

325270

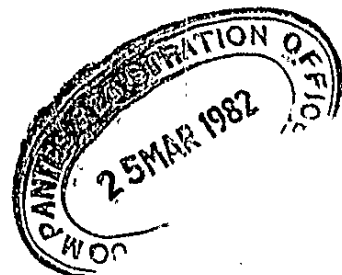
176.



HOOVER
plc

Report and Accounts

1981



HOOVER plc

Report and Accounts
1981



BY APPOINTMENT TO
HER MAJESTY QUEEN ELIZABETH II
MANUFACTURERS OF VACUUM CLEANERS
AND LAUNDRY EQUIPMENT

DIRECTORS

M R RAWSON	Chairman
P R GOODE	Managing Director
SIR PETER BOON	Former Chairman
J R CUTINELLA	Director The Hoover Company USA
D S PERKINS	Finance Director
A V J SIMPSON	Director of Operations - Continental Europe
F L TABACCHI	Director The Hoover Company USA
R G TATSCHNER	Director of Operations - United Kingdom

BANKERS	National Westminster Bank plc
AUDITORS	Deloitte Haskins & Sells, Chartered Accountants
SOLICITORS	Freshfields
REGISTRARS	Hill Samuel Registrars Limited
SECRETARY	J R Turner
REGISTERED OFFICE	Perivale Greenford Middlesex Registered Number 325270

CONTENTS

Directors	
1 Summary of Results	9 Accounting Policies
2 Chairman's Review	10 Notes on Accounts
4 Financial Calendar 1982	14 Current Cost Accounting
5 Directors' Report	16 Auditors' Report
6 Group Profit and Loss Account	16 Analysis of Shareholders
7 Balance Sheets	16 Number of Employees
8 Source and Application of Funds	17 Ten-Year Summary

SUMMARY OF RESULTS

	1981		1980	
	£m	£m	£m	£m
TURNOVER —Hoover plc and Subsidiaries:				
UK, Europe and Scandinavia	139.2		156.3	
Africa, Middle East, Australasia and Far East	61.3		49.4	
The Americas	0.6		1.0	
	<u> </u>	201.1	<u> </u>	206.7
Manufacturing materials, supplies and other expenses (net)	120.6		136.5	
Payroll Costs—Wages and salaries	64.1		67.1	
—Related costs	11.3		15.2	
Depreciation	5.4		5.0	
Decrease (increase) in stocks	8.8		(19.8)	
	<u> </u>	210.2	<u> </u>	204.0
TRADING (LOSS) PROFIT				
Hoover plc and Subsidiaries		(9.1)		2.7
Share of associated company loss		(1.4)		(0.6)
		<u> </u>		<u> </u>
Interest payable (net)	3.3	(10.5)	2.0	2.1
Redundancy and other rationalisation costs	17.2		1.5	
	<u> </u>	20.5	<u> </u>	3.5
LOSS before taxation		<u> </u>		<u> </u>
		(31.0)		(1.4)
Taxation		0.8		1.4
LOSS after taxation		<u> </u>		<u> </u>
		(31.8)		(2.8)
LOSS PER SHARE		160p		14p
DIVIDENDS PER SHARE		—		6p
NET ASSETS PER SHARE		301p		449p

Translation gains of £2,270,000 have been credited to reserves in 1981 in accordance with the change in accounting policy for translation differences. The comparative figures for 1980 have been restated on the new basis.

CHAIRMAN'S REVIEW 1981

The year 1981 proved even more difficult than I and many others anticipated. Inflation continued at a high level in the United Kingdom as in most Western economies; unemployment increased (dramatically in the United Kingdom); and real disposable incomes of those in work were reduced. Interest rates remained at very high levels throughout the year, a temporary reduction in UK rates being more than reversed after just a few months. The international value of the pound did fall during 1981, but, against those European currencies most important for our business, the changes were quite insufficient to restore our previous competitive position.

As a result, it was necessary to take radical steps to restructure our business in the United Kingdom as well as to make rationalisation measures in some of our overseas affiliates. The decisions to close our factory at Perivale, concentrate floorcare production at Cambuslang, and to effect further redundancies at both Merthyr and Cambuslang, were painful ones to make. However, they were necessary to ensure the health of our business in the United Kingdom.

The Perivale site will become largely surplus to our requirements and we are evaluating the possible alternatives open to us to realise the maximum financial benefit.

We are determined that Hoover will enjoy a product led recovery based on new products which offer the consumer both reliability and value for money.

A restyled range of automatic washing machines – the Electron series – was introduced to the trade a few weeks ago and has rapidly gained consumer acceptance.

Improved twin tub washing machines, particularly popular in the north of England, were launched at the end of the year.

The investment in our French associated company has been largely completed. The new Sensotronic range of vacuum cleaners was introduced to most continental markets during the year and has been sold in the United Kingdom since January. The five cleaners provide consumers with a choice of features, but all of them provide high suction power, excellent cleaning efficiency and very quiet operation.

Before the end of this year, more new vacuum cleaner models will be produced both in our Scottish factory and in Dijon, France.

Following the successful introduction of 'Firecheck' products referred to last year, we have expanded our interest in the Home Security market by introducing 'Thiefcheck' products early in 1982. These include both burglar alarms and security locks. It is too early to make a final judgment on the success of this venture, but initial results are extremely promising and we believe that Home Security will prove to be a growth market.

The major re-organisation undertaken in 1981 involved a substantial reduction in employees, especially in UK manufacturing where short-time working introduced in September 1980 was finally eliminated in October 1981. During the year, Hoover plc employees reduced from 10,224 to 6,854. Some further reductions, mainly associated with the final closure of the Perivale Factory, will take place in 1982.

The costs of restructuring the business are shown separately in the Summary of Results, and include provision for those costs which will actually be paid in 1982. Redundancy costs account for £13.5 millions of the total exceptional charge.

Most of the redundancies were arranged on a voluntary basis, on terms as generous as we could afford, and with co-operation from trades union representatives.

Despite the large number of terminations, industrial relations were generally very good in 1981, and the response by our workforce has been very helpful to us in the implementation of our restructuring programme. We shall need the continued co-operation and restraint of our employees to achieve the improvements in productivity and competitive position which are essential to our future success.

After over 22 years with the Company and 16 years as Managing Director, Mr. G. L. Lloyd has retired. I am sure all shareholders would join me in wishing Mr. Lloyd a very happy retirement. Mr. P. R. Goode was appointed Managing Director and Mr. A. V. J. Simpson appointed to the Board with the specific responsibility for operations in Continental Europe.

In accordance with the Companies Act 1980, the name Hoover Limited has been altered to Hoover plc. The opportunity has been taken to amend the existing Articles of Association bringing them up-to-date with current UK legislation and practice. An insert in the Report and Accounts provides a full explanation of the changes proposed.

FINANCIAL RESULTS

Total Group Turnover for the year amounted to £201 millions compared with £207 millions in 1980.

The trading loss of Hoover plc and its subsidiaries amounted to £9.1 millions compared with a trading profit of £2.7 millions in 1980.

After providing for interest payable, share of associated company loss and re-organisation costs amounting to £17.2 millions (1980 £1.5 millions), the loss before taxation amounted to £31.0 millions (1980 £1.4 millions).

Short-time working in our UK factories enabled us to reduce stock levels although redundancy payments caused some increase in borrowings.

In accordance with ED27, translation gains amounting to £2.3 millions arising on the

conversion of foreign currencies into sterling have been taken directly to reserve. 1980 figures have been restated on the same basis.

In view of the recent trading results and the immediate future outlook, the Directors recommend that no final dividend be declared in respect of 1981.

UNITED KINGDOM MARKET

The markets for floorcare and laundry products were depressed and industry sales were lower than in the previous year. The reduction in sales of tumble dryers was particularly marked. Intense competition among both UK and foreign suppliers led to severe pressure on prices.

Our 'Try Anything Trade In' promotion, linked with an extended maintenance scheme to cover the cost of repairs after the expiry of the normal warranty period, helped us to maintain our position as market leaders in both floorcare and laundry products.

Imports of vacuum cleaners from Eastern Europe at unrealistic prices continued in 1981 and we are pleased that the European Commission is undertaking an investigation to determine the extent to which 'dumping' is involved. Unfair competition of this kind does have an effect on employment levels in Western Europe.

OVERSEAS MARKETS

Europe Consumer demand for domestic appliances was constrained in most West European countries, and industry sales of our products showed a further reduction on the previous year. With substantial surplus capacity, manufacturers found it difficult to raise prices to offset increased costs. However, our new vacuum cleaners manufactured in France were well received by our continental dealers, and we were able to increase sales in a number of countries.

Australia During the year we introduced new models across both our floorcare and laundry product lines. Unfortunately, widespread industrial unrest, in a number

of industries, affected consumer confidence and caused increased operating costs.

South Africa Although market conditions were less buoyant than in 1980, our South African subsidiary had a successful year.

Other Markets By seeking new customers, our Export Distributor Division was able to increase sales by more than 40% despite intense competition from European, American and Far East manufacturers.

1982 Outlook Our first priority is to complete the restructuring programme as soon as possible. We feel this will enable the Company to be restored to profitability.

I believe that market conditions will remain difficult for some time yet, and we do not anticipate any real upturn in consumer demand before the latter part of the year. I do hope that Government will ensure effective action to reduce the burdens of the national insurance surcharge, price increases from state

monopolies and local authority rates. I also consider that lower interest rates would do much to assist UK manufacturers who, like ourselves, have achieved major gains in productivity but find that their international competitiveness is considerably worse than in 1979.

1981 was a traumatic year for many of our employees. To those who remain with us, I would like to express my appreciation of the constructive way in which they accepted the changes which had to be made.

We have a good programme for new product introductions. We have reduced our break-even point. We are achieving higher levels of manufacturing efficiency. In the year ahead, I am confident that we can start to move upwards.



M. B. RAWSON

FINANCIAL CALENDAR 1982

1st Quarter's results to be announced
Half year's results to be announced
3rd Quarter's results to be announced
Preliminary announcement of results
for the year

April
August
November

February 1983

DIRECTORS' REPORT

The directors submit the annual report and accounts for the year ended 31 December 1981, which will be laid before the shareholders at the forty-fifth annual general meeting.

Company Name

In accordance with a resolution of the board made pursuant to the Companies Act 1980, the Company has re-registered as a public limited company under the name of Hoover plc.

Directors

The persons shown below were directors of the company at the date of this report and throughout 1981 with the exception of Mr. A. V. J. Simpson who was appointed on 14 August 1981. Mr. G. L. Lloyd retired from the board on 11 August 1981.

Election of directors

In accordance with the articles of association of the company, Mr. M. R. Rawson, Sir Peter Boon, Mr. J. R. Cutinella, Mr. D. S. Perkins, Mr. A. V. J. Simpson, Mr. F. L. Tabacchi and Mr. R. G. Tatschner retire from the board, and, being eligible, offer themselves for re-election.

Principal activities

The principal activities of the group, at home and overseas, continue to be manufacturing and marketing domestic appliances.

Results

The group loss before taxation amounted to £30,973,000 and the charge for taxation thereon amounted to £835,000.

Dividends and reserves

No interim dividend for 1981 was paid and no final dividend for 1981 is recommended by the directors.

The transfer from the reserves of Hoover plc is £28,866,000.

Employees

The average number of persons employed by Hoover plc in the United Kingdom during the year was 8,821 and their total remuneration amounted to £64,420,000 including redundancy costs of £13,319,000.

Fixed assets

In the opinion of the directors the market value of the group's land and buildings is in excess of the net book value.

Exports

Exports from the United Kingdom, including goods sold to subsidiaries and associated companies, amounted to £30,707,000.

Contracts

There were no contracts in the year in which any director had a material interest.

Interests in shares

The number of shares in which the directors of the company and their families had an interest at 31 December 1981 is shown below. Where changes have taken place during the year, the comparative figures at 1 January 1981 or date of appointment, if later, are shown in brackets.

	The Hoover Company		Hoover plc	
	Common Shares	Ordinary	'A' Ordinary	
Mr. M. R. Rawson	30,000 (28,600)	—	—	—
Mr. P. R. Goode	—	—	—	—
Sir Peter Boon	—	1,000	—	1,200
Mr. J. R. Cutinella	26,265 (26,285)	—	—	—
Mr. D. S. Perkins	—	2,050	—	—
Mr. A. V. J. Simpson	—	—	—	—
Mr. F. L. Tabacchi	29,258	—	—	—
Mr. R. G. Tatschner	—	—	—	—

The interests shown above are beneficial. In the period from 1 January 1982 to 15 February 1982 there were no changes to the directors' interests in shares in The Hoover Company or Hoover plc, except for Mr. J. R. Cutinella who disposed of 5 common shares in The Hoover Company.

Political and charitable contributions

No money was contributed for political purposes in the United Kingdom during the year and the total amount of charitable donations in the United Kingdom was £18,000.

Disabled persons

It is the policy of the company to make every effort to continue the employment of any employee who becomes disabled, and to give sympathetic consideration to applications for employment made by disabled persons.

By order of the board
J. R. Turner, Secretary

24 February 1982

GROUP PROFIT AND LOSS ACCOUNT*For the year ended 31 December, 1981*

	Notes	1981		1980	
		£'000	£'000	£'000	£'000
Turnover	1		201,093		206,744
Trading (loss) profit before taxation:—2-3					
Hoover plc and subsidiaries		(9,099)		2,691	
Associated company		(1,356)		(599)	
			(10,455)		2,092
Interest payable (net)		3,281		2,018	
Redundancy and other rationalisation costs		17,237	20,518	1,477	3,495
Loss before taxation			(30,973)		(1,403)
Taxation:—	4				
Hoover plc and subsidiaries		742		1,211	
Associated company		93	835	149	1,360
Loss after taxation			(31,808)		(2,763)
(Released from) retained in reserves by:—	7				
Subsidiaries of Hoover plc		(1,429)		1,001	
Associated company		(1,513)	(2,942)	(1,008)	(7)
Applicable to Hoover plc			(28,866)		(2,756)
Required for dividends paid and proposed					
Interim —nil (1980—4.00p)		—		794	
Proposed final—nil (1980—2.00p)		—	—	397	1,191
Transferred from reserves of Hoover plc	7		(28,866)		(3,947)
Loss per share	5		160p		14p

The comparative figures for 1980 have been restated in accordance with the change in accounting policy for foreign currencies. A statement of reserves showing the prior year adjustment is included in note 7.

SOURCE AND APPLICATION OF FUNDS

	1981 £'000	1980 £'000	1979 £'000
SOURCE OF FUNDS			
(Loss) Profit before taxation	(30,973)	(1,403)	2,902
Items not involving the movement of funds			
Transfer from investment in the associated company	1,233	2,676	51
Depreciation and provision	6,366	5,047	4,726
Capital expenditure grants included in profit	(544)	(567)	(532)
Currency translation differences	1,338	(1,688)	(1,196)
Total funds (applied to) generated from operations	(22,580)	4,065	5,951
Funds from other sources			
Capital expenditure grants received	97	418	731
	<u>(22,483)</u>	<u>4,483</u>	<u>6,682</u>
APPLICATION OF FUNDS			
Purchase of fixed assets	2,051	5,779	5,628
Taxation paid	1,420	1,762	1,762
Dividends paid	397	2,062	2,382
	<u>3,868</u>	<u>9,603</u>	<u>9,772</u>
(Decrease) increase in working capital			
(Decrease) increase in stocks	(8,791)	19,779	(3,246)
Decrease in debtors	(534)	(8,398)	(3,291)
(Increase) decrease in creditors and provisions	(6,803)	(2,703)	165
	<u>(12,260)</u>	<u>18,281</u>	<u>3,400</u>
(DECREASE) INCREASE IN NET LIQUID FUNDS	(10,223)	(13,798)	3,282

ACCOUNTING POLICIES

Basis of accounting

The Company prepares its annual accounts on the historical cost basis of accounting including certain fixed assets at valuations in 1951 and 1962.

Basis of consolidation

The group profit and loss account and balance sheet include the accounts of Hoover plc and subsidiaries made up to 31 December.

Hoover plc's share of the consolidated loss for the year of the associated company is shown in the group profit and loss account and the share of the consolidated undistributed profits since acquisition is included in the group balance sheet. The amounts included are based on audited accounts for the year ended 31 December.

Foreign currencies

The basis of accounting for foreign currencies has been changed to comply with the proposed statement of standard accounting practice (Exposure Draft 27). Assets and liabilities denominated in foreign currency are translated to sterling at rates ruling at 31 December and profit and loss accounts at the average rates for the year. Translation differences arising on consolidation are taken to reserves and other exchange differences are taken to the profit and loss account.

Stocks

Stocks include work in progress and are valued throughout the group at the lower of cost (which includes an addition for manufacturing overhead expenses) and net realisable value.

Deferred taxation

Deferred taxation is provided, using the liability method only on timing differences where, in the opinion of the directors, there is reasonable probability that such taxation will become payable in the foreseeable future. No account is taken of unrelieved tax losses which are available for set off against future taxable profits.

Government grants

Government grants are transferred to profit and loss account in proportion to the charge for depreciation or other writing off of items on which grants have been claimed.

Depreciation

No depreciation is provided on freehold land. Other fixed assets are depreciated on the straight line method during their expected useful lives as follows:—

Freehold buildings	50 years
Leasehold buildings	Over the life of the lease
Plant, machinery, equipment and tooling	3 to 10 years.

Warranty liability

Provision is made for the group's estimated liability on all products still under warranty.

Research and development

All research and development costs are written off as incurred.

Pensions

The company and its major subsidiaries operate retirement benefit schemes. The various schemes and funds are set up under separate trusts or through insurance companies and their assets are completely separate from the assets of the companies.

It is the general policy to fund pension liabilities by the payment of contributions at rates determined on the advice of independent actuaries or, where appropriate, insurance companies. At the date of the latest valuations all vested benefits were fully funded.

NOTES ON ACCOUNTS

1 Turnover

Turnover represents sales less returns and discounts to customers and associated companies but excludes sales to subsidiaries, and is arrived at after deducting sales taxes.

2 Group loss

	1981 £'000	1980 £'000
Loss before taxation of Hoover plc and its subsidiaries, is arrived at after charging:—		
Depreciation	5,418	5,047
Directors' emoluments—fees	5	5
—other emoluments (including pension contributions)	230	252
Auditors' remuneration	129	123
Interest payable	3,675	2,473
Hire of plant and machinery	2,216	1,997
and after crediting:—		
Interest receivable	368	429
Income from quoted investments	26	26
Government grants	544	567

3 Emoluments of Hoover plc directors and employees

The duties of the Chairman and three other directors arose mainly outside the United Kingdom. The emoluments (excluding pension contributions) of the highest paid director amounted to £54,000 (1980—£58,000). The number of other directors, and employees with emoluments in excess of £20,000, fall into the following scales:—

	Directors		Other Employees	
	1981	1980	1981	1980
£10,001—£15,000	1	—		
£20,001—£25,000	—	1	8	6
£25,001—£30,000	—	—	6	2
£30,001—£35,000	1	—	—	4
£35,001—£40,000	2	1	—	—
£50,001—£55,000	—	1	—	—

4 Taxation

	1981 £'000	1980 £'000
The charge is arrived at as follows:—		
Overseas taxation including share of taxation of associated company	945	1,028
Advance corporation tax written off	—	510
	945	1,538
Transfer to deferred taxation	157	42
	1,102	1,580
Less: Adjustment in respect of prior years	(267)	(220)
	835	1,360

The charge for taxation has been calculated in accordance with SSAP 15. On a full provision basis there would have been transfers from deferred taxation of £216,000 (1980—£8,300,000). The total taxation charge would have been £462,000 (1980—credit £7,500,000). The 1980 figures included £6,700,000 in respect of stock relief.

NOTES ON ACCOUNTS (continued)

5 Loss per share

The calculation of loss per share is based on a loss of £31,808,000 (1980—£2,763,000), and 7,640,000 ordinary and 12,210,800 'A' ordinary shares in issue throughout the two years ended 31 December, 1981.

6 Share capital of Hoover plc

	Authorised 1981 £'000	Issued and fully paid 1981 £'000	1980 £'000
7,640,000 ordinary shares of 25p each issued	1,920	1,910	1,910
12,210,800 'A' ordinary shares of 25p each issued	3,090	3,053	3,053
	<u>5,010</u>	<u>4,963</u>	<u>4,963</u>

The ultimate holding company is The Hoover Company, incorporated in the U.S.A. and at 31 December, 1981 and 15 February, 1982 it held 5,557,609 ordinary and 5,836,995 'A' ordinary shares representing approximately 73% and 48% respectively of the total issued share capital of each class.

So far as the directors are aware Hoover plc is not a close company.

7 Reserves

	The Group £'000	Hoover plc £'000	Subsidiary Companies £'000	Associated Company £'000
At 31 December, 1980	83,816	65,670	15,394	2,752
Adjustment in respect of change in basis of accounting for foreign currencies	417	—	(537)	954
Opening reserves restated	84,233	65,670	14,857	3,706
Reserves released during year	(31,808)	(28,866)	(1,429)	(1,513)
Currency translation differences	2,270	—	1,865	405
At 31 December, 1981	<u>54,695</u>	<u>36,804</u>	<u>15,293</u>	<u>2,598</u>

Hoover plc reserves shown above include undistributable reserves amounting to £2,302,000 (1980—£2,306,000). This comprises a share premium account of £939,000 (1980—£939,000) and accumulated unrealised profits amounting to £1,363,000 (1980—£1,367,000).

8 Deferred taxation

Deferred taxation of £357,000 has been provided by subsidiary companies in respect of short term timing differences. All other timing differences have been eliminated.

If provision had been made for all timing differences the liability at 31 December, 1981 after deducting taxation losses carried forward would have been:—

	The Group £'000	Hoover plc £'000
Excess of net book value of fixed assets over their written down values for taxation purposes	4,887	4,744
Other timing differences	(3,960)	(4,178)
Taxation losses	(566)	(566)
	<u>361</u>	<u>—</u>

There are tax losses available to be carried forward against future profits.

NOTES ON ACCOUNTS (continued)

9 Future capital expenditure

The approximate amounts of future capital expenditure not dealt with in these accounts are:—	The Group		Hoover plc	
	1981 £'000	1980 £'000	1981 £'000	1980 £'000
In respect of contracts placed	2,100	2,300	2,000	2,000
Authorised by the directors but not committed	5,250	6,800	5,000	6,500

10 Fixed Assets

	Land and buildings			Plant, machinery, tooling and equipment			Total Net book value £'000
	Cost or valuation £'000	Depreciation £'000	Net book value £'000	Cost or valuation £'000	Depreciation £'000	Net book value £'000	
The Group							
At 31 December, 1980	15,325	3,218	12,107	51,972	32,863	19,109	31,216
Exchange adjustments	447	104	343	1,281	692	589	932
Capital expenditure	74	—	74	2,197	—	2,197	2,271
Disposals	(114)	(15)	(99)	(2,714)	(2,593)	(121)	(220)
Depreciation for the year	—	541	(541)	—	4,877	(4,877)	(5,418)
Provision for loss on disposal	—	—	—	—	948	(948)	(948)
At 31 December, 1981	<u>15,732</u>	<u>3,848</u>	<u>11,884</u>	<u>52,736</u>	<u>36,787</u>	<u>15,949</u>	<u>27,833</u>
Hoover plc							
At 31 December, 1980	12,260	2,534	9,726	43,417	28,179	15,238	24,964
Capital expenditure	72	—	72	1,194	—	1,194	1,266
Disposals	(114)	(15)	(99)	(2,517)	(2,406)	(111)	(210)
Depreciation for the year	—	468	(468)	—	3,878	(3,878)	(4,346)
Provision for loss on disposal	—	—	—	—	948	(948)	(948)
At 31 December, 1981	<u>12,218</u>	<u>2,987</u>	<u>9,231</u>	<u>42,094</u>	<u>30,599</u>	<u>11,495</u>	<u>20,726</u>

The amount included in the 'cost or valuation' column above representing land and buildings held at valuation is as follows:—

	Year of valuation		£'000
	1981	1980	
Hoover plc			863
Subsidiaries			532

Land and buildings comprise:

	The Group		Hoover plc	
	1981 £'000	1980 £'000	1981 £'000	1980 £'000
Freehold land and buildings	10,945	10,441	7,440	7,384
Short term leasehold buildings	4,787	4,884	4,778	4,876
	<u>15,732</u>	<u>15,325</u>	<u>12,218</u>	<u>12,260</u>

11 Investment in associated company

	1981 £'000	1980 £'000	1981 £'000	1980 £'000
Hoover (Holland) BV at cost	3,107	3,107	3,107	3,107
Group share of undistributed post acquisition reserves	2,598	3,831	—	—
	<u>5,705</u>	<u>6,938</u>	<u>3,107</u>	<u>3,107</u>

The share capital of Hoover (Holland) BV which comprises 35,064 ordinary and 21,720 preference shares is owned equally by Hoover plc and The Hoover Company. The Hoover (Holland) BV Group operates in Continental Europe.

Dividends received from Hoover (Holland) BV during the year were as follows:—

	1981 £'000	1980 £'000
Preference	64	141
Ordinary	—	149
	<u>64</u>	<u>290</u>

NOTES ON ACCOUNTS (continued)

12 Shares in subsidiaries at cost

The principal operating subsidiaries of Hoover plc, all wholly owned, together with their countries of incorporation, registration and operation are:-

Manufacturing and marketing domestic appliances

Hoover (Australia) Pty. Ltd.
Hoover S.A. (Proprietary) Ltd.

Australia
South Africa

Marketing domestic appliances

Hoover (Zimbabwe) (Pvt.) Ltd.
Hoover Oy.
Hoover Norsk A/S
Hoover El-Udstyr Aps.
Svenska Hoover A/B
Hoover Austria Ges.m.b.H.
Hoover Electrica Portuguesa Lda.

Zimbabwe
Finland
Norway
Denmark
Sweden
Austria
Portugal

All shares are ordinary shares and are held by Hoover plc or its nominees.

	The Group		Hoover plc	
	1981 £'000	1980 £'000	1981 £'000	1980 £'000
13 Stocks comprise				
Finished goods	36,913	40,046	25,705	32,374
Work in progress	12,675	18,319	11,576	17,523
Raw materials	8,186	7,839	1,825	3,648
Consumables	2,322	2,683	2,203	2,596
	<u>60,096</u>	<u>68,887</u>	<u>41,309</u>	<u>56,141</u>
14 Debtors include				
Amount due from fellow subsidiaries	1,020	2,494	1,020	2,494
15 Creditors and provisions include				
Amount due to holding company	2,077	956	1,299	633
Amount due to fellow subsidiaries	856	222	530	10
16 Dividends comprise				
Proposed final dividends	—	397	—	397
17 Contingent liabilities comprise				
Guarantees in respect of borrowings by wholly owned subsidiaries	—	—	575	1,000
Hire purchase debts where finance company has recourse to the Group on the failure of both the consumer and the retailer	200	300	—	—
Other trading guarantees	150	100	150	100
	<u>350</u>	<u>400</u>	<u>725</u>	<u>1,100</u>

18 The Companies Act 1981

All the requirements of the Companies Act 1981 have been complied with so far as they apply to these accounts.

CURRENT COST ACCOUNTING

CURRENT COST PROFIT AND LOSS ACCOUNT

For the year ended 31 December, 1981

	1981		1980	
	£'000	£'000	£'000	£'000
Turnover		201,093		206,744
Trading (loss) profit before interest and taxation as in historical cost accounts		(9,099)		2,691
Share of associated company's current cost operating loss		(1,614)		(1,242)
		(10,713)		1,449
Less current cost operating adjustments:				
Depreciation	3,759		2,569	
Cost of sales	(2,381)		5,235	
Monetary working capital	679	2,057	2,538	11,342
Current cost operating loss		(12,770)		(9,893)
Gearing adjustment	351		1,084	
Interest (net)	(3,281)		(2,018)	
Redundancy and other rationalisation costs	(17,237)	(20,167)	(1,477)	(2,411)
Current cost loss before taxation		(32,937)		(12,304)
Taxation		835		1,360
Current cost loss attributable to shareholders		(33,772)		(13,664)
Current cost loss per share		170p		69p

CURRENT COST BALANCE SHEET

31 December, 1981

Funds employed				
Ordinary capital		4,963		4,963
Current cost reserve		66,948		58,341
Other reserves and retained profit		40,504		74,276
Shareholders' funds		112,415		137,580
Other funds employed		2,468		2,744
		114,883		140,324
Employment of funds				
Fixed assets		79,256		78,076
Other non-current assets		7,784		8,169
Net current assets:—				
Stocks	59,749		69,578	
Other working capital	(5,964)		1,995	
Total working capital	53,785		71,573	
Borrowings	(25,211)		(15,610)	
Other current liabilities	(731)	27,843	(1,884)	54,079
		114,883		140,324

CURRENT COST ACCOUNTING (continued)**NOTES TO CURRENT COST ACCOUNTS****1. General**

The current cost accounting statements on page 14 and these notes have been prepared in compliance with SSAP 16.

2. Depreciation and fixed assets

The depreciation adjustment reflects the difference between the historical cost depreciation and that based on the gross current cost of fixed assets. The gross current cost has been computed using appropriate Government indices for plant, machinery, tooling and equipment and replacement cost of specialised buildings estimated by the directors. The net current cost of land and other buildings has been estimated at market value by the directors.

An analysis of fixed assets is as follows:—

	Land and buildings	Plant machinery tooling equipment	Total
	£'000	£'000	£'000
Gross current cost		130,026	
Depreciation		104,221	
Net current cost			
31 December, 1981	53,451	25,805	79,256
Net current cost			
31 December, 1980	48,428	29,648	78,076

3. Cost of sales adjustment and stocks

The cost of sales adjustment reflects the difference between the historical cost figures and those which would have arisen using replacement costs at the date of sale.

Stocks are valued at current replacement cost at 31 December, 1981.

4. Monetary working capital adjustment

The monetary working capital adjustment reflects the effect of changing prices on the finances required to maintain the monetary working capital (debtors less creditors) used in the operations of the individual companies of the group.

5. Gearing adjustment

The gearing adjustment reflects the net benefit to shareholders in partly financing net operating assets by short term borrowings.

6. Translation differences

Translation differences have been accounted for through the current cost reserve.

7. Associated company

Current cost operating adjustments relating to the group's 50% interest in the associated company have been deducted in arriving at the share of the current cost operating loss for the associated company.

8. Other accounting policies

Except as set out above the policies used in the current cost accounts are the same as those used in the historical cost accounts.

9. Corresponding amounts

Corresponding amounts for the previous period have been shown at values relating to last year.

10. Net operating assets

The net operating assets of the group, comprising the net current cost of fixed assets, investment in associated company and working capital, at 31 December, 1981 amounted to £140,528,000, (1980—£157,504,000).

11. Current cost reserve

The movement in the current cost reserve has been as follows:—

	£'000	£'000
Balance 1 January, 1981		58,341
Revaluation surpluses and deficits:—		
Fixed assets	8,762	
Stocks	(3,322)	
Investment in associated company	169	
Quoted investment	(17)	
Translation differences	2,687	
Monetary working capital adjustment	679	
Gearing adjustment	(351)	8,607
Balance 31 December, 1981		66,948

The total of £66,948,000 includes realised amounts of £11,964,000, representing the current cost adjustments, which have been passed through the profit and loss account since current cost accounts were first produced on 1 January, 1980.

12. Other reserves and retained profit

The movement in the other reserves has been as follows:—

	£'000
Balance 1 January, 1981	74,276
Current cost loss	(33,772)
Balance 31 December, 1981	40,504

AUDITORS' REPORT

Report of the auditors to the members of Hoover plc

We have audited the financial statements on pages 6 to 13 in accordance with approved Auditing Standards.

In our opinion the financial statements, which have been prepared on the basis of accounting policies set out on page 9, give a true and fair view of the state of affairs of the company and of the group at 31 December 1981 and of the loss and source and application of funds of the group for the year then ended and comply with the Companies Acts 1948 to 1981.

In our opinion the abridged supplementary current cost accounts set out on page 14 have been properly prepared, in accordance with the policies and methods described in the notes on page 15, to give the information required by Statement of Standard Accounting Practice No. 16.

London,
24 February, 1982

DELOITTE HASKINS & SELLS,
Chartered Accountants

ANALYSIS OF SHAREHOLDERS

As at 31 December, 1981

	Ordinary Shares		'A' Ordinary Shares	
	Number	%	Number	%
The Hoover Company	5,557,609	73	5,536,995	48
Institutions—				
Banks and Nominees	624,873	8	2,799,589	23
Insurance Companies	470,168	6	957,135	8
Pension Funds	313,643	4	641,886	5
Other	148,251	2	447,202	4
Individuals	525,456	7	1,527,993	12
	<u>7,640,000</u>	<u>100</u>	<u>12,210,800</u>	<u>100</u>

NUMBER OF EMPLOYEES

As at 31 December

	1981	1980
UNITED KINGDOM		
Manufacturing—Perivale	604	1,518
Cambuslang	1,806	2,675
Merthyr Tydfil	2,308	3,786
Other—marketing, distribution, engineering, administration	2,136	2,245
	<u>6,854</u>	<u>10,224</u>
OVERSEAS SUBSIDIARIES		
Australia	1,255	1,226
South Africa	374	421
Austria	33	34
Portugal	53	53
Scandinavia	84	112
	<u>1,799</u>	<u>1,846</u>
OVERSEAS ASSOCIATED COMPANIES		
France	767	584
Germany	169	187
Benelux	56	68
Italy	67	69
Switzerland	49	49
	<u>1,108</u>	<u>957</u>
	<u>9,761</u>	<u>13,027</u>

TEN-YEAR SUMMARY*(£ millions)*

Year ended 31 December	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972
Turnover	201.1	206.7	203.7	212.1	191.0	180.0	162.9	113.8	121.0	98.4
(Loss)/profit before taxation:—										
Hoover plc and Subsidiaries (29.6)	(0.8)	2.2	4.7	13.0	14.1	18.7	3.7	18.6	15.9	
Associated company	(1.4)	(0.6)	0.7	0.7	0.5	0.5	1.2	2.7	1.9	
(Loss)/profit before taxation	(31.0)	(1.4)	2.9	5.4	13.7	14.6	19.2	4.9	21.3	17.8
Taxation	0.8	1.4	0.9	(0.6)	7.2	7.9	10.0	3.7	10.9	7.4
Loss)/profit after taxation	(31.8)	(2.8)	2.0	6.0	6.5	6.7	9.2	1.2	10.4	10.4
Dividends	—	1.2	2.4	2.4	2.9	2.6	2.4	2.3	2.1	2.2
Profit(released)retained (31.8)	(4.0)	(0.4)	3.6	3.6	4.1	6.8	(1.1)	8.3	8.2	
Funds Employed										
Shareholders Funds	59.7	89.2	93.3	95.5	80.9	79.4	72.6	64.9	67.0	55.5
Other Funds	2.4	2.7	2.9	3.4	16.7	10.9	10.9	5.0	1.7	1.6
	62.1	91.9	96.2	98.9	97.6	90.3	83.5	69.9	68.7	57.1
Employment of funds										
Net current assets	28.2	53.4	57.2	60.2	65.2	64.2	58.2	42.8	50.1	43.4
Fixed assets	27.8	31.2	30.5	30.2	24.9	20.7	19.7	19.2	16.3	13.7
Other assets	6.1	7.3	8.5	8.5	7.5	5.4	5.6	7.9	2.3	—
Net assets	62.1	91.9	96.2	98.9	97.6	90.3	83.5	69.9	68.7	57.1
Results per share:—										
(Loss)Earnings	(160p)	(14p)	10p	30p	33p	34p	46p	6p	47p	52p
Dividends	—	6p	12p	12p	15p	13p	12p	11p	11p	10p
Employees (thousands) at 31 December										
	9.8	13.0	13.8	15.7	16.7	15.9	17.0	18.9	19.3	17.1

Note:— Figures for 1978 and later years are based on the new accounting policy for deferred taxation but prior years have not been restated.
 Prior years have been restated following the change in treatment of translation differences.

HOOVER PUBLIC LIMITED COMPANY
(Registered in England No. 325270)

Directors:

M.R. Rawson *(Chairman)*
P.R. Goode *(Managing Director)*
Sir Peter Boon
J.R. Cutinella
D.S. Perkins
A.V.J. Simpson
F.L. Tabacchi
R.G. Tatschner

Perivale
GREENFORD
MIDDLESEX

9 March 1982

To: the holders of Ordinary Shares (and for information only to the holders of 'A' Ordinary Shares)

Dear Sir or Madam,

The Companies Act 1980 contains a re-definition of public and private companies and requires existing public companies to re-register as one or the other. Your Board has, therefore, taken steps already to re-register Hoover Limited as a public limited company and the Company will now be known as "Hoover Public Limited Company". New share certificates will not be issued for the change of name; existing share certificates will remain valid. The Companies Act 1980 also contains provisions which make certain changes in the Articles of Association of companies desirable. These changes require the sanction of a special resolution of Shareholders in general meeting. Your Board has accordingly, decided to propose the resolutions set out in the notice of meeting as resolution numbers 4 and 5 for the purpose of making these and some other changes to your Company's Articles of Association and to give the Board the necessary authority to allot shares free from certain statutory restrictions which would otherwise apply.

The Company's present Articles of Association were adopted in 1955 under the provisions of the Companies Act 1929 and the Companies Act 1948. Some alterations to the Articles of Association have been made since that date but in view of changes in both company law and practice, it was felt by your Board that it is now an opportune time to adopt new Articles to bring these into line with the provisions (especially those concerning the issue of shares) of the more recent Companies Acts up to and including the Companies Act 1981. Although the new Articles contain provisions that permit the company to purchase its own shares as provided by the Companies Act 1981, I would stress that it is not the directors' immediate intention to take advantage of these provisions or, indeed, to issue any new shares at the present time. The Company will, of course, still conform with the requirements of The Stock Exchange in this respect.

Following a request from The Stock Exchange it has also been agreed to amend the designation of the 'A' Ordinary Shares to 'A' non-voting Ordinary Shares.

A summary of the principal changes to the Articles is set out in the appendix to this letter together with the notice of the Annual General Meeting at which the resolutions will be put to the Shareholders.

Copies of the present Memorandum and Articles of Association and the proposed new Memorandum and Articles of Association are available for inspection at the registered offices of the Company during normal working hours on any week day (excluding Saturdays) between now and 2 April, 1982.

A proxy card is enclosed for use at the meeting, which you are invited to complete and return whether or not you intend to be present at the meeting. The return of a completed form of proxy will not prevent you from attending and voting at the meeting should you wish to do so.

Yours faithfully



M.R. Rawson
Chairman

NEW ARTICLES OF ASSOCIATION

SUMMARY OF PRINCIPAL CHANGES

1. Throughout the Articles reference to 'A' Ordinary Shares has been amended to 'A' non-voting Ordinary shares.
2. Article 7 has been amended so that the Company may, subject to the provision of Section 45 of the Companies Act 1981 issue Preference Shares which are at the option of the Company or the Shareholder liable to be redeemed. Previously the Company's authority in this respect was under the provisions of Section 58 of the Companies Act 1948 and did not provide for the Shareholder to have the option to redeem. This Article has been extended further to permit the Company to purchase its own shares subject to the limitations provided in the Companies Act 1981.
3. Article 8 which authorises the Directors to allot shares has been amended as a result of the Companies Act 1980. In particular, authority is given to the Board to allot up to a maximum of 39,972 Ordinary shares of 25p each and 149,200 'A' non-voting Ordinary shares of 25p each, being the amount of the authorised but unissued Share Capital and is limited to a maximum period of 5 years. The authority may, however, be revoked, varied or renewed by an ordinary resolution to the Shareholders in General Meeting, any such renewal being limited to a maximum of 5 years.
4. Article 53 refers to the proceedings at an Annual General Meeting and has been extended to provide for the Ordinary Resolution required to authorise the Directors to issue shares to the extent provided under Article 8.
Further, the Companies Act 1980 provides that any shares issued for cash must in general be offered to existing Shareholders pro rata to their existing holdings. However, where Directors have a general authority to allot shares (such as contained in Article 8 referred to above) they may be given power by the Articles or by a special resolution to allot shares pursuant to that authority as if the statutory pre-emption rights did not apply. We propose that the authority to issue any shares without regard to pre-emption rights be included as a special resolution at each Annual General Meeting. It is proposed this year as resolution number 5.
The Company will continue to meet the requirements of The Stock Exchange which at present require the specific consent of Shareholders in General Meeting to any issue for cash of equity capital otherwise than to Shareholders in proportion to their existing holdings, unless special dispensation has been given by The Stock Exchange.
5. Articles 54 and 55 which refer to the quorum required for meetings have been slightly modified. In particular the quorum for a general meeting must be present only when the meeting commences (rather than throughout the meeting.) In the case of an adjourned meeting, if the required quorum is not present within half an hour from the time appointed for the meeting, the members present shall form a quorum.
6. Article 67, Section 27 of the Companies Act 1976 empowers the Company to serve notice enquiring as to the beneficial ownership of shares or as to the control of voting rights. This Article empowers the Directors to disenfranchise any member in respect of whose shares there has been a default in supplying the required information.
7. Article 85 sets out the borrowing powers of the Company. Although the borrowing powers have not been altered, for the sake of clarity, the Article has been amended to specify that obligations under leases and hire purchase agreements are not "borrowings" nor shall the capitalised value of any such leases be treated as an asset.
8. Article 121 relates to the use of the Company Seal. The Article has been amended to permit the use of a Seal under the provisions of The Stock Exchange (Completion of Bargains) Act 1976.
9. Articles 124-125 refer to the distribution of dividends and have been amended to limit such distributions to the limit permitted by Statute (in particular Section 111 of the Companies Act 1980).
10. Articles 134-137. These Articles which refer to the Company's accounts have been brought into line with current legislation. The accounts will also be brought into line with the Companies Act 1981 when the relevant section comes into force.
11. The Hoover Share Incentive Scheme and The Hoover Share Option Scheme no longer exist and all references to these schemes have been deleted.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the forty-fifth Annual General Meeting of the members of Hoover plc will be held at the registered office of the Company, Perivale, Greenford, Middlesex on Friday 2 April, 1982 at 10.00 a.m. for the purposes of considering the ordinary business of the meeting as set out below and considering as special business and if thought fit passing the Special Resolutions set out at numbers 4 and 5 below:-

As Ordinary Business

1. To receive the report of the directors and audited accounts for the year ended 31 December, 1981 and to declare dividends.
2. To re-elect retiring directors as follows:-
 - (a) Mr. M.R. Rawson
 - (b) Sir Peter Boon
 - (c) Mr. J.R. Cutinella
 - (d) Mr. D.S. Perkins
 - (e) Mr. A.V.J. Simpson
 - (f) Mr. F.L. Tabacchi
 - (g) Mr. R.G. Tatschner
3. To re-appoint the auditors, Deloitte Haskins & Sells and to fix their remuneration.

As Special Business

4. SPECIAL RESOLUTION

That the regulations contained in the printed document submitted to this meeting and, for the purposes of identification, signed by the Chairman thereof, be approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of all the existing Articles of Association thereof.

5. SPECIAL RESOLUTION

That pursuant to the authority of the directors to allot relevant securities contained in the Articles of Association, the directors be and they are hereby empowered pursuant to sections 17 and 18 of the Companies Act 1980 (the "Act") to allot equity securities (within the meaning of section 17 of the Act) as if section 17 (1) of the Act did not apply to such allotment, provided that this power shall be limited:-

- (a) to the allotment of equity securities in connection with a rights issue to or for the benefit of ordinary shareholders (whether one or more classes) where the equity securities respectively attributable to the interests of all ordinary shareholders of the relevant class are proportionate (as nearly as may be) to the respective numbers of ordinary shares of the relevant class held by them;
- (b) to the allotment (otherwise than pursuant to sub-paragraph (a) above) of equity securities up to an aggregate nominal amount not exceeding 39,972 Ordinary Shares of 25p each and 149,200 'A' non voting Ordinary Shares of 25p each;

and shall expire on the date of the next annual general meeting of the Company after the passing of this resolution save that the above mentioned powers to allot equity securities shall allow and enable the Company to make an offer or agreement before the expiry of those powers which would or might require equity securities to be allotted after such expiry and the directors may (notwithstanding the expiry of those powers) allot equity securities in pursuance of such offer as if the power conferred hereby had not expired.

6. To transact the other business of an annual general meeting.

BY ORDER OF THE BOARD

J.R. Turner
Secretary

Perivale, Greenford, Middlesex.
9 March 1982

NOTES

Members entitled to attend and vote at the meetings are entitled to appoint a proxy or proxies to attend and vote in their stead. A proxy need not also be a member.

"A" Ordinary Shareholders are reminded that under the Articles of Association of the Company they are not entitled to attend or vote at the Annual General Meeting.

There are no service contracts of directors which do not expire or which are not determinable within one year.

A proxy form is enclosed for use at the meeting. In order to be effective, it must reach the Company's registered office, Perivale, Greenford, Middlesex not later than 48 hours before the time for which the meeting is convened.