 8 'Related Party Disclosures' transactions with other undertakings within the GDA group have not been disclosed in these financial statements.