Indesit Company UK Limited

Directors' report and financial statements

Registered number 106725

For the year ended 31 December 2011

Officers and professional advisors

Directors

Andrea Giubboni
Andrea Merloni
Marco Milani
John Morrissey
Carlos Ramos
Massimo Rosini
Enrico Vita

Secretary

Alessia Oddone

Registered Office

Morley Way
Peterborough
PE2 9JB

Bankers

Barclays Bank plc

Solicitors

Taylor Wessing
50 Victoria Embankment
London

Auditors

KPMG LLP
37 Hills Road
Cambridge
CB2 1XL

Share capital

£76,195,645

VAT No

513936740

Registration number

106725

Contents

Directors' report

The directors present their directors' report and financial statements for the year ended 31 December 2011

Principal activities

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

Business review

Following the significant decline in the market in 2010, the market in 2011 had a further reduction in terms of sales compared with the previous year

The average price in the market had an increase around 3%

The Company still maintained its dominant market share which was broadly stable compared with the previous year, despite the continued competitive pressure coming from trade brands and new entrants into the market place

The finished product turnover had a slight reduction as a result of a decrease, both in volume and price mix of products The overall trend of price mix reducing revenues was mainly related to the comparison with 2010, where the company had significant positive growth However, despite the reduction in volume, the market share increased in 2011 compared to 2010

For our competitors, it is noticeable that the market was quite stable in terms of trend of market share, with a positive trend for Bosch and Beko, whilst the trade-brands, after they had had the strongest growth in the market in 2010, had a slight decrease in 2011

The company continued to invest in the Hotpoint and Indesit brands with a significant investment in Hotpoint to grow its brand awareness, especially in the cooking sector

The company has now completed the industrial plan and is fully benefiting from the reduction in product costs deriving from the conclusion in 2009 of the restructuring of its production capabilities away from the UK

The revenue from services increased again in 2011, after many years of growth, but no longer at the same rate of growth the company has experienced in the past The company maintained a continuous focus on extended warranties Operational costs were adversely impacted by increased raw material costs and also inflationary increases to personnel costs, while customers continued to experience improving service levels

Whilst 2010 was a "double speed" year, with a first half characterized by volume decline and price improvement, and a second half by strong volume recovery, 2011 was a substantially stable year, with a slight increase in market share but reduction in prices Our 2012 strategy is to constantly keep growing in volume and gaining market share The company has launched a huge number of new products, with a view to further increasing its market share The strategy will be to grow prices through the new features, benefits and aesthetics of the new Hotpoint ranges, and fight the volume competition through the Indesit Brand

On 31st December the company closed its Indesit Company UK Limited defined benefit pension scheme to future accruals More information is provided in the notes to the financial statements

Directors' report *(continued)*

Research and development

Research costs expensed in the year amounted to £1,114,000 *(2010 £739,000)*

Results and dividend

The results for the year are as follows

	2011 £000	2010 £000
Profit on ordinary activities before taxation	**60,095**	68,546
Tax on profit on ordinary activities	**(17,066)**	(21,376)
Profit on ordinary activities after taxation	**43,029**	47,170
Transferred to reserves	**43,029**	47,170

The Company paid a dividend to General Domestic Appliances Holdings Limited during the year of £30,000,000 (39 4p per share)

Currency markets

The Company hedged a proportion of the operational exchange rate risk according to the Group hedging policy mentioned below

Risks and Management Policies

The key risks to the business are liquidity risk, currency risk, credit risk, the increase in costs of raw materials, and changes in the governments environmental policy The central treasury department is responsible for liquidity risk and currency risk through forward currency hedging and options tools Credit risk is managed through debt factoring and assigning credit limits and by constantly monitoring the creditworthiness of customers The directors monitor the costs of raw materials and changes in the governments environmental policy and take actions where necessary

Directors and directors' interests

The directors who held office during the year were as follows

Andrea Giubboni
Andrea Merloni
Marco Milani
John Morrissey
Carlos Ramos
Massimo Rosini
Enrico Vita

Directors' report *(continued)*

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 Two of them, namely Andrea Merloni and Marco Milani, are respectively the Chairman and the Chief Executive Officer of the ultimate parent company Indesit Company S p A

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

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 *(2010 £nil)* Donations to UK charities were £nil *(2010 £nil)*

Significant events subsequent to year end

There are no significant post year end events

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 aware, there is no relevant audit information of which the Company's auditor is 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 auditor is aware of that information

Pursuant to Section 487 of the Companies Act 2006, the auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office

Accounting policies and adoption of international financial reporting standards - IFRSs

The financial statements of Indesit Company UK 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

Directors' report *(contınued)*

Consolıdated Fınancıal Statements

The company elects not to prepare consolıdated financıal statements ın accordance wıth IAS 27, paragragh 42 The ultımate parent company ıs Indesıt Company S p A and ıts consolıdated financıal statements are avaılable to the publıc and may be obtaıned from Indesıt Company S p A, Vıale Arıstıde Merlonı 47,60044, Fabrıano (AN) Italy

Approach taken

All amounts are stated ın £000 (except where stated otherwıse) All comparısons ın the remaınder of thıs report and ın the financıal statements have been made wıth respect to ınformatıon for the prıor year (ındıcated wıthın brackets) Percentages (margıns and changes) are determıned wıth reference to amounts stated ın £000

By order of the board

John Morrissey

Managıng Dırector

Morley Way
Peterborough
PE2 9JB

30 May 2012.

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 and applicable law

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period

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 are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006 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 Indesit Company UK Limited

We have audited the financial statements of Indesit Company UK Limited for the year ended 31 December 2011 set out on pages 8 to 50 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006 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 our audit work, for this report, or for the opinions we have formed

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at www frc org uk/apb/scope/private cfm

Opinion on 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 December 2011 and of its profit for the year then ended,

• have been properly prepared in accordance with IFRSs as adopted by the EU, and

• have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

• adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or

• the financial statements are not in agreement with the accounting records and returns, or

• certain disclosures of directors' remuneration specified by law are not made; or

• we have not received all the information and explanations we require for our audit

Steve Muncey

Steve Muncey (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
37 Hills Road
Cambridge
CB2 1XL

Date 30 May 2012

Statement of comprehensive income
for the year ended 31 December 2011

	Note	**2011 £000**	2010 £000
Revenue	3	**668,069**	675,716
Cost of sales	4	**(526,983)**	(517,492)
Selling and distribution expenses	5	**(59,454)**	(54,881)
General and administrative expenses	6	**(18,864)**	(19,931)
Other income	7	**23,744**	7,108
Other expenses	*8*	**(14,793)**	(13,471)
Operating profit		**71,719**	77,049
Net financial charges	*9*	**(11,624)**	(8,503)
Profit before tax		**60,095**	68,546
Taxation	*10*	**(17,066)**	(21,376)
Profit for the year		**43,029**	47,170

All of the above results are derived from continuing activities

The notes on pages 13 to 50 form part of these financial statements

Statement of financial position

as at 31 December 2011

Company Registration number 106725	*Note*	2011 £000	2010 £000
Non-current assets			
Property, plant and equipment	*11*	**25,060**	23,438
Goodwill	*12*	**39,600**	39,600
Other intangible assets with a definite life	*12*	**3,982**	3,716
Investment in subsidiary	*13*	**1,726**	1,726
Non-current receivables	*14*	**33,741**	33,741
Employee benefit assets	*24*	**9,632**	-
Deferred tax assets	*15*	**2,339**	5,951
Total non-current assets		**116,080**	108,172
Inventories	*16*	**38,283**	39,925
Trade and other receivables	*17*	**48,066**	93,827
Current financial assets	*18*	**3,019**	3,253
Due from tax authorities	*19*	**2,484**	227
Cash and cash equivalents	*20*	**293,340**	226,776
Total current assets		**385,192**	364,008
Total assets		**501,272**	472,180
Equity			
Share capital	*21*	**76,196**	76,196
Share premium		**44,393**	44,393
Hedging reserve		**(2,313)**	361
Retained earnings		**18,880**	1,710
Result for the year		**43,029**	47,170
Total equity		**180,185**	169,830
Non-current liabilities			
Medium to long-term financial payables	*22*	**62,873**	61,155
Employee benefit liabilities	*24*	**3,030**	12,490
Non-current trade payables	*25*	**10,362**	1,571
Provisions for risks and charges	*26*	**1,139**	1,580
Deferred tax liabilities	*15*	**1,674**	133
Total non-current liabilities		**79,078**	76,929
Current provisions for risks and charges	*26*	**11,295**	8,683
Financial payables	*27*	**11,010**	-
Trade payables	*28*	**185,625**	175,558
Due to tax authorities	*29*	**26,725**	31,275
Other payables	*30*	**7,354**	9,905
Total current liabilities		**242,009**	225,421
Total liabilities		**321,087**	302,350
Total equity and liabilities		**501,272**	472,180

The notes of pages 13 to 50 form part of these financial statements

These financial statements were approved by the board of directors on 30 May 2012 and were signed on its behalf by

Director *John Morrissey*

Statement of cash flows

for the year ended 31 December 2011

	Note	2011 £000	2010 £000
Profit for the year		**43,029**	47,170
Income taxes	10	**17,066**	21,376
Depreciation and amortisation		**6,152**	9,468
Other non monetary income and expenses		**11,624**	8,503
Decrease / (increase) in trade and other receivables		**46,069**	(14,014)
Decrease / (increase) in financial assets		**5**	(719)
Decrease in inventories		**1,642**	1,438
Increase in trade and other payables		**7,833**	32,421
Change in other assets and liabilities		**(24,667)**	(18,371)
(Profit) / loss on sale of property, plant & equipment		**(1,914)**	222
Payment of income taxes		**(12,606)**	(19,491)
Payment of interest		**-**	(46)
Interest received		**944**	-
Cash flow from operating activities		**95,177**	67,957
Investment in tangible fixed assets		**(6,015)**	(3,205)
Proceeds from disposal of tangible fixed assets		**2,106**	1,347
Investments in intangible assets		**(2,217)**	(417)
Cash flow absorbed by investing activities		**(6,126)**	(2,275)
Inception of long term financial payables		**1,718**	1,719
Change in current financial payables		**(4,865)**	(27,534)
Change in non-current trade payables		**8,791**	-
Payment of dividend		**(30,000)**	(37,499)
Cash flow absorbed by financing activities		**(24,356)**	(63,314)
Net increase in cash and cash equivalents		**64,695**	2,368
Cash and cash equivalents, at the start of the year	20	**226,776**	221,826
Effect of exchange rate fluctuations on cash held		**1,869**	2,582
Cash and cash equivalents at 31 December 2011	20	**293,340**	226,776

The notes on pages 13 to 50 form part of these financial statements

Statement of recognised income and expense

for year ended 31 December 2011

	2011	2010
	£000	£000
Effective portion of changes in fair value of cash flow hedges	**(2,674)**	(554)
Net expense recognised directly in equity	**(2,674)**	(554)
Profit for the year	**43,029**	47,170
Total recognised income and expense for the year	**40,355**	46,616
Attributable to		
Equity holders of the Company	**40,355**	46,616
Total recognised income and expense for the year	**40,355**	46,616

Statement of changes in equity as at 31 December 2011
as at 31 December 2011

	Share capital £000	Share premium £000	Hedging Reserve £000	Retained Earnings £000	Total Equity £000
Balance at 1 January 2010	76,196	44,393	915	39,209	160,713
Hedging reserve	-	-	(554)	-	(554)
Dividend distribution	-	-	-	(37,499)	(37,499)
Profit for the year	-	-	-	47,170	47,170
Balance at 31 December 2010	76,196	44,393	361	48,880	169,830
Balance at 1 January 2011	76,196	44,393	361	48,880	169,830
Hedging reserve	-	-	(2,674)	-	(2,674)
Dividend distribution	-	-	-	(30,000)	(30,000)
Profit for the year	-	-	-	43,029	43,029
Balance at 31 December 2011	76,196	44,393	(2,313)	61,909	180,185

Notes
(forming part of the financial statements)

1 Accounting policies

Company Activities

Indesit Company UK 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

Going Concern

The Company's business activities are set out in the Business Review section of the Directors' Report on page 1 The Company is expected to continue to generate positive cash flows on its own account for the foreseeable future The Company participates in the Group's centralised treasury arrangements and so shares banking arrangements with its parent

The directors, having assessed the responses of the directors of the Company's parent General Domestic Appliances Holdings Limited to their enquiries have no reason to believe that a material uncertainty exists that may cast significant doubt about the ability of the Indesit group to continue as a going concern or its ability to continue with the current banking arrangements

On the basis of their assessment of the Company's financial position and of the enquiries made of the directors of General Domestic Appliances Holdings Limited, the Company's directors have a reasonable expectation that the Company will be able to continue in operational existence for the foreseeable future Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements

Declaration of compliance with international accounting standards and transition to IFRS

The financial statements of the company have been prepared and approved by the directors in accordance with International Financial Reporting Standards ("IFRS") and International Accounting Standards ("IAS") and their interpretations as endorsed by the EU and effective at 31 December 2011

IFRS 7 – Financial Instruments

The financial statements have been prepared using IFRS 7 - Financial Instruments

Basis of preparation

The currency of presentation of the financial statements is sterling (£) and the financial statement balances are stated in thousands sterling (£000) (except where stated otherwise) The financial statements are prepared on an historical cost basis There are no financial assets that will be held to maturity Financial transactions are recorded with reference to the trade date

Notes *(continued)*

1 Accounting policies *(continued)*

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 trade receivables, inventory obsolescence, employee benefits, taxation, and risks and charges

The estimates and related assumptions are based on prior experience Estimates and assumptions are reviewed regularly and, if later estimates differ from those made initially, the effects are immediately reflected in the statement of comprehensive income If the changes in estimate related to both the current and future periods, their effects are reflected in the statement of comprehensive income 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 the Company operates Transactions not carried out in the functional currency of the Company 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 statement of comprehensive income 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

Notes *(continued)*

1 Accounting policies *(continued)*

Cash Flow Hedges

Hedge accounting

The fair value of financial derivatives is determined by a function of the Group treasury office This office also performs prospective and retrospective tests of the effectiveness of financial derivatives accounted as for hedge accounting purposes

If the financial instrument created is a hedge against the risk of the variability in the cash flows of a recognised asset or liability, the effective portion of the gains or losses of the financial instrument is recognised within equity, while any ineffective portion is booked through to the statement of comprehensive income

If the hedge of a forecasted transaction results in the recognition of a non–financial asset or liability, the cash flow hedging reserve is removed from equity and included in the initial cost of the non-financial asset or liability

If the hedge of a forecasted transaction results in the recognition of a financial asset or liability, the cash flow hedging reserve is booked through to the statement of comprehensive income

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 on 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 statement of comprehensive income, 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

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	25 years
Plant and machinery	From 10 to 20 years
Industrial and commercial equipment	From 3 to 7 years
Other assets	
- vehicles and internal transport	From 4 to 10 years
- furniture, IT and office machines	5 years

Notes *(continued)*

1 Accounting policies *(continued)*

Goodwill

Goodwill is an intangible asset 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 An impairment is recorded if the recoverable amount, represented by the discounted cash flows, is less than the related carrying amount

Research and development expenditure

The costs of research incurred to acquire new knowledge are charged in the statement of comprehensive income as incurred Development expenditure incurred to create new products or improve existing products, or to develop and improve production processes, is 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 deemed to be 5 years Adjustments are recorded to reflect any impairment identified subsequent to initial recognition

Other development expenses not meeting the aforementioned criteria are charged in the statement of comprehensive income as incurred

Other intangible assets

Other intangible assets expected to generate measurable economic benefits are deemed to have a finite life and are accounted for 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 7 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

Notes *(continued)*

1 Accounting policies *(continued)*

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 statement of comprehensive income

Securities and other financial assets classified as available for sale are stated at their fair value Gains and losses deriving from fair-value measurement are recognised directly, except for impairment losses and exchange rate losses which are charged to the statement of comprehensive income The deferred gains and losses recognised in equity are released to the statement of comprehensive income at the time of sale

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 is booked through the statement of comprehensive income 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, bank deposits and cash deposits held by Group

Impairment of assets

At each reporting date the Company performs an impairment test on all intangible assets with an indefinite life 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 statement of comprehensive income 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 If the loss in value of an individual asset cannot be determined, the Group identifies 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 recognised through the statement of changes in equity in the year in which they are approved

Employee benefits

The costs of defined contribution plans for employee pensions and similar benefits are charged to the statement of comprehensive income 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 statement of recognised income and expenditure 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 on the shares of Indesit Company S p A as part of the scheme run by the Group No stock options are held for Indesit Company UK Limited

Provisions for risks and charges

The provisions for risks and charges are recorded to cover the Company'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 statement of comprehensive income 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

Accrual for WEEE

The accrual for WEEE is recorded at the time the related products are sold The accrual is determined with reference to the percentage of products sold in the market place and the estimated cost per tonne to fulfil the Company's obligation of the estimated cost of transport and treatment of waste through an Authorised Accredited Treatment Facility

Notes *(continued)*

1 Accounting policies *(continued)*

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

Revenue

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

Revenues 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 statement of comprehensive income 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 becomes reasonably certain or when compliance with all the requirements to obtain them is assured Capital grants are released to the statement of comprehensive income 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 statement of comprehensive income 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 labour, 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

Notes *(continued)*

1 Accounting policies *(continued)*

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 that 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 statement of comprehensive income

Net financial charges

Net financial charges include the interest expense accrued on all forms of loan, cash discounts allowed to customers for early payment 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 statement of comprehensive income of valuing the transactions that hedge interest rate and exchange rate risks

Taxation

Income taxes are recorded in the statement of comprehensive income, 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 the Company expects to pay by multiplying the taxable income 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 statement of comprehensive income 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

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 2011, with a significant impact on the financial statements

Notes *(continued)*

2 Financial Risk Management

The Company is exposed to the following principal financial risks deriving from operations

- Liquidity risk
- Currency risk
- Credit risk

As required by IFRS 7, the following qualitative and quantitative information is provided about the impact of these risks on the Company The quantitative data deriving from the sensitivity analysis has no value for forecasting purposes and, with regard to the various market risks, cannot reflect the complexity of the market reactions correlated with each change in the assumptions made

Liquidity risk

The Company defines the liquidity risk as the risk that the Company may be unable to meet its obligations on a timely basis This risk has two main components

- funding risk the risk of not being able to meet financial obligations on the due dates and/or being unable, on a timely basis, to obtain the necessary liquidity on market terms, and
- market risk the risk that the Company is unable to realise financial investments on a timely basis and on market terms

The management of liquidity risk is governed by the Group treasury policy approved by the Group board of directors
The central treasury department is responsible for the management of liquidity risk Liquidity risk is managed by

- maintaining a balanced capital structure,
- diversifying the various sources of finance,
- spreading the maturities of financial payables over an extended time horizon,
- maintaining unused committed lines of credit,
- establishing limits for maturities and credit counterparts in the management of liquidity

Currency risk

Currency risk relates to the adverse effects of changes in the exchange rates for foreign currencies on the financial position of the company The risk the company is bearing is the transaction risk, namely the possibility that exchange rate fluctuations between the date when a financial commitment becomes probable or certain and the related transaction settlement date will give rise to a negative difference between the expected and actual cash flows

Notes *(continued)*

2 Financial Risk Management *(continued)*

The exchange rates used to translate foreign currency amounts and financial captions are set out in the following table

	Year 2011			Year 2010	
Currency	**Average exchange rate**	**Closing exchange rate**	Currency	Average exchange rate	Closing exchange rate
Eur	1 15	1 20	Eur	1 17	1 16
Usd	1 60	1 55	Usd	1 55	1 55

The management of currency risk is governed by the Group treasury department The department use a combination of forwards and options to hedge against transaction risk

Credit risk

The management of trade receivables, which represent the Company's principal credit risk exposure, is the responsibility of the Credit Committee (Managing Director, Commercial Director and Finance Director) and the credit manager, who evaluate and assign customer credit limits

The credit risk associated with doubtful accounts subject to legal action for recovery or other overdue accounts is monitored on a daily basis

Credit risk is measured on a specific basis by allocating a risk rating to each customer, based on an assessment of creditworthiness that distinguishes between the various types of customer The risk rating is assigned by the credit manager, on examination for credit, following an assessment of creditworthiness that takes account of both subjective and objective information

The objective elements considered include
- analysis of financial statements,
- competitive positioning of the company,
- information about the potential customer obtained from databases,

The subjective elements considered include
- acquired experience,
- network of relations,
- assessment of the customer's growth prospects

The credit rating for each customer is reviewed periodically

The credit risk deriving from commercial transactions is mitigated by the use of debt factoring and the retention of title of goods

Notes *(continued)*

3 Revenue

Revenue is analysed as follows

	2011 £000	2010 £000
Revenues from finished products sold	**540,216**	558,607
Revenues from services	**127,853**	117,109
Total revenue	**668,069**	675,716

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

4 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

	2011 £000	2010 £000
Changes in the inventories of finished products	**(2,105)**	(3,596)
Purchase of products, raw materials, components and change in inventories	**(457,921)**	(448,307)
Services	**(26,630)**	(24,948)
Payroll costs	**(36,522)**	(34,263)
Depreciation of tangible fixed assets	**(2,863)**	(4,530)
Amortisation of intangible fixed assets	**(942)**	(1,848)
Total cost of sales	**(526,983)**	(517,492)

Notes *(continued)*

5 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 Company warehouses and to customers The following table analyses the nature of selling and distribution costs

	2011	2010
	£000	£000
Services	**(38,352)**	(32,358)
Payroll costs	**(20,956)**	(22,077)
Depreciation of tangible fixed assets	**(118)**	(446)
Amortisation of intangible fixed assets	**(28)**	-
Total selling and distribution expenses	**(59,454)**	(54,881)

6 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

	2011	2010
	£000	£000
Services	**(10,495)**	(9,644)
Auditors remuneration (audit services)	**(185)**	(202)
Auditors remuneration (other services)	**(138)**	(129)
Payroll costs	**(5,845)**	(7,312)
Depreciation of tangible fixed assets	**(1,198)**	(1,555)
Amortisation of intangible fixed assets	**(1,003)**	(1,089)
Total general and administration expenses	**(18,864)**	(19,931)

7 Other income

Other income is analysed as follows

	2011	2010
	£000	£000
Royalties from Indesit Group	**5,497**	6,126
VAT and Import Duty	**-**	(419)
Gain on the disposal of fixed assets	**1,914**	-
Eco Saving Energy Project Award	**394**	1,401
Defined benefit pension scheme – curtailment	**2,679**	-
Defined benefit pension scheme – change from RPI to CPI	**13,260**	-
Total other income	**23,744**	7,108

Notes *(continued)*

8 Other expenses

	2011 £000	2010 £000
Defined benefit pension scheme	**(2,043)**	(2,801)
Defined contribution pension scheme	**(1,025)**	-
Redundancy	**(265)**	(721)
Cost sharing from Indesit Group	**(10,760)**	(9,727)
Loss on the disposal of fixed assets	**-**	(222)
Property restructuring	**(700)**	-
Total other expenses	**(14,793)**	(13,471)

9 Net financial charges

	2011 £000	2010 £000
Interest income	**1,300**	586
Pension scheme	**266**	(1,569)
Interest expenses	**(2,009)**	(2,101)
Exchange rate fluctuations	**(10,091)**	(4,374)
Other financial charges	**(1,090)**	(1,045)
Total net financial charges	**(11,624)**	(8,503)

10 Income taxes

Recognised in the statement of comprehensive income	2011 £000	2010 £000
Current tax expense		
Current year	**(10,866)**	(22,286)
Adjustment for prior years	**(128)**	(68)
	(10,994)	(22,354)
Deferred tax expense		
Origination and reversal of temporary differences	**(6,072)**	978
	(6,072)	978
Total tax expense in statement of comprehensive income	**(17,066)**	(21,376)

Notes *(continued)*

10 Income taxes *(continued)*

The standard rate of current tax for the year, based on the main UK rate of corporation tax, is 26 5% (2010 28%) A reconciliation of the expected tax charge based on this standard rate to the actual current tax is as follows

Reconciliation of effective tax rate

	2011	2010
	£000	£000
Profit before tax	**60,095**	68,546
Current tax at 26 5% (2010 28%)	**15,925**	19,193
Effects of		
Non tax deductible expenses	**298**	1,892
Deferred tax reduced from 28% to 25%	**137**	223
Closure of industrial building allowances	**578**	-
Under provided in prior years	**128**	68
Total tax in statement of comprehensive income	**17,066**	21,376

Notes *(continued)*

11 Property, plant and equipment

	Land and Buildings £000	Plant and equipment £000	Fixtures & fittings £000	Asset under Construction £000	Total £000
Cost					
Balance at 1 January 2010	33,051	131,273	12,260	392	176,976
Acquisitions	235	1,245	-	1,725	3,205
Disposals	(8,076)	(27,053)	(1,781)	-	(36,910)
Transfers	179	(251)	407	(386)	(51)
Balance at 31 December 2010	25,389	105,214	10,886	1,731	143,220
Balance at 1 January 2011	25,389	105,214	10,886	1,731	143,220
Acquisitions	81	3,448	4	2,482	6,015
Disposals	(649)	(53,698)	(940)	-	(55,287)
Transfers	584	806	18	(1,432)	(24)
Balance at 31 December 2011	**25,405**	**55,770**	**9,968**	**2,781**	**93,924**
Depreciation and impairment					
Balance at 1 January 2010	(24,207)	(114,564)	(9,860)	-	(148,631)
Depreciation charge for the year	(1,965)	(3,753)	(813)	-	(6,531)
Disposals	7,879	25,751	1,754	-	35,384
Transfers	-	273	(277)	-	(4)
Balance at 31 December 2010	(18,293)	(92,293)	(9,196)	-	(119,782)
Balance at 1 January 2011	(18,293)	(92,293)	(9,196)	-	(119,782)
Depreciation charge for the year	(105)	(3,393)	(681)	-	(4,179)
Disposals	634	53,608	855	-	55,097
Transfers	-	-	-	-	-
Balance at 31 December 2011	**(17,764)**	**(42,078)**	**(9,022)**	-	**(68,864)**
Net book value					
At 1 January 2010	8,844	16,709	2,400	392	28,345
At 31 December 2010 and 1 January 2011	7,096	12,921	1,690	1,731	23,438
At 31 December 2011	**7,641**	**13,692**	**946**	**2,781**	**25,060**

Notes *(continued)*

11 Property, plant and equipment *(continued)*

Note that transfers for the year ended 31 December 2010 and 31 December 2011 do not net to zero The residual balances represent transfers between property, plant and equipment and intangible fixed assets (see note 12)

Outstanding orders placed for the supply of future capital expenditure for the year ended 31 December 2011 is £0 1 million *(2010 £0 1 million)*

Total assets under construction amount to £ 2 8 million (*2010 £2 0 million*)

Non-cancellable operating leases

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

	2011 £m
Within 1 year	5.7
Between 1 and 5 years	15.6
Beyond 5 years	9.7
	31 0

The statement of comprehensive income reflects rental charges incurred under operating leases of £9 5 million *(2010 £8 5 million)*

The company leases a number of warehouse and factory facilities under operating leases The leases run between 1 and 25 years Lease payments are renewed according to the lease agreement in place

Notes *(continued)*

12 Intangible fixed assets

	Goodwill	Patents and trade-marks	Development Costs	Under Construction	Total
Cost	**£000**	**£000**	**£000**	**£000**	**£000**
Balance at 1 January 2010	44,000	9,404	12,412	100	65,916
Acquisitions	-	10	114	293	417
Disposals	-	(90)	(3,684)	-	(3,774)
Transfers	-	51	100	(100)	51
Balance at 31 December 2010	44,000	9,375	8,942	293	62,610
Balance at 1 January 2011	44,000	9,375	8,942	293	62,610
Acquisitions	-	30	1,208	979	2,217
Disposals	-		(6,369)	-	(6,369)
Transfers	-	223	91	(290)	24
Balance at 31 December 2011	**44,000**	**9,628**	**3,872**	**982**	**58,482**
Amortisation and impairment					
Balance at 1 January 2010	(4,400)	(6,459)	(9,233)	-	(20,092)
Amortisation for the year	-	(1,090)	(1,847)	-	(2,937)
Disposals	-	47	3,684	-	3,731
Transfers	-	4	-	-	4
Balance at 31 December 2010	(4,400)	(7,498)	(7,396)	-	(19,294)
Balance at 1 January 2011	(4,400)	(7,498)	(7,396)	-	(19,294)
Amortisation for the year	-	(1,032)	(941)	-	(1,973)
Disposals	-	-	6,367	-	6,367
Transfers	-	-	-	-	-
Balance at 31 December 2011	**(4,400)**	**(8,530)**	**(1,970)**	**-**	**(14,900)**
Net book value					
At 1 January 2010	39,600	2,945	3,179	100	45,824
At 31 December 2010 and 1 January 2011	39,600	1,877	1,546	293	43,316
At 31 December 2011	**39,600**	**1,098**	**1,902**	**982**	**43,582**

Notes *(continued)*

12 Intangible fixed assets *(continued)*

Capitalised development costs are not treated as a realised loss for the purpose of determining the Company's distributable profits as the costs meet the conditions requiring them to be treated as an asset in accordance with IAS 38

The development costs are all internally developed All other intangible fixed assets are externally purchased

The goodwill relates to the trade and assets of Merloni Domestic Appliances Limited acquired in 2003

The asset was subjected to an impairment test as at 31 December 2011 The test performed did not identify the need to adjust the carrying value of the asset

13 Investment in subsidiary

On 1st February 2009 the Company transferred its commercial and service operations in The Republic of Ireland to a new company Indesit Ireland Limited, registered in Ireland The Company holds 100% of the ordinary shares in the company

	2011	2010
	£000	£000
Indesit Ireland Ltd	**1,726**	1,726

14 Non-current receivables

	2011	2010
	£000	£000
Receivables from Group undertakings	**33,472**	33,472
Other receivables	**269**	269
Total non-current receivables	**33,741**	33,741

The receivables from group undertakings are expected to be recovered in a period of greater than 1 year

Notes *(continued)*

15 Deferred tax

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

	Balance at 1 Jan 2011 £000	(Charge)/credit in profit & loss £000	Credit in equity £000	**Balance at 31 Dec 2011 £000**
Deferred tax assets				
Defined benefit pensions liability	4,561	(3,803)	-	**758**
Defined contribution pensions Liability	-	256	-	**256**
Derivatives	-	-	786	**786**
Accelerated capital allowances	1,390	(851)	-	**539**
	5,951	(4,398)	786	**2,339**
Deferred tax liabilities				
Defined benefit pensions asset	-	(1,674)	-	**(1,674)**
Derivatives	(133)	-	133	**-**
	(133)	(1,674)	133	**(1,674)**
Net total	5,818	(6,072)	919	**665**

Of the £2 3 million deferred tax asset £0 8 million relates to the Irish Defined Benefit Pension Scheme and the Jubilee and Retirement Awards Scheme (see note 24)

The £1 7 million deferred tax liability relates to the Indesit Company UK Pension Scheme (see note 24)

16 Inventories

	2011 £000	2010 £000
Finished products	**25,549**	26,877
Spare parts	**10,091**	10,867
Raw materials	**4,659**	4,278
Total gross inventories	**40,299**	42,022
Provisions	**(2,016)**	(2,097)
Total net inventories	**38,283**	39,925

Notes *(continued)*

17 Trade and other receivables

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

	2011 £000	2010 £000
Trade receivables due from Group undertakings	**24,610**	31,577
Trade receivables	**21,587**	60,888
Total trade receivables	**46,197**	92,465
Other receivables	**2,684**	2,086
	48,881	94,551
Provisions	**(815)**	(724)
Total trade and other receivables	**48,066**	93,827

18 Current financial assets

	2011 £000	2010 £000
Derivatives used for hedging	**2,982**	3,253
Interest on cash deposits	**37**	-
Total due from current financial assets	**3,019**	3,253

19 Due from tax authorities

	2011 £000	2010 £000
Withholding tax – Group royalty payments	**-**	227
Corporation tax	**2,484**	-
Total due from tax authorities	**2,484**	227

Notes *(continued)*

20 Cash and cash equivalents

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

	2011 £000	2010 £000
Cash and cash equivalents	**71,417**	24,380
Cash deposits held by Group	**221,923**	202,396
Total cash and cash equivalents	**293,340**	226,776

21 Share capital

	2011 £000	2010 £000
Share capital (£1 ordinary shares)	**76,196**	76,196
Authorised, called up and fully paid	**76,196**	76,196

Retained profits amount to £62 0 million *(2010 retained earnings of £48 9 million)*

22 Medium to long-term financial payables

	2011 £000	2010 £000
Loans from UK Group undertakings	**62,873**	61,155
	62,873	61,155

Loans include accrued interest charges of £32 6 million *(2010 £30 8 million)*

Long term loan analysis		**2011**			2010		
	Interest rate	**Loan £000**	**Interest £000**	**Total £000**	Loan £000	Interest £000	Total £000
Amounts outstanding							
Loan from General Domestic Appliances Holdings Ltd	**4.6%**	**30,312**	**32,561**	**62,873**	30,312	30,843	61,155
Total current loans		**30,312**	**32,561**	**62,873**	30,312	30,843	61,155

23 Contingent liabilities

There are no contingent liabilities that the management are aware of

Notes *(continued)*

24 Employee benefits

The Company operated two defined benefit pension funds, one UK and the other Irish

	2011 £000	2010 £000
UK Pension scheme	**9,632**	-
Total employee benefit assets	**9,632**	-
UK Pension scheme	**-**	(9,669)
Ireland Pension scheme	**(1,188)**	(1,114)
Jubilee award scheme	**(1,842)**	(1,707)
Total employee benefit liabilities	**(3,030)**	(12,490)
Net Pension scheme balance	**6,602**	**(12,490)**

UK pension scheme

Movement in surplus/(deficit) during the year

	2011 £000	2010 £000
Present value of defined benefit obligations	**279,815**	275,840
Fair value of plan assets	**(227,246)**	(222,571)
Present value of net obligations	**52,569**	53,269
Unrecognised actuarial gains and losses	**(62,201)**	(43,600)
Recognised (asset)/liability for defined benefit obligations	**(9,632)**	9,669
Total employee benefits	**(9,632)**	9,669

Movements in present value of defined benefit obligation

	2011 £000	2010 £000
At 1 January	**275,840**	268,881
Current service cost	**3,134**	3,002
Interest cost	**14,669**	15,025
Benefits paid from plan assets	**(8,397)**	(8,827)
Expenses paid	**(323)**	(768)
Premiums paid	**(129)**	(129)
Contributions by members	**1,489**	1,543
Actuarial gain	**9,944**	(2,887)
Plan curtailment	**(3,152)**	-
Past service cost – RPI to CPI	**(13,260)**	-
At 31 December	**279,815**	275,840

Notes *(continued)*

24 Employee Benefits *(continued)*

UK Pension scheme

Movements in fair value of plan assets

	2011 £000	2010 £000
At 1 January	**222,571**	195,806
Expected return on plan assets	**15,021**	13,547
Contributions by employer	**7,288**	8,987
Contributions by members	**1,489**	1,543
Benefits paid from plan assets	**(8,397)**	(8,827)
Expenses paid	**(323)**	(768)
Premiums paid	**(129)**	(129)
Actuarial (gain) / loss	**(10,274)**	12,412
At 31 December	**227,246**	(222,571)

Expenses and Income recognised in the statement of comprehensive income

	2011 £000	2010 £000
Current service costs	**3,134**	3,002
Interest on defined benefit pension plan obligation	**14,669**	15,025
Expected return on defined benefit plan assets	**(15,021)**	(13,547)
Amortisation of net loss	**1,144**	2,286
Plan curtailments	**(2,679)**	-
Past service cost – RPI to CPI	**(13,260)**	-
Total	**(12,013)**	6,766

The expense and income is recognised in the following line items in the statement of comprehensive income

	2011 £000	2010 £000
Cost of sales	**1,274**	1,303
Selling and distribution expenses	**688**	772
General and administrative expenses	**295**	321
Other income	**(15,939)**	-
Other expenses	**2,021**	2,801
Net financial charges	**(352)**	1,569
	(12,013)	6,766

Notes *(continued)*

24 Employee Benefits *(continued)*

UK Pension scheme *(continued)*

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

	2011 Fair value £000	2010 Fair value £000
Equities	**124,985**	130,649
Corporate bonds	**102,261**	91,922
	227,246	222,571

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)

	2011	2010
Discount rate	**4 90%**	5 40%
Inflation rate	**3 10%**	3 40%
Salary increases	**3 10%**	3 40%

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

	2011	2010
Equities	**7.40%**	7 70%
Bonds	**4.90%**	5 40%

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

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Present value of defined benefit obligation	**279,815**	275,840	268,881	197,438	245,035
Fair value of plan assets	**(227,246)**	(222,571)	(195,806)	(169,264)	(243,391)
Deficit	**52,569**	53,269	73,075	28,174	1,644

Notes *(continued)*

24 Employee Benefits *(continued)*

UK Pension scheme *(continued)*

The DB pension scheme has been closed to future accruals and all active members have been transferred to a new defined contribution plan, after a consultation period The employer contribution to the new defined contribution scheme is 7% and will increase by 0 5% per annum over the next 7 years, up to a maximum of 10% The employees contribution is 6% In addition, the company will continue to pay the costs of the defined benefit scheme The closure of the scheme to future accruals resulted in a curtailment gain of £2 7 million, which has been recognised in the income statement

Overall, there have not been any significant changes in scheme assets and liabilities, however, total fund liabilities decreased by £13 2 million in 2011 as a result of as a result of a change in the inflation parameters used under UK legislation (from the Retail Price Index to the Consumer Price Index) to measure the deferred liability to members A change in the past service benefit was credited to the income statement for the new inflation index as a result of a change of a constructive obligation deriving from the communications made to 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

Notes *(continued)*

24 Employee Benefits *(continued)*

Irish pension scheme *(continued)*

Irish pension scheme

	2011	2010
	£000	£000
Present value of defined benefit obligations	**11,122**	10,621
Fair value of plan assets	**(7,152)**	(7,859)
Present value of net obligations	**3,970**	2,762
Unrecognised actuarial gains and losses	**(2,782)**	(1,648)
Recognised liability for defined benefit obligations	**1,188**	1,114
Total employee benefits	**1,188**	1,114

Movements in present value of defined benefit obligation

	2011	2010
	£000	£000
At 1 January	**10,621**	10,049
Interest cost	**546**	545
Benefits paid from plan assets	**(384)**	(381)
Actuarial loss	**653**	718
Exchange adjustments	**(314)**	(310)
At 31 December	**11,122**	10,621

Movements in fair value of plan assets

	2011	2010
	£000	£000
At 1 January	**(7,859)**	(7,623)
Expected return on plan assets	**(460)**	(454)
Contributions by employer	**-**	(95)
Benefits paid from plan assets	**384**	381
Actuarial gain/ (loss)	**550**	(303)
Exchange adjustments	**233**	235
At 31 December	**(7,152)**	(7,859)

Notes *(continued)*

24 Employee Benefits *(continued)*

Irish pension scheme *(continued)*

Expense recognised in the income statement

	2011 £000	2010 £000
Amortisation of net loss	22	-
Interest on defined benefit pension plan obligation	546	545
Expected return on defined benefit pension plan assets	(460)	(454)
	108	91

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

	2011 £000	2010 £000
Other expenses	22	-
Net financial charges	86	91
	108	91

Notes *(continued)*

24 Employee Benefits *(continued)*

Irish pension scheme *(continued)*

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

	2011 Fair value £000	2010 Fair value £000
Equities	**4,055**	4,778
Corporate bonds	**3,097**	3,081
	7,152	7,859

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)

	2011	2010
Discount rate	**5 00%**	5 40%
Inflation rate	**2.00%**	3 40%
Salary increases	**4 00%**	3 40%

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

	2011	2010
Equities	**7 75%**	7 70%
Bonds	**3.90%**	5 40%

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

	2011 £000	2010 £000	2009 £000	2008 £000	2007 £000
Present value of defined benefit obligation	**11,122**	10,621	10,049	12,359	9,536
Fair value of plan assets	**(7,152)**	(7,859)	(7,623)	(9,073)	(9,179)
Deficit	**3,970**	2,762	2,426	3,286	357

Jubilee and Retirement Award schemes

The directors have estimated the provision required for the retirement award scheme at £1 8 million *(2010 £1 7 million)* based on the estimated number of staff who will remain with the Company for the requisite period of 25 and 40 years

Notes *(continued)*

25 Non current trade payables

	2011 £000	2010 £000
Trade payables to Group undertakings	**10,362**	1,571
Total non current trade payables	**10,362**	1,571

The payables to group undertakings are expected to be paid in a period of greater than 1 year

Notes *(continued)*

26 Provisions for risks and charges

Non-current risks and charges

	Balance at 1 Jan 11 £000	Charged to statement of comprehensive income £000	Use of Provision £000	Reclassify £000	Net £000	Balance at 31 Dec 2011 £000
Warranty provision	130			(10)	(10)	**120**
Other risk provision	1,450	-	-	(431)	(431)	**1,019**
Total provisions	1,580			(441)	(441)	**1,139**

Current risks and charges

	Balance at 1 Jan 11 £000	Charged to statement of comprehensive Income £000	Use of Provision £000	Reclassify £000	Net £000	Balance at 31 Dec 2011 £000
Product liability provision	2,055	1,620	(418)	-	1,202	**3,257**
Environmental provision	172	(53)	(119)	-	(172)	**-**
Warranty provision	5,410	5,160	(5,410)	10	(240)	**5,170**
Other risk provision	492	112	(531)	431	12	**504**
Employee Liability	554	211	(355)	-	(144)	**410**
Reorganisation fund	-	700	-	1,254	1,954	**1,954**
Total provisions	8,683	7,750	(6,833)	1,695	2,612	**11,295**

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 relates to obligations as a result of past commitments where the directors deem as probable the risk of outflows

A reorganisation fund for property restructuring of £1,254,000 was reclassified from trade payables in the year

Notes *(continued)*

27 Financial payables

	2011 £000	2010 £000
Liability from the measurement of derivative instruments	**9,803**	-
Payable to factor	**922**	-
Interest and currency commission payable	**285**	-
Total financial payables	**11,010**	-

28 Trade payables

Trade payables 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

	2011 £000	2010 £000
Trade payables to Group undertakings	**133,209**	123,977
Other trade payables	**52,416**	51,581
Total trade payables	**185,625**	175,558

29 Due to tax authorities

	2011 £000	2010 £000
Corporation tax	**4,066**	12,768
VAT payable	**20,781**	18,507
Taxes withheld from employees	**1,878**	-
Total due to tax authorities	**26,725**	31,275

30 Other payables

Other payables are analysed as follows

	2011 £000	2010 £000
Due to social security & pensions institutions	**1,594**	2,237
Due to employees	**3,506**	3,199
Other payables	**2,254**	4,469
Total other payables	**7,354**	9,905

Notes *(continued)*

31 Financial instruments

Credit risk

Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure The maximum exposure to credit risk at the reporting date was

	Note	Carrying amount 2011 £000	2010 £000
Non-current receivables	*14*	**33,741**	33,741
Receivables	*17*	**48,066**	93,827
Cash and cash equivalents	*20*	**293,340**	226,776
Interest receivable	*18*	**37**	-
Forward exchange contracts used for hedging			
Options	*18*	**2,854**	2,717
Other forward exchange contracts			
Forwards	*18*	**128**	536
		378,166	357,597

The maximum exposure to credit risk for trade receivables at the reporting date by geographic region was

	Note	Carrying amount 2011 £000	2010 £000
United Kingdom		**21,246**	60,690
Euro-zone countries		**20,976**	27,577
Other European countries		**3,874**	4,191
Other regions		**101**	7
	17	**46,197**	92,465

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was

	Note	Carrying amount 2011 £000	2010 £000
Appliances		**39,527**	83,148
Service		**6,670**	9,317
	17	**46,197**	92,465

Notes *(continued)*

31 Financial instruments *(continued)*

Credit risk *(continued)*

The ageing of trade receivables at the reporting date was

	Note	**Gross 2011 £000**	**Impairment 2011 £000**	Gross 2010 £000	Impairment 2010 £000
Not past due		**17,214**	**351**	53,017	150
Past due 0-30 days		**3,238**	**3**	1,544	-
Past due 31-120 days		**1,099**	**103**	1,510	175
Past due 121-365 days		**123**	**171**	4,817	399
More than one year		**(87)**	**187**	-	-
		21,587	**815**	60,888	724
Trade receivables from Group		**24,610**	**-**	31,577	-
	17	**46,197**	**815**	92,465	724

The impairment is made against the debt invoiced to the customer and is not reduced by credits not agreed with the customer

The movement in the allowance for impairment in respect of trade receivables during the year was as follows

	2011 £000	2010 £000
Balance at 1 January	**724**	2,717
Impairment loss recognised / (released)	**91**	(1,993)
Balance at 31 December	**815**	724

Notes *(continued)*

31 Financial instruments *(continued)*

Liquidity risk

The following are the contractual maturities of financial liabilities

31 December 2011

	Note	**Carrying Amount £000**	**Contractual cash flows £000**	**1 year or less £000**	**More than 1 year £000**
Non-derivative financial liabilities					
Loans from group Companies	*22*	**62,873**	**(62,873)**	**-**	**(62,873)**
Non-current trade payables	*25*	**10,362**	**(10,362)**	**-**	**(10,362)**
Trade and other payables	*28*	**185,625**	**(185,625)**	**(185,625)**	**-**
Derivative financial liabilities					
Forward exchange contracts used for hedging					
Inflow	*18*	**(128)**	**14,760**	**14,760**	**-**
Other forward exchange contracts					
Inflow	*18*	**(2,854)**	**-**	**-**	**-**
		255,878	**(244,100)**	**(170,865)**	**(73,235)**

31 December 2010

	Note	Carrying Amount £000	Contractual cash flows £000	1 year or less £000	More than 1 year £000
Non-derivative financial liabilities					
Loans from group Companies	*22*	61,155	(61,155)	-	(61,155)
Non-current trade payables	*25*	1,571	(1,571)	-	(1,571)
Trade and other payables	*28*	175,558	(175,558)	(175,558)	-
Derivative financial liabilities					
Forward exchange contracts used for hedging					
Inflow	*18*	(536)	16,679	16,679	-
Other forward exchange contracts					
Inflow	*18*	(2,717)	-	-	-
		235,031	(221,605)	(158,879)	(62,726)

Notes *(continued)*

31 Financial instruments *(continued)*

Currency risk

The company's exposure to foreign currency risk is as follows based on notional amounts

31 December 2011

	Note	**Total £000**	**Gbp £000**	**Eur £000**	**Usd £000**
Trade receivables	*17*	**46,197**	20,681	25,413	103
Trade payables	*28*	**(185,625)**	(31,666)	(153,063)	(896)
		(139,428)	(10,985)	(127,650)	(793)

31 December 2010

	Note	Total £000	Gbp £000	Eur £000	Usd £000
Trade receivables	*17*	92,465	61,594	30,788	83
Trade payables	*28*	(175,558)	(45,536)	(129,119)	(903)
		(83,093)	16,058	(98,331)	(820)

The following significant exchange rates applied during the year

	Average rate		**Spot rate**	
Gbp – 1	**2011**	**2010**	**2011**	**2010**
Eur	1 15	1 17	1 20	1 16
Usd	1 60	1 55	1 55	1 55

Notes *(continued)*

31 Financial instruments *(continued)*

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows

	Note	**31 December 2011**		**31 December 2010**	
		Carrying Amount £000	**Fair value £000**	Carrying Amount £000	Fair Value £000
Non-current receivables	*14*	**33,741**	**33,741**	33,741	33,741
Receivables	*17*	**48,066**	**48,066**	93,827	93,827
Cash and cash equivalents	*20*	**293,340**	**293,340**	226,776	226,776
Forward exchange contracts used for hedging					
Assets	*18*	**3,019**	**3,019**	3,253	3,253
Loans from group Companies	*22*	**(62,873)**	**(62,873)**	(61,155)	(61,155)
Non-current trade payables	*25*	**(10,362)**	**(10,362)**	(1,571)	(1,571)
Trade and other payables	*28*	**(185,625)**	**(185,625))**	(175,558)	(175,558)
		119,306	**119,306**	119,313	119,313

32 Staff numbers and costs

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

	2011 Number	2010 Number
Number of employees		
Manufacturing	**247**	303
Service	**1,233**	1,196
Distribution	**396**	398
Administration and research and development	**236**	250
	2,112	2,147

The aggregate payroll costs of these persons were as follows:

	2011 £000	2010 £000
Staff costs		
Wages and salaries	**55,178**	55,685
Social security costs	**5,778**	5,509
Other pension costs	**5,435**	5,259
	66,391	66,453

Notes *(continued)*

33 Remuneration of management

	2011 £000	2010 £000
Directors emoluments	**601**	721
Other benefits	**44**	78
	645	799

There were no company pension contributions made during the year *(2010 £nil)*

The amount paid to the highest paid director in 2011 was £346,000 directors emoluments and £8,000 other benefits *(2010 £268,000 directors emoluments and £28,000 other benefits)*

34 Transactions with related parties

The Company which is incorporated in England and Wales is controlled by General Domestic Appliances Holdings Limited, by virtue of its holdings of 100% 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 £6,824,000 (*2010 £6,609,000*) and the creditor amounted to £35,991,000 (*2010 £39,359,000*) Transactions during the year were as follows sales of £17,357,000 (*2010 £12,053,000*) purchases of £145,827,000 (*2010 £157,605,000*)

-Indesit Electrodomesticos S A At the year end the debtor balance amounted to £136,000 (*2010 £375,000*) and the creditor amounted to £nil (*2010 £92,000*) Transactions during the year were as follows sales of £3,120,000 (*2010 £4,099,000*) and purchases of £nil (*2010 £152,000*)

-Indesit Company Portugal Electrodomesticos S A At the year end the debtor balance amounted to £1,153,000 (*2010 £1,998,000*) and the creditor amounted to £nil (*2010 £60,000*) Transactions during the year were as follows sales of £1,961,000 (*2010 £2,607,000*) purchases of £3,000 (*2010 £274,000*)

-Indesit Company France S A At the year end the debtor balance amounted to £4,440,000 (*2010* £8,836,000) and the creditor amounted to £nil (*2010 £nil*) Transactions during the year were as follows sales of £13,262,000 (*2010* £10,386,000) purchases of £nil (*2010 £67,000*)

-Indesit Company Beyaz Esya Pazarlama AS At the year end the debtor balance amounted to £1,139,000 (*2010* £1,262,000) and the creditor amounted to £28,520,000 (*2010* £21,270,000) Transactions during the year were as follows sales of £1,772,000 (*2010 £1,228,000*) purchases of £61,611,000 (*2010 £61,284,000*)

-Indesit Company Deutschland GmbH At the year end the debtor balance amounted to £352,000 (*2010 £463,000*) and the creditor amounted to £nil (*2010 £30,000*) Transactions during the year were as follows sales of £2,772,000 (*2010 £1,869,000*) purchases of £nil (*2010 £53,000*)

-Indesit Company Polska Spzoo At the year end the debtor balance amounted to £222,000 (*2010 £291,000*) and the creditor amounted to £45,547,000 (*2010 £50,437,000*) Transactions during the year were as follows sales of £4,000,000 (*2010 £3,382,000*) purchases of £176,308,000 (*2010 £173,991,000*)

Notes *(contınued)*

34 Transactıons with related partıes *(contınued)*

-Indesıt Company Internatıonal Busıness S A At the year end the debtor balance amounted to £1,663,000 (*2010 £1,669,000*) and the credıtor amounted to £291,000 (*2010 £167,000*) Transactıons durıng the year were as follows sales of £3,858,000 (*2010 £3,542,000*) purchases of £837,000 (*2010 £553,000*)

-Indesıt Company Internatıonal BV At the year end the debtor balance amounted to £217,000 (*2010 £175,000*) and the credıtor amounted to £nıl (*2010 £nıl*) Transactıons durıng the year were as follows sales of £390,000 (*2010 £278,000*) purchases of £nıl (*2010 £nıl*)

-Argentron S A At the year end the debtor balance amounted to £5,000 (*2010 £7,000*) and the credıtor amounted to £nıl (*2010 £nıl*) Transactıons durıng the year were as follows sales of £407,000 (*2010 £773,000*) purchases of £nıl (*2010 £nıl*)

-Indesıt Company SPA (BH) At the year end the debtor balance amounted to £nıl (*2010 £nıl*) and the credıtor amounted to £nıl (*2010 nıl*) Transactıons durıng the year were as follows sales of £nıl (*2010 £nıl*) purchases of £nıl (*2010 nıl*)

-Indesıt Company Magyarors At the year end the debtor balance amounted to £71,000 (*2010 £81,000*) and the credıtor amounted to £nıl (*2010 £nıl*) Transactıons durıng the year were as follows sales of £120,000 (*2010 £117,000*) purchases of £nıl (*2010 £nıl*)

-Indesıt Company Ireland Ltd At the year end the debtor balance amounted to £6,303,000 (*2010 £5,832,000*) and the credıtor amounted to £nıl (*2010 £nıl*) Transactıons durıng the year were as follows sales of £13,878,000 (*2010 £14,432,000*) purchases of £216,000 (*2010 £156,000*)

-CJSC Indesıt Internatıonal At the year end the debtor balance amounted to £nıl (*2010 £nıl*) and the credıtor amounted to £nıl (*2010 £nıl*) Transactıons durıng the year were as follows sales of £nıl (*2010 £229,000*) purchases of £nıl (*2010 £nıl*)

-Indesıt Company SPA R F NL-Tıel At the year end the debtor balance amounted to £812,000 (*2010 £483,000*) and the credıtor amounted to £nıl (*2010 £nıl*) Transactıons durıng the year were as follows sales of £2,548,000 (*2010 £1,479,000*) purchases of £nıl (*2010 £20,000*)

35 Ultımate Parent Company of larger Group

The Company ıs a subsıdıary undertakıng of General Domestıc Applıances Holdıngs Lımıted whıch ıs the ultımate parent company ıncorporated ın England and Wales The ultımate controllıng party ıs Indesıt Company S P A

The largest group ın whıch the results of the Company are consolıdated ıs that headed by Indesıt Company S P A, ıncorporated ın Italy No other group financıal statements ınclude the results of Indesıt Company UK Lımıted The consolıdated financıal statements of these groups are avaılable to the publıc and may be obtaıned from Indesıt Company S p A Vıale Arıstıde Merlonı 47,60044, Fabrıano (AN) Italy