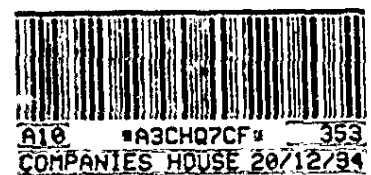


**HOTPOINT LIMITED**

**Report and Financial Statements**

**31 March 1994**

**Touche Ross & Co.  
Hill House  
1 Little New Street  
London EC4A 3TR**





**REPORT AND FINANCIAL STATEMENTS**

**Year ended 31 March 1994**

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1993

Report made  
in accordance  
with the Companies  
Act 1985



**REPORT AND FINANCIAL STATEMENTS**  
Year ended 31 March 1994

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

B A Enders  
P M Collins

**SECRETARY**

A J Bodenham

**REGISTERED OFFICE**

Celta Road  
Peterborough  
PE2 9JB

**BANKERS**

Midland Bank plc

**AUDITORS**

Touche Ross & Co  
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 1994

### ACTIVITIES

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

### RESULTS, DIVIDENDS AND TRANSFERS TO RESERVES

The results for the year are as follows

	£'000
Profit on ordinary activities before taxation	17,260
Tax on profit on ordinary activities	5,404
Profit on ordinary activities after taxation	11,856
Dividends paid	13,550
Transferred from reserves	(1,694)

The directors do not recommend the payment of a final dividend. However, for the period ended 31 March 1994, interim dividends totalling £13,550,000 were paid (1993 - £5,800,000).

### REVIEW OF THE BUSINESS AND FUTURE PROSPECTS

The UK domestic appliance market remained subdued as consumer confidence continued to be affected by high personal indebtedness, negative equity in the housing market and relatively high levels of unemployment. The over-capacity of European manufacturers and UK retailers led to intense price competition.

Hotpoint increased its sales volumes and maintained its market leadership in all of its key product segments through a combination of new product introductions and competitive pricing.

The Company neared completion of its rationalisation programme which included the closure of one of its manufacturing facilities, and the integration of the distribution and after sales service activities of one of its sister companies with effect from April 1994.

The UK market is likely to remain extremely price competitive as low price European imports continue to enter this market. The Company's objective remains to enhance its UK position, whilst seeking opportunities to develop key European markets.

### RESEARCH AND DEVELOPMENT

The Company is continuing its research and development into frost-free refrigeration and its programmes to introduce CFC-free refrigerators. Development of products to comply with new energy labelling legislation has been effected.

## **DIRECTORS' REPORT**

### **EMPLOYMENT OF DISABLED PEOPLE**

It is the Company's policy to

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

### **EMPLOYEE INVOLVEMENT**

With the co-operation of its employees and Trade Union representatives, the Company seeks continuously 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 quarterly newsletter

### **DIRECTORS**

The present constitution of the Board is shown on page 1. Mr P M Collins was appointed to the Board on 31 January 1994. Mr R S Clay resigned from the Board on 6 September 1993. Mr G E White resigned from the Board on 30 September 1993. Mr D A Scannell resigned from the Board on 31 January 1994.

### **DIRECTORS' INTERESTS**

None of the Directors was interested in the shares of the Company or its subsidiaries as at 31 March 1994.

None of the Directors had any beneficial interest, other than in the ordinary course of business, in any contract to which the Company or a subsidiary was a party during the year.

### **FIXED ASSETS**

Details of, and movements in, fixed assets are given in note 8 to the accounts.

### **AUDITORS**

Touche Ross & Co are to continue as auditors of the company.

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



Company Secretary

1 September 1994

Celta Road  
Peterborough  
PE2 9JB

Tophe Ross & Co  
Mill House  
1 Little Bee, Street  
Road 164A 3TR

Telephone Number 071 936 3000  
International +44 21 936 3000  
Telex 884739 TRILNAN G  
Fax: Gp 31 071 983 8517  
LDE DX 599

We have audited the financial statements on pages 5 to 16 which have been prepared under the historical cost convention and the accounting policies set out on pages 9 and 10

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.**

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.

In our opinion the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 1994 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985

## Chartered Accountants and Registered Auditors

22 September 1994

**Deloitte Touche  
Tohmatsu  
International**

1. The first part of the document is a letter from the President of the United States to the Congress, dated January 3, 1862. It is a message of condolence to the people of the State of California, who have been afflicted by a severe drought and famine. The President expresses his sympathy for the suffering and his hope that the Congress will take prompt action to relieve the distress.

[illegible]

Authorized by the Director of Defense Acquisition and Administration, Department of Defense.

**PROFIT AND LOSS ACCOUNT**  
**Year ended 31 March 1994**

	<b>Note</b>	<b>1994 £'000</b>	<b>1993 £'000</b>
<b>TURNOVER</b>	<b>2</b>	<b>295,014</b>	<b>288,805</b>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	<b>3</b>	<b>17,260</b>	<b>15,051</b>
Tax on profit on ordinary activities	<b>7</b>	<b>5,404</b>	<b>4,951</b>
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		<b>11,856</b>	<b>10,100</b>
Dividend paid		<b>13,550</b>	<b>5,800</b>
Loss/profit retained, transferred (from)/to reserves		<b>(1,694)</b>	<b>4,300</b>
Reserves brought forward		<b>10,432</b>	<b>6,132</b>
<b>Reserves carried forward</b>		<b>8,738</b>	<b>10,432</b>

All activities derive from continuing operations. There are no recognised gains or losses or movements in shareholders' funds other than the retained (loss)/profit for the current and 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 1994**

	Note	1994 £'000	1993 £'000
<b>FIXED ASSETS</b>			
Tangible assets	8	55,606	53,502
<b>CURRENT ASSETS</b>			
Stocks	9	36,298	29,892
Debtors	10	44,757	60,223
Cash at bank and in hand		18,848	17,407
		<u>99,903</u>	<u>107,522</u>
<b>CREDITORS: amounts falling due within one year</b>			
Trade creditors		33,925	37,005
Amounts owed to group undertakings		28	374
Other creditors including taxation and social security	11	25,319	24,635
		<u>59,272</u>	<u>62,014</u>
<b>NET CURRENT ASSETS</b>		<u>40,631</u>	<u>45,508</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		96,237	99,010
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	12	11,585	12,664
		<u>84,652</u>	<u>86,346</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	13	5,010	5,010
Share premium account		70,904	70,904
Profit and loss account		8,738	10,432
		<u>84,652</u>	<u>86,346</u>

These financial statements were approved by the Board of Directors on *1 September* 1994  
Signed on behalf of the Board of Directors

Director





# **CASH FLOW STATEMENT** **Year ended 31 March 1994**

	Note	1994 £'000	1993 £'000
Net cash inflow from operating activities	1	<u>35,095</u>	<u>30,634</u>
Returns on investments and servicing of finance			
Dividends paid		<u>(13,550)</u>	<u>(12,000)</u>
Taxation			
Corporation tax paid (including advance corporation tax)		<u>(4,913)</u>	<u>(7,288)</u>
Investing activities			
Payments to acquire tangible fixed assets		(17,681)	(12,815)
Receipts from group companies for the transfer of tangible fixed assets		1,339	(2,005)
Receipts from sales of tangible fixed assets		<u>1,151</u>	<u>905</u>
Net cash inflow/(outflow) before financing		<u>1,441</u>	<u>(2,569)</u>
Increase/(decrease) in cash and cash equivalents	2	<u>1,441</u>	<u>(2,569)</u>

**NOTES TO THE CASH FLOW STATEMENT**  
**Year ended 31 March 1994**

**1. RECONCILIATION OF OPERATING PROFIT TO NET CASH INFLOW FROM OPERATING ACTIVITIES**

	1994 £'000	1993 £'000
Operating profit	17,260	15,051
Depreciation charges	13,381	13,083
Profit on sale of fixed assets	(294)	(597)
(Increase)/decrease in stocks	(6,406)	6,219
Decrease/(increase) in debtors	15,466	(5,667)
(Decrease)/increase in creditors	(2,726)	2,414
(Decrease)/increase in provisions	(1,586)	131
Net cash inflow from operating activities	<u>35,095</u>	<u>30,634</u>

**2. ANALYSIS OF CHANGES IN CASH AND CASH EQUIVALENTS DURING THE YEAR**

	1994 £'000	1993 £'000
Cash at bank and in hand at 1 April	17,407	19,976
Net cash inflow/(outflow)	<u>1,441</u>	<u>(2,569)</u>
Cash at bank and in hand at 31 March	<u>18,848</u>	<u>17,407</u>

## NOTES TO THE ACCOUNTS Year ended 31 March 1994

### 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 the rates of taxation that are expected to apply to 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 1994 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 1994**

**1. ACCOUNTING POLICIES (continued)**

**Pension costs**

The expected cost of providing pensions, as calculated periodically by professionally qualified actuaries, is charged to the profit and loss account so as to spread the cost over the service lives of employees in the scheme in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll.

**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.

	1994 £'000	1993 £'000
Geographical analysis of turnover		
United Kingdom	278,864	273,759
Western Europe	14,534	13,721
Other	1,616	1,325
	<u>295,014</u>	<u>288,805</u>

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

The following items have been charged/(credited) in arriving at the profit on ordinary activities before taxation.

	1994 £'000	1993 £'000
Change in stocks of finished goods and work-in-progress	(6,608)	4,748
Raw materials and consumables	156,024	142,059
Other external charges (note 5)	2,308	2,852
Staff costs (note 4)	90,152	86,068
Depreciation	13,381	13,083
Research and development	3,063	3,247
Other operating charges	19,524	21,789
Interest receivable (note 6)	(90)	(92)
	<u>277,754</u>	<u>273,754</u>



**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 1994**

**4. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

	1994 £'000	1993 £'000
<b>Directors' emoluments</b>	<u>207</u>	<u>248</u>
Emoluments (excluding pension contributions) of the highest paid director	<u>69</u>	<u>83</u>

Mr B A Enders, who was a director of Hotpoint Limited, served as an executive of General Electric Company (U S ) ("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 Hotpoint Limited.

	1994 No	1993 No
Emoluments (excluding pension contributions) of other directors fell within the following ranges		
£ 0 - £ 5,000	-	1
£ 30,001 - £ 35,000	-	1
£ 35,001 - £ 40,000	1	-
£ 45,001 - £ 50,000	1	-
£ 50,001 - £ 55,000	1	1
£ 65,001 - £ 70,000	-	1

	£'000	£'000
<b>Staff costs during the year</b>		
Wages and salaries	81,766	78,179
Social security costs	8,312	7,825
Other pension costs	74	64

	<u>90,152</u>	<u>86,068</u>
--	---------------	---------------

	1994 No.	1993 No.
--	-------------	-------------

**Average number of persons employed**

Manufacturing	2,557	2,791
Service	2,208	2,193
Distribution	450	434
Administration	381	407
	<u>5,596</u>	<u>5,825</u>

**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 1994**

**5. OTHER EXTERNAL CHARGES**

	1994 £'000	1993 £'000
Other external charges include		
Auditors' remuneration	103	120
Hire of plant and machinery	2,205	2,732

No other amounts were paid to the auditors during the year

**6. INTEREST RECEIVABLE**

	1994 £'000	1993 £'000
Interest on staff sales advances	90	92

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

	1994 £'000	1993 £'000
UK taxation		
Corporation tax at 33% (1993 - 33%) based on the profit for the year	5,196	5,195
Deferred taxation	504	(203)
Adjustments to prior years' tax provisions		
Foreign tax	20	-
Deferred taxation	3	133
Corporation tax	(319)	(174)
	5,404	4,951



**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 1994**

**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
<b>Cost</b>						
At 1 April 1993	11,490	8,092	3,222	47,999	38,551	109,354
Additions	27	568	-	6,178	10,908	17,681
Disposals	(11)	-	-	(2,116)	(7,725)	(9,852)
Intra Group transfers	-	-	-	(1,987)	222	(1,765)
At 31 March 1994	11,506	8,660	3,222	50,074	41,956	115,418
<b>Accumulated depreciation</b>						
At 1 April 1993	5,230	2,541	878	28,200	19,003	55,852
Charge for the year	352	321	129	3,255	9,324	13,381
Disposals	(1)	-	-	(1,712)	(7,282)	(8,995)
Intra Group transfers	-	-	-	(652)	226	(426)
At 31 March 1994	5,581	2,862	1,007	29,091	21,271	59,812
<b>Net book value</b>						
At 31 March 1994	5,925	5,798	2,215	20,983	20,685	55,606
At 31 March 1993	6,260	5,551	2,344	19,799	19,548	53,502

The cost of assets which were fully depreciated at 31 March 1994 amounted to £17,333,000 (1993-£16,481,000)

Included in freehold property is land amounting to £1,541,701 (1993-£1,541,701) which is not depreciated

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

	1994 £'000	1993 £'000
Commitments contracted for at 31 March	2,987	6,299
Authorised but not committed at 31 March	1,098	2,683

**9. STOCKS**

	1994 £'000	1993 £'000
Raw materials and work-in-progress	8,950	9,152
Finished goods and goods for resale	27,348	20,740
	36,298	29,892



**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 1994**

**10. DEBTORS**

	1994 £'000	1993 £'000
Trade debtors	32,738	50,822
Amounts owed by fellow subsidiaries	9,197	6,744
Other debtors	969	891
Prepayments and accrued income	1,853	1,766
	<u>44,757</u>	<u>60,223</u>

Trade debtors of £32,738,000 (1993 - £50,822,000) 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.

**11. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY**

	1994 £'000	1993 £'000
Corporation tax	2,987	3,003
PAYE, social security and value added tax	6,696	6,364
Other creditors including Government grants and deferred income	15,636	15,268
	<u>25,319</u>	<u>24,635</u>

**12. PROVISIONS FOR LIABILITIES AND CHARGES**

	Balance at 1 April 1993 £'000	Charged/ (credited) to profit and loss account £'000	Applied £'000	Balance at 31 March 1994 £'000
Deferred taxation	3,591	507	-	4,098
Reorganisation provision	600	173	(323)	450
Service and collection provisions	8,473	(1,436)	-	7,037
	<u>12,664</u>	<u>(756)</u>	<u>(323)</u>	<u>11,585</u>





**NOTES TO THE ACCOUNTS**  
**Year ended 31 March 1994**

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

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

	1994 £'000	1993 £'000
The amounts of deferred taxation provided in the financial statements are		
Capital allowances in excess of depreciation	4,306	4,017
Other timing differences	(208)	(426)
	<u>4,098</u>	<u>3,591</u>

**13. CALLED UP SHARE CAPITAL**

	1994 £'000	1993 £'000
Authorised, allotted and fully paid 5,010,000 (1992-5,010,000) ordinary shares of £1 each	<u>5,010</u>	<u>5,010</u>

**14. OPERATING LEASE COMMITMENTS**

At 31 March 1994, Hotpoint Limited was committed to making the following payments during the next year in respect of land and buildings

	£'000
Leases which expire	
Within one year	9
Within two to five years	232
After five years	922
	<u>1,163</u>

**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 1994 amounted to £7,412,273 (1993-£5,740,500)



## **NOTES TO THE ACCOUNTS**

**Year ended 31 March 1994**

### **16. PENSIONS**

The company is an associate of The General Electric Company, p l c ("GEC") and 97.8% of its pension plan employees are members of the principal Pension Plan of GEC ("The GEC Plan"). This scheme is funded and is of the 'defined benefit' type, particulars of its most recent actuarial valuation will be disclosed in the report and accounts of GEC for the year to 31 March 1994.

The pension cost charge of the company in respect of employees who are members of The GEC Plan consists of employer's contributions payable which are similar across the Group as a whole as a percentage of pensionable earnings. Based on advice from a qualified actuary, there was no company contribution to the GEC Plan in the year or in the previous year and none is expected prior to the next actuarial valuation in 1994.

### **17. ULTIMATE PARENT COMPANY**

In the opinion of the directors the company's ultimate parent company is General Domestic Appliances Limited ('GDA') which is registered in England and Wales. 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 ultimately owned jointly by The General Electric Company, p l c., registered in England and Wales, and General Electric Company, incorporated in the United States of America. Copies of the GDA group accounts are available from Celta Road, Peterborough PE2 9JB.