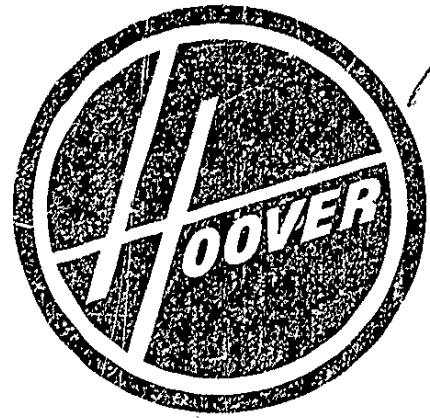


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HOOVER LIMITED



Report and Accounts 1980

HOOVER LIMITED

Report and Accounts
1980



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

DIRECTORS

M R RAWSON	Chairman
G L LLOYD	Deputy Chairman and Managing Director
SIR PETER BOON	Former Chairman
J R CUTINELLA	Director The Hoover Company USA
P R GOODE	Marketing Director-Europe
D S PERKINS	Finance Director
F L TABACCHI	Director The Hoover Company USA
R G TATSCHNER	Director of Operations

BANKERS	National Westminster Bank Limited
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

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Directors

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SUMMARY OF RESULTS

	1980		1979	
	£m	£m	£m	£m
TURNOVER —Hoover Limited and Subsidiaries:				
UK, Europe and Scandinavia	156.3		164.5	
Africa, Middle East, Australasia and Far East	49.4		38.1	
The Americas	1.0		1.1	
	<u> </u>	206.7	<u> </u>	203.7
Manufacturing materials, supplies, other income and expenses	116.5		122.5	
Payroll Costs—Wages and salaries	67.1		57.9	
—Related costs	15.2		13.9	
—Redundancy costs	1.5		1.9	
Depreciation	5.2		4.8	
Interest payable (net)	2.0	207.5	0.3	201.3
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TRADING (LOSS) PROFIT —Hoover Limited and Subsidiaries		(0.8)		2.4
Share of associated company trading (loss) profit		(0.6)		0.7
		<u> </u>		<u> </u>
TRADING (LOSS) PROFIT before taxation		(1.4)		3.1
Translation losses		1.3		1.2
		<u> </u>		<u> </u>
(LOSS) PROFIT before taxation		(2.7)		1.9
Taxation		1.4		0.9
		<u> </u>		<u> </u>
(LOSS) PROFIT after taxation		(4.1)		1.0
		<u> </u>		<u> </u>
(LOSS) EARNINGS PER SHARE		(21p)		5p
DIVIDENDS PER SHARE		6p		12p
NET ASSETS PER SHARE		447p		474p

CHAIRMAN'S REVIEW 1980

The year 1980 has been economically one of the most difficult years since World War II, not only in the United Kingdom but also in most of the overseas markets in which we operate. The negative factors of high cost inflation, falling prices and demand, high interest rates and adverse currency conditions applied to most of U.K. manufacturing industry, but the consumer durable industry was one of those most severely affected.

Most of the Hoover products sold in mainland Europe are manufactured in the United Kingdom factories. In 1980 a significant Company productivity improvement was achieved, but it was not sufficient to offset the product cost increases resulting from an average rate of inflation of 18% during the year. Not only did our Continental marketing operations have to accommodate this cost penalty, they had also to bear the consequences of the rise in the value of the pound sterling. Based on a Hoover export weighted value for the pound, the landed costs of our products in Europe rose by 9.6% in 1980 purely for reasons of currency movement. Thus the added currency costs, plus inflation, effectively increased the cost of Hoover exports landing in European countries by 29% in 1980. (This followed an increase of 18% in 1979 for the same reasons). In Germany, for example, inflation was 5½% but domestic appliance prices rose by even less than that. Consequently, there, and in many other markets, there was a major squeeze on profit margins as we and our competitors fought aggressively throughout 1980 to maintain sales volume against falling industry demand.

Not only did our exports become more expensive because of the high cost of sterling, but, conversely, imports became that much cheaper. For example, washing machines made in Italy land in the United Kingdom at a cost approximately 4% cheaper than they did in 1979—purely because of currency movements without taking into account any improvement in Italian industrial efficiency. Nevertheless, Hoover washing machine market share in the U.K. in 1980 was higher than in 1979 and progressively improving quarter by quarter.

Many of the problems I have referred to were anticipated by your Board well before 1980, and during that time corporate decisions were taken which progressively will change the balance of our business thrust into the European market. These decisions include:—

- a major investment in a completely new line of floorcare products particularly aimed at the Continental European market. These products will come on stream in 1981 and 1982 and will represent a significant improvement in product features and costs.
- a major investment in a highly mechanised facility to produce these products in the Dijon factory of our French associate company S.A. Hoover. This product location will have the benefit of balancing our present over-dependence on Hoover U.K. supply sources and thus avoid the problems of high U.K. inflation and the strong pound sterling.
- an intensive development in a new range of vacuum cleaners designed especially for the United Kingdom market and which will be produced from a major investment in our U.K. manufacturing facilities.
- a planned reduction in the Company break-even point by a rationalisation of our total facilities. Manufacturing space occupied will have been reduced by 600,000 square feet by 1982, and with no loss in production capacity apart from the sourcing of part of the European demand from our French factory. This is being achieved by higher employee productivity and greater investment in automation.
- with the growth of highly efficient national freight organisations we have been able to dispose of our Hoover-owned distribution fleet and warehouse system at a saving in our operating costs, eliminated a requirement for capital investment and realised a greater operating flexibility against the peaks and troughs of market demand.
- computerisation is progressing apace, not only in our European financial and administration systems but also extensively in production control and product engineering.

People productivity is all important as wage and salary costs continue to escalate. Since 1979 the manpower employed in the Company has been reduced by 927. Some of this is caused by the recessionary fall in demand, but part is due to the necessity to manage the business with fewer but more productive people. The intensity of competition allows us no choice in this matter; we will continue our major endeavours to do more with less.

Europe has continued its progress into one integrated market selling products with similar features and specifications through retail chains and distribution systems freely crossing national boundaries. To recognise this development, organisational changes were made in April 1980 at Board and Senior Management levels. Mr. P. R. Goode was appointed Marketing Director—Europe, responsible for marketing in both the United Kingdom and the Continental European markets. The functions of merchandising, selling and training were also strengthened. At the same time the manufacturing, technical and industrial relations activities in the United Kingdom were concentrated under Mr. R. G. Tatschner as Director of Operations.

Industrial relations in 1980 were very good. Your Directors in 1979 and in 1980 made considerable and detailed efforts to convey to our people the economic and competitive problems facing the Company. To the credit of our whole workforce the response has been extremely encouraging and helpful. For the first time ever Hoover Limited agreed a two-year instead of a one-year labour contract with the unions. In addition new and improved working practices have been introduced into the production areas and a spirit engendered of "we can beat competition".

Many problems are still with us, but there is evidence that inflation and interest rates are falling and that 1981 will see Europe move out of the present recessionary trough. We have cut back the size of our fixed base cost, we are continuing to raise productivity and we have exciting new models coming on stream. We believe we shall be well placed to take advantage of the economic upturn that is ahead of us.

FINANCIAL RESULTS

Total Group turnover for the year amounted to £207 millions, slightly above the previous year's level.

The Loss on Trading amounted to £1,381,000 which, with losses of £1,373,000 arising on the translation of overseas liabilities and current assets into sterling, resulted on a Group Loss before taxation of £2,754,000 in total, the higher value of sterling in 1980 has reduced group profits by some £3,500,000.

At the beginning of the year inventories were below normal levels, but the combined effects of reduced consumer demand and dealer destocking, led to a rapid rise in inventories and related bank borrowings over the first half of 1980. The introduction of short-time working in our three U.K. factories improved our liquidity but

had an adverse effect on profitability in the second half year.

The Directors recommend a final dividend of 2p per share payable on 15 April, 1981, which when added to the interim dividend of 4p per share paid on 9 October, 1980, makes a total of 6p per share for the year as a whole.

UNITED KINGDOM MARKET

As the year progressed, demand fell and price competition intensified, preventing us from raising prices as planned. Total industry sales of vacuum cleaners and washing machines (our two major product lines) fell in 1980, despite a significant increase in vacuum cleaner imports.

However, the introduction of several new models of both floorcare and laundry equipment, allied with increased promotional activity, enabled us progressively to increase our market shares on both product lines.

During 1980 we introduced a range of carpet soil extraction products under the brand name "Chemko", a company acquired by our parent in the United States. More recently we have introduced a range of Home Security products. Currently we are marketing smoke detectors, a fire extinguisher and a fire blanket which are available in a composite pack. We consider this to be a growth market and expect to expand our business in this sector.

OVERSEAS MARKETS

Europe Depressed consumer demand led to intense competition. The increased value of sterling reduced trading margins, especially in countries with relatively low inflation rates, causing some of our operations to incur losses. However, satisfactory results were achieved in Portugal, where local assembly is carried out, and in Italy. Towards the end of the year we were able to introduce additional products sourced from Continental suppliers.

Australia Our Australian company had a successful year, increasing both sales and profits substantially.

South Africa Economic conditions were generally favourable, and very satisfactory results were achieved.

Other Markets Our Export Distributor Division, covering areas of the world where we do not have our own companies, had a successful year. Higher sales were achieved in the Middle East, despite the difficulties in that region. It was, however, necessary to reduce sterling prices to maintain competitiveness.

1981 OUTLOOK

There is no doubt in my mind that 1981 will be another difficult year. Further short-time working in our three U.K. factories will be necessary. Although Government contributes towards the wages and salaries paid to employees laid off, the costs of operating our plants at reduced levels of activity have a major adverse impact on profitability.

We shall continue our rationalisation plans. These, inevitably, involve once-off costs which reduce profits in the short term. Nevertheless, they are essential to ensure a healthy financial future for the Company.

I am pleased that the high rate of inflation in the United Kingdom has been reduced and hope that government policies will now allow U.K. manufacturing industry a little respite from the burdens of high interest rates and rapidly rising prices from the nationalised energy monopolies.

Overseas markets are not easily won. Once lost, they can be very difficult to regain.

I am encouraged by the improvement in industrial relations in our U.K. manufacturing operations during the last year. In 1979, our market position was damaged by our inability to meet the orders of our customers. This was not the case in 1980, and our efforts to regain some of our lost customers were not hampered by unnecessary supply shortages. If we can continue to work together in the years ahead, I am sure we can improve our position as Britain's leading manufacturer of domestic appliances.



M. R. RAWSON

FINANCIAL CALENDAR 1981

Final dividend to be paid for the year to 31 December, 1980	April
1st Quarter's results to be announced	April
Half year's results to be announced	August
Interim dividend for 1981 to be paid	October
3rd Quarter's results to be announced	November
Preliminary announcement of results for the year	February 1982

DIRECTORS' REPORT

The directors submit the annual report and accounts for the year ended 31 December 1980, which will be laid before the shareholders at the forty-fourth annual general meeting.

Directors

The persons shown below were directors of the company at the date of this report and throughout 1980.

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. P. R. Goode, Mr. D. S. Perkins, 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 £2,754,000 and the charge for taxation thereon amounted to £1,370,000.

Dividends and reserves

An interim dividend for 1980 of 4 pence per share was paid on 9 October 1980. The directors now recommend payment of a final dividend for 1980 of 2 pence per share. Subject to approval at the annual general meeting this will be paid on 15 April 1981.

These dividends amount to £1,191,000 and the transfer from the reserves of Hoover Limited is £3,947,000.

Employees

The average number of persons employed by Hoover Limited in the United Kingdom during the year was 10,706 and their total remuneration amounted to £58,502,000 including redundancy costs of £1,357,000.

Exports

Exports from the United Kingdom, including goods sold to subsidiaries and associated companies, amounted to £28,683,000.

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 1980 is shown below. Where changes have taken place during the year, the comparative figures at 1 January 1980 are shown in brackets.

	The Hoover		
	Company Common Shares	Hoover Limited Ordinary	Hoover Limited 'A' Ordinary
Mr. M. R. Rawson	28,600 (12,600)	—	—
Mr. G. L. Lloyd	—	—	15,000 (6,000)
Sir Peter Boon	—	1,000	1,200
Mr. J. R. Cutinella	26,285 (16,305)	—	—
Mr. P. R. Goode	—	—	—
Mr. D. S. Perkins	—	2,050	—
Mr. F. L. Tabacchi	29,258 (16,258)	—	—
Mr. R. G. Tatschner	—	—	—

The interests shown above are beneficial. In the period from 1 January 1981 to 1 February 1981 there were no changes to the directors' interests in shares in The Hoover Company or Hoover Limited.

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.

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

23 February 1981

GROUP PROFIT AND LOSS ACCOUNT

For the year ended 31 December, 1980

	Notes	1980		1979	
		£'000	£'000	£'000	£'000
Turnover	1		206,744		203,666
Trading (loss) profit before taxation:— 2-3					
Hoover Limited and subsidiaries		(831)		2,400	
Associated company		(550)	(1,381)	658	3,058
Translation losses:—					
Hoover Limited and subsidiaries		(250)		(736)	
Associated company		(1,123)	(1,373)	(460)	(1,196)
(Loss) Profit before taxation			(2,754)		1,862
Taxation:—	4				
Hoover Limited and subsidiaries		1,211		849	
Associated company		159	1,370	29	878
(Loss) Profit after taxation			(4,124)		984
Retained in (released from) reserves by:—					
Subsidiaries of Hoover Limited		724		(1,499)	
Associated company		(2,092)	(1,368)	(126)	(1,625)
Applicable to Hoover Limited			(2,756)		2,609
Required for dividends paid and proposed					
Interim of 4.00p (1979—5.61p) paid on 9 October, 1980		794		1,114	
Proposed final of 2.00p (1979—6.39p) payable 15 April, 1981		397	1,191	1,268	2,382
Transferred (from)/to reserves of Hoover Limited			(3,947)		227
(Loss) Earnings per share	5		(21p)		5p

SOURCE AND APPLICATION OF FUNDS

	1980 £'000	1979 £'000	1978 £'000	1977 £'000	1976 £'000
SOURCE OF FUNDS					
(Loss) Profit before taxation	(2,754)	1,862	5,298	12,244	16,977
Items not involving the movement of funds					
Transfer from (to) investment in the associated company	2,092	51	(976)	23	(861)
Depreciation	5,171	4,790	4,061	3,433	3,231
Capital expenditure grants included in profit	(567)	(532)	(437)	(384)	(370)
Total funds generated from operations	3,942	6,171	7,946	15,316	18,977
Funds from other sources					
Capital expenditure grants received	418	731	862	667	313
	<u>4,360</u>	<u>6,902</u>	<u>8,808</u>	<u>15,983</u>	<u>19,290</u>
APPLICATION OF FUNDS					
Purchase of fixed assets	5,779	5,628	9,072	8,165	4,038
Taxation paid	1,762	1,762	4,540	6,364	3,941
Dividends paid	2,062	2,382	2,942	2,648	2,396
	<u>9,603</u>	<u>9,772</u>	<u>17,154</u>	<u>17,177</u>	<u>10,375</u>
Increase (decrease) in working capital					
Increase (decrease) in stocks	19,656	(3,026)	(6,431)	17,314	1,869
(Decrease) increase in debtors	(8,398)	(3,291)	9,611	(4,226)	11,124
(Increase) decrease in creditors and provisions	(2,703)	165	1,314	(2,152)	(5,207)
	<u>18,158</u>	<u>3,620</u>	<u>21,648</u>	<u>28,113</u>	<u>18,161</u>
(DECREASE) INCREASE IN NET LIQUID FUNDS	(13,798)	3,282	(12,840)	(12,130)	1,129

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 Limited and subsidiaries made up to 31 December.

Hoover Limited's share of the consolidated profit 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

Assets and liabilities denominated in overseas currencies are translated to sterling at rates ruling at 31 December, other than stocks and fixed assets which are translated at sterling cost at date of acquisition. Profits are translated at the average rates for each month subject to depreciation of fixed assets being provided on the sterling cost of those assets.

Both translation differences arising on consolidation and conversion differences arising during the year are included in the profit before taxation.

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 profit	1980 £'000	1979 £'000
Profit before taxation of Hoover Limited and its subsidiaries, is arrived at after charging:—	5,171	4,790
Depreciation	5	6
Directors' emoluments—fees	252	180
—other emoluments (including pension contributions)	123	115
Auditors' remuneration	2,473	705
Interest payable	1,997	1,798
Hire of plant and machinery		
and after crediting:—		
Interest receivable	429	440
Income from quoted investments	26	26
Government grants	567	532

3 Emoluments of Hoover Limited directors and employees

The duties of the Chairman and three (1979—four) other directors arise mainly outside the United Kingdom. The emoluments (excluding pension contributions) of the highest paid director amounted to £58,000 (1979—£45,000). The number of other directors and employees (with emoluments in excess of £20,000) fall into the following scales:—

	Directors		Other Employees	
	1980	1979	1980	1979
£20,001—£25,000	1	1	6	5
£25,001—£30,000	—	—	2	3
£30,001—£35,000	—	1	4	—
£35,001—£40,000	1	—	—	—
£40,001—£45,000	—	1	—	—
£50,001—£55,000	1	—	—	—

4 Taxation

	1980 £'000	1979 £'000
The charge is arrived at as follows:—		
Overseas taxation including share of taxation of associated company	1,038	838
U.K. corporation tax at 52%	—	162
Advance corporation tax written off	510	1,021
	<u>1,548</u>	<u>2,021</u>
Less: Double taxation relief	—	(63)
	<u>1,548</u>	<u>1,958</u>
Transfer to (from) deferred taxation	42	(981)
	<u>1,590</u>	<u>977</u>
Less: Adjustment in respect of prior years	(220)	(99)
	<u>1,370</u>	<u>878</u>

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 £8,300,000 (1979—transfers to deferred taxation £700,000) including £6,700,000 in respect of stock relief released under the proposed legislation. The total taxation credit would have been £7,500,000 (1979—charge £1,800,000).

NOTES ON ACCOUNTS (continued)

5 (Loss) Earnings per share

The calculation of earnings per share is based on a loss of £4,124,000 (1979—earnings £984,000), and 7,640,000 ordinary and 12,210,800 'A' ordinary shares in issue throughout the two years ended 31 December, 1980.

6 Share capital of Hoover Limited

	Authorised	Issued and fully paid	
	1980 £'000	1980 £'000	1979 £'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, 1980 and 1 February, 1981 it held 5,867,609 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 Limited is not a close company.

7 Reserves

	The Group £'000	Hoover Limited £'000	Subsidiary Companies £'000	Associated Company £'000
At 31 December, 1979	89,131	69,617	14,670	4,844
Profit retained (released) during the year	(5,315)	(3,947)	724	(2,092)
At 31 December, 1980	<u>83,816</u>	<u>65,670</u>	<u>15,394</u>	<u>2,752</u>

Hoover Limited reserves shown above include undistributable reserves amounting to £2,306,000 (1979—£2,325,000). This comprises a share premium account of £939,000 (1979—£939,000) and accumulated unrealised profits amounting to £1,367,000 (1979—£1,386,000).

8 Deferred taxation

Deferred taxation of £186,000 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, 1980 after deducting taxation losses carried forward and advance corporation tax would have been :-

	The Group £'000	Hoover Limited £'000
Excess of net book value of fixed assets over their written down values for taxation purposes	4,897	5,195
U.K. stock relief	6,131	6,131
Other timing differences	(859)	(286)
Advance corporation tax	(2,376)	(2,376)
Taxation losses	(7,217)	(7,217)
	<u>576</u>	<u>1,447</u>

NOTES ON ACCOUNTS (continued)

9 Future capital expenditure

	The Group		Hoover Limited	
	1980 £'000	1979 £'000	1980 £'000	1979 £'000
The approximate amounts of future capital expenditure not dealt with in these accounts are:—				
In respect of contracts placed	2,300	4,200	2,000	4,000
Authorised by the directors but not committed	6,800	7,300	6,500	7,000

10 Fixed Assets

	Land and buildings			Plant, machinery, tooling and equipment			Total Net book value £'000
	Cost or valuation £'000	Depre- ciation £'000	Net book value £'000	Cost or valuation £'000	Depre- ciation £'000	Net book value £'000	
The Group							
At 31 December, 1979	12,831	2,886	9,945	52,246	31,143	21,103	31,048
Capital expenditure	2,877	—	2,877	3,494	—	3,494	6,371
Disposals	(394)	(72)	(322)	(3,136)	(2,866)	(270)	(592)
Depreciation for the year	—	350	(350)	—	4,821	(4,821)	(5,171)
At 31 December, 1980	15,314	3,164	12,150	52,604	33,098	19,506	31,656
Hoover Limited							
At 31 December, 1979	9,570	2,323	7,247	43,912	27,069	16,843	24,090
Capital expenditure	2,871	—	2,871	2,567	—	2,567	5,438
Disposals	(181)	(72)	(109)	(3,062)	(2,805)	(257)	(366)
Depreciation for the year	—	283	(283)	—	3,915	(3,915)	(4,198)
At 31 December, 1980	12,260	2,534	9,726	43,417	28,179	15,238	24,964

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

	Year of valuation	Land and buildings £'000
Hoover Limited	1951	863
Subsidiaries	1962	532

Land and buildings comprise:

	The Group		Hoover Limited	
	1980 £'000	1979 £'000	1980 £'000	1979 £'000
Freehold land and buildings	10,427	10,294	7,384	7,046
Short term leasehold buildings	4,887	2,537	4,876	2,524
	15,314	12,831	12,260	9,570

11 Investment in associated company

	The Group		Hoover Limited	
	1980 £'000	1979 £'000	1980 £'000	1979 £'000
Hoover (Holland) BV at cost	3,107	3,107	3,107	3,107
Group share of undistributed post acquisition reserves	2,877	4,969	—	—
	5,984	8,076	3,107	3,107

The share capital of Hoover (Holland) BV which comprises 35,064 ordinary and 21,720 preference shares is owned equally by Hoover Limited 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:—

	1980	1979
Preference	141	155
Ordinary	119	140
	260	295

NOTES ON ACCOUNTS (continued)

12 Shares in subsidiaries at cost

The principal operating subsidiaries of Hoover Limited 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 Limited or its nominees.

	The Group		Hoover Limited	
	1980 £'000	1979 £'000	1980 £'000	1979 £'000
13 Stocks comprise				
Finished goods	40,186	23,765	32,374	15,306
Work in progress	18,313	15,662	17,523	15,092
Raw materials	7,803	7,357	3,648	4,483
Consumables	2,682	2,544	2,596	2,466
	<u>68,984</u>	<u>49,328</u>	<u>56,141</u>	<u>37,347</u>
14 Debtors include				
amount due from fellow subsidiaries	2,494	5,454	2,494	5,678
15 Creditors and provisions include				
amount due to holding company	956	555	633	298
16 Dividends comprise				
proposed final dividends	397	1,268	397	1,268
17 Contingent liabilities comprise				
Guarantees in respect of borrowings by wholly owned subsidiaries	—	—	1,000	850
Hire purchase debts where finance company has recourse to the Group on the failure of both the consumer and the retailer	300	600	—	—
Other trading guarantees	100	350	100	150
	<u>400</u>	<u>950</u>	<u>1,100</u>	<u>1,000</u>

CURRENT COST ACCOUNTING

CURRENT COST PROFIT AND LOSS ACCOUNT

For the year ended 31 December, 1980

	1980		1979	
	£'000	£'000	£'000	£'000
Turnover		206,744		203,666
Trading Profit before interest, taxation and translation differences as in historical cost accounts		663		3,323
Less current cost operating adjustments:				
Depreciation	3,595		3,699	
Cost of sales	5,714		5,139	
Monetary working capital	2,688	11,997	100	8,938
Current cost operating loss		(11,334)		(5,615)
Gearing adjustment	1,084		350	
Interest (net)	2,044	(960)	265	85
Current cost loss before taxation		(12,294)		(5,530)
Taxation		1,370		878
Current cost loss attributable to shareholders		(13,664)		(6,408)
Current cost loss per share		69p		32p

CURRENT COST BALANCE SHEET

31 December, 1980

Funds employed				
Ordinary capital		4,963		4,963
Current cost reserve		58,341		46,998
Other reserves and retained profit		74,276		89,131
Shareholders' funds		137,580		141,092
Other funds employed		2,744		2,874
		140,324		143,966
Employment of funds				
Fixed assets		78,076		75,814
Other non-current assets		8,169		10,736
Net current assets:—				
Stocks	69,578		49,298	
Other working capital	1,995		13,907	
Total working capital	71,573		63,205	
Borrowings	(15,610)		(2,623)	
Other current liabilities	(1,884)	54,079	(3,166)	57,416
		140,324		143,966

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		126,609	
Depreciation		90,961	
Net current cost			
31 December, 1980	48,428	29,648	78,076
Net current cost			
31 December, 1979	43,981	31,833	75,814

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, 1980.

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 the shareholders of the group 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 include an amount relating to the group's 50% interest in 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. The figures reported in 1979 were in compliance with ED24 which has now been superceded by SSAP 16. Accordingly the 1979 corresponding amounts have been restated in line with the policies referred to above.

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, 1980 amounted to £157,504,000 (1979—£149,463,000).

11. Current cost reserve

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

	£'000	£'000
Balance 1 January, 1980		46,998
Revaluation surpluses and deficits:—		
Fixed assets	5,220	
Stocks	6,053	
Investment in associated company	1,097	
Quoted investment	22	
Translation differences	(2,653)	
Monetary working capital adjustment	2,688	
Gearing adjustment	(1,084)	11,343
Balance 31 December, 1980		58,341

The total of £58,341,000 includes realised amounts of £10,913,000, 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	£'000
Balance 1 January, 1980		89,131
Current cost loss	(13,664)	
Dividends	(1,191)	(14,855)
Balance 31 December, 1980		74,276

AUDITORS' REPORT

Report of the auditors to the members of Hoover Limited

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 the group at 31 December 1980 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 1980.

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,
23 February 1981

DELOITTE HASKINS & SELLS,
Chartered Accountants

ANALYSIS OF SHAREHOLDERS

As at 31 December, 1980

	Ordinary Shares		'A' Ordinary Shares	
	Number	%	Number	%
The Hoover Company	5,557,609	72.74	5,836,995	47.80
Institutions—				
Banks and Nominees	495,062	6.48	2,823,961	23.13
Insurance Companies	544,688	7.13	915,535	7.50
Pension Funds	317,543	4.16	637,986	5.22
Other	198,329	2.60	532,045	4.36
Individuals	526,769	6.89	1,464,278	11.99
	<u>7,640,000</u>	<u>100.00</u>	<u>12,210,800</u>	<u>100.00</u>

NUMBER OF EMPLOYEES

As at 31 December

	1980	1979
UNITED KINGDOM		
Manufacturing—Perivale	1,518	1,716
Cambuslang	2,675	2,890
Merthyr Tydfil	3,786	4,047
Other—marketing, distribution, engineering, administration	2,245	2,498
	<u>10,224</u>	<u>11,151</u>
OVERSEAS SUBSIDIARIES		
Australia	1,226	1,065
South Africa	421	371
Austria	34	37
Portugal	53	53
Scandinavia	112	150
	<u>1,846</u>	<u>1,676</u>
OVERSEAS ASSOCIATED COMPANIES		
France	584	597
Germany	187	192
Benelux	68	78
Italy	69	76
Switzerland	49	57
	<u>957</u>	<u>1,000</u>
	<u>13,027</u>	<u>13,827</u>

TEN-YEAR SUMMARY

(£ millions)

Year ended 31 December	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971
Turnover	206.7	203.7	212.1	191.0	180.0	162.9	113.8	121.0	98.4	82.3
Trading profit before taxation:—										
Hoover Limited and Subsidiaries	(0.8)	2.4	4.7	13.0	14.1	18.7	3.7	18.6	15.9	9.4
Associated company	(0.6)	0.7	0.9	0.7	0.5	0.5	1.2	2.7	1.9	1.6
Total	(1.4)	3.1	5.6	13.7	14.6	19.2	4.9	21.3	17.8	11.0
Translation gains (losses)	(1.3)	(1.2)	(0.3)	(1.5)	2.4	1.5	(0.7)	2.7	1.7	—
Profit before taxation	(2.7)	1.9	5.3	12.2	17.0	20.7	4.2	24.0	19.5	11.0
Taxation	1.4	0.9	(0.6)	7.2	7.9	10.0	3.7	10.9	7.4	4.7
Profit after taxation	(4.1)	1.0	5.9	5.0	9.1	10.7	0.5	13.1	12.1	6.3
Dividends	1.2	2.4	2.4	2.9	2.6	2.4	2.3	2.1	2.2	*2.7
Profit retained (released)	(5.3)	(1.4)	3.5	2.1	6.5	8.3	(1.8)	11.0	9.9	3.6
Assets and shareholders' funds:—										
Fixed assets	31.7	31.0	30.2	24.6	19.9	19.1	18.7	15.5	13.3	13.3
Net current assets	53.5	57.4	60.2	65.2	64.2	58.2	42.8	50.1	43.4	31.1
Shareholders' funds	88.8	94.1	95.5	80.6	78.5	72.0	64.4	66.1	55.1	43.6
Profit before taxation to Shareholders' funds (%)	(3.0)	2.0	5.5	15.1	21.7	28.8	6.5	36.3	35.4	25.2
Results per share:—										
Earnings	(21p)	5p	30p	25p	46p	54p	3p	66p	61p	*32p
Dividends	6p	12p	12p	15p	13p	12p	11p	11p	10p	*14p
Employees (thousands) at 31 December	13.0	13.8	15.7	16.7	15.9	17.0	18.9	19.3	17.1	14.6

* In accordance with U.K. taxation legislation prior to the introduction of the imputation system.

Note:— 1980, 1979 and 1978 figures are based on the new accounting policy for deferred taxation. Prior years have not been restated.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the forty-fourth annual general meeting of the members of Hoover Limited will be held at the registered office of the company, Perivale, Greenford, Middlesex on 2 April, 1981 at 10 a.m. for the following purposes.

- 1 To receive the report of the directors and audited accounts for the year ended 31 December, 1980 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. P. R. Goode
 - (e) Mr. D. S. Perkins
 - (f) Mr. F. L. Tabacchi
 - (g) Mr. R. G. Tatschner
- 3 To re-appoint the auditors, Deloitte Haskins & Sells and to fix their remuneration.
- 4 To transact the other business of an annual general meeting.

By Order of the Board,
J. R. Turner,
Secretary.

Perivale, Greenford, Middlesex.
23 February 1981.

Notes

Members entitled to attend and vote at the meeting 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.

