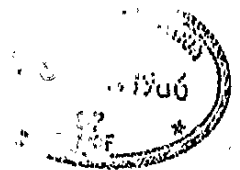


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HOOVER PLC

ART AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 DECEMBER 1985

HOOVER PLC

Company Number 325270

DIRECTORS' REPORT

The directors present their report and the financial statements for the year ended 31 December 1985.

Principal Activities and Business Review

The principal activities of the Group, in the United Kingdom and Overseas, are the manufacturing, marketing and servicing of domestic appliances. During the year, major improvements were made to the production facilities in our washing machine factory at Merthyr Tydfil as part of our continuing plan to improve production efficiency and reduce costs. These, and other, rationalisation measures led to a reduction of some 550 in the total number of UK employees.

Domestic appliance markets, in all countries in which the Group operates remained highly competitive, but particularly pleasing results were achieved by our Australian subsidiary.

In November, The Chicago Pacific Corporation effectively purchased all shares in The Hoover Company and is now the ultimate holding company of Hoover plc. Chicago Pacific's expressed strategy is to expand in the field of home products.

The directors of Hoover plc intend to continue modernising production facilities and seeking new product and business opportunities while striving for further improvements in productivity and keeping a tight control of costs throughout the Group.

Results

The Group profit before taxation amounted to £6,141,000 and the charge for taxation thereon amounted to £3,655,000.

Dividends and Reserves

No interim dividend for 1985 was paid and no final dividend for 1985 is recommended by the directors.

The release from the reserves of Hoover plc is £829,000.

Research and Development

The Group continues to maintain an extensive research and development programme directed towards the improvement in the design and features of existing domestic appliances and the introduction of new products.

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.

Charitable and Political Contributions

No charitable donations were made and no money was contributed for political purposes in the United Kingdom during the year.

Directors

Mr.R.G.Tatschner and Mr.D.A.Lefort resigned as directors of the Company on 28 February and 31 March 1985 respectively. The following were directors of the Company throughout 1985 and at the date of this report, other than Mr.P.H.J.Budd and Mr.D.F.Jessopp who were appointed on 21 October 1985:-

Mr.M.R.Rawson
Mr.P.R.Goode
Mr.H.Hill
Sir Peter Boon
Mr.P.H.J.Budd
Mr.J.R.Cutinella
Mr.D.F.Jessopp
Mr.D.S.Perkins
Mr.A.V.J.Simpson
Mr.F.L.Tabacchi
Mr.A.E.Williamson

Election of Directors

In accordance with the articles of association of the Company, Mr.M.R.Rawson, Mr.P.H.J.Budd, Mr.D.F.Jessopp, Mr.D.S.Perkins, Mr.A.V.J.Simpson, and Mr.A.E.Williamson retire from the board, and being eligible, offer themselves for re-election.

Employment Policies

It is the policy of the Company to keep its employees informed on matters concerning the progress and financial position of the Company. There continues to be close consultation between management and other employees on matters of mutual concern. The Company makes 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

11 February 1986

HOOVER PLC AND SUBSIDIARIES

AUDITORS' REPORT

Report of the auditors to the members

We have examined the financial statements of Hoover plc set out on pages 5 to 19. These have been prepared under the historical cost convention. Our audit was carried out in accordance with approved auditing standards. In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the group at 31 December 1985 and of the profit and source and application of funds of the group for the year then ended and comply with the Companies Act 1985.



ERNST AND WHINNEY
Chartered Accountants
London

11 February 1986

HOOVER PLC AND SUBSIDIARIES
GROUP PROFIT AND LOSS ACCOUNT
For the year ended 31 December 1985

	Notes	1985 £'000	1984 £'000
Turnover	2	233,797	232,994
Cost of sales		(171,513)	(170,060)
Gross profit		<u>62,284</u>	<u>62,934</u>
Distribution costs		(39,439)	(39,622)
Administrative expenses		(11,630)	(10,225)
Operating profit - Hoover plc and subsidiaries	3	<u>11,215</u>	<u>13,087</u>
Share of associated company operating profit		506	459
Operating profit		<u>11,721</u>	<u>13,546</u>
Interest (net)	4	(1,696)	(1,687)
Rationalisation costs		(3,884)	-
Profit on ordinary activities before taxation		<u>6,141</u>	<u>11,859</u>
Taxation:-	5		
Hoover plc and subsidiaries		(3,235)	(818)
Associated company		(420)	(125)
Profit on ordinary activities after taxation transferred to reserves		<u><u>2,486</u></u>	<u><u>10,916</u></u>
Earnings per share	6	13p	55p

The comparative figures for 1984 have been restated in accordance with the change in accounting policy for finance leases. A statement of reserves showing the prior year adjustment is included in note 18

HOOVER PLC AND SUBSIDIARIES

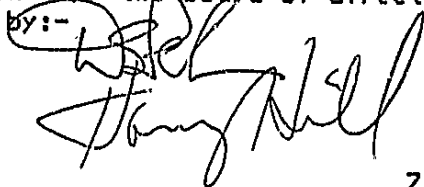
GROUP BALANCE SHEET
31 December 1985

	Notes	1985 £'000	1984 £'000
Fixed assets			
Tangible assets	8	33,669	29,368
Investments	9/11	7,417	7,716
		<u>41,086</u>	<u>37,084</u>
Current assets			
Stocks	12	43,133	50,177
Debtors	13	42,450	42,800
Short term deposits		5,989	10,545
Cash at bank and in hand		444	684
		<u>92,016</u>	<u>104,206</u>
Creditors: Amounts falling due within one year			
Bank borrowing		(9,672)	(11,923)
Other	14	(50,015)	(50,601)
		<u>32,329</u>	<u>41,682</u>
Net current assets			
		<u>60,687</u>	<u>62,524</u>
Total assets less current liabilities			
		<u>73,415</u>	<u>78,766</u>
Creditors: Amounts falling due after more than one year			
	15	(9,131)	(8,531)
Provisions for liabilities and charges			
	16	(491)	(278)
		<u>63,793</u>	<u>69,957</u>
Capital and reserves			
Called up share capital	17	4,963	4,963
Share premium account		939	939
Revaluation reserve		1,901	1,901
Other reserves	18	2,518	2,503
Profit and loss account	18	53,472	59,651
		<u>63,793</u>	<u>69,957</u>

HOOVER PLC
BALANCE SHEET
31 December 1985

	Notes	1985 £'000	1984 £'000
Fixed assets			
Tangible assets	8	26,313	21,576
Investments	9/11	5,315	5,522
		-----	-----
		31,628	27,098
Current assets			
Stocks	12	34,777	37,546
Debtors	13	30,278	28,904
Cash at bank and in hand		52	129
		-----	-----
		65,107	66,579
Creditors: Amounts falling due within one year			
Bank borrowing		(7,963)	(9,646)
Other	14	(39,764)	(35,417)
		-----	-----
Net current assets		17,380	21,516
		-----	-----
Total assets less current liabilities		49,008	48,614
Creditors: Amounts falling due after more than one year			
	15	(7,707)	(6,484)
		-----	-----
		41,301	42,130
		=====	=====
Capital and reserves			
Called up share capital	17	4,963	4,963
Share premium account		939	939
Revaluation reserve		1,489	1,489
Other reserves	18	2,203	2,203
Profit and loss account	18	31,707	32,536
		-----	-----
		41,301	42,130
		=====	=====

Approved by the board of directors on 11 February 1986 and signed on its behalf by:-



)
) Directors

HOOVER PLC AND SUBSIDIARIES
SOURCE AND APPLICATION OF FUNDS

SOURCE OF FUNDS	1985 £'000	1984 £'000
Profit before taxation	6,141	11,859
Items not involving the movement of funds		
Movement in investment in the associated company	299	(870)
Depreciation	5,661	5,598
Currency translation differences	(5,808)	1,167
Total funds generated from operations	<u>6,293</u>	<u>17,754</u>
Funds from other sources		
Fixed asset disposals	771	282
	<u>7,064</u>	<u>18,036</u>
 APPLICATION OF FUNDS		
Purchase of fixed assets	13,575	6,660
Corporate taxes paid	3,253	584
	<u>16,828</u>	<u>7,244</u>
Increase (decrease) in working capital		
(Decrease) increase in stocks	(7,044)	1,992
Increase in debtors	528	5,883
(Increase) in creditors	(703)	(3,209)
	<u>9,609</u>	<u>11,910</u>
 (DECREASE) INCREASE IN NET LIQUID FUNDS	<u>(2,545)</u>	<u>6,126</u>

HOOVER PLC AND SUBSIDIARIES
STATEMENT OF ACCOUNTING POLICIES

Basis of accounting

The Company prepares its annual accounts on the historical cost basis of accounting.

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 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 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.

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.

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.

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.

Finance leases

The basis of accounting for finance leases has been changed to comply with the statement of standard accounting practice number 21. Finance leases have been recorded in the balance sheet as assets and as an obligation to pay future rental.

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

Assets leased under finance leases are depreciated over their useful lives as set out above or the lease term, if shorter.

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.

HOOPER PLC AND SUBSIDIARIES

NOTES ON ACCOUNTS

1 Profit for the financial year

In accordance with the exemption allowed by Section 228 (7) of the Companies Act 1985 the company has not presented its own profit and loss account. Note 18 shows the retained profit for the year of the company.

2 Analysis of group turnover	1985 £'000	1984 £'000
Europe	174,160	164,090
Australasia, Africa, and Asia	59,059	68,487
The Americas	578	417
	<u>233,797</u>	<u>232,994</u>

3 Operating profit

Operating profit of Hoover plc and its subsidiaries, is arrived at after charging:-

Depreciation - owned assets	4,059	4,401
- assets held under finance leases	1,602	1,197
Auditors' remuneration	105	133
Hire of plant and machinery - operating leases	1,115	1,192
Hire of other assets - operating leases	946	975
and after crediting:-		
Government grants	590	647

4 Interest

Interest payable on overdrafts and loans	2,377	2,000
Finance charges payable - finance leases	435	427
Interest receivable	(1,090)	(714)
Income from listed fixed asset investments	(26)	(26)
	<u>1,696</u>	<u>1,687</u>

5 Taxation

The charge is arrived at as follows:-
 Overseas taxation including share of taxation of
 associated company
 Transfer to (from) deferred taxation

1985
 £'000

1984
 £'000

3,352	3,241
444	(2,340)
-----	-----
3,796	901
(141)	42
-----	-----
3,655	943
=====	=====

The UK corporation taxation charge has been eliminated by trading losses brought forward.

6 Earnings per share

The calculations of earnings per share are based on earnings of £2,486,000 (1984-£10,916,000), and 7,640,000 ordinary and 12,210,800 'A' non-voting ordinary shares in issue throughout the two years ended 31 December 1985.

7 Emoluments of directors and employees

The fees of Hoover plc directors amounted to £5,000 (1984-£5,000) and other emoluments, including pension contributions, to £359,000 (1984-£367,000). The duties of the Chairman and four other directors arose mainly outside the United Kingdom.

The emoluments (excluding pension contributions) of the highest paid director amounted to £87,000 (1984-£96,000). Compensation of £25,000 was paid to a director for loss of office.

The number of other directors and employees with emoluments in excess of £30,000, fall into the following scales:-

	Directors		Other employees	
	1985	1984	1985	1984
£1-£5,000				
£5,001-£10,000	-	1		
£10,001-£15,000	2	-		
£15,001-£20,000	1	-		
£20,001-£25,000	1	-		
£25,001-£30,000	-	1		
£30,001-£35,000	-	-		
£35,001-£40,000	-	-	5	3
£40,001-£45,000	-	-	4	4
£45,001-£50,000	-	1	3	2
£50,001-£55,000	1	-	-	1
£55,001-£60,000	1	-	-	-
£60,001-£65,000	1	1	-	-
£65,001-£70,000	-	1	-	-

7 Emoluments of directors and employees (cont)

Employment costs include the following amounts:-

	1985 £'000	1984 £'000
Wages and salaries	59,477	58,599
Social security costs	4,331	5,858
Pension costs	2,057	2,130

The average number of employees during the year was:-

	1985	1984
United Kingdom	5,526	5,851
Overseas	1,444	1,530
	<u>6,970</u>	<u>7,381</u>

Tangible fixed assets	Land and buildings £'000	Plant, machinery, tooling, equipment £'000	Total £'000
Group			
at 31 December 1984	19,533	57,245	76,778
change adjustments	(1,230)	(5,446)	(6,676)
capital expenditure	2,188	11,387	13,575
disposals	(839)	(6,264)	(7,103)
at 31 December 1985	<u>19,652</u>	<u>56,922</u>	<u>76,574</u>
at 31 December 1984	8,156	39,254	47,410
change adjustments	(365)	(3,469)	(3,834)
disposals	549	5,112	5,661
at 31 December 1985	<u>7,835</u>	<u>35,070</u>	<u>42,905</u>
net book value at 31 December 1985	<u>11,817</u>	<u>21,852</u>	<u>33,669</u>

net book value of fixed assets of £33,669,000 includes an amount of £2,000 in respect of assets held under finance leases.

8 Tangible fixed assets (cont)	Land and buildings £'000	Plant, machinery, tooling, equipment £'000	Total £'000
Hoover plc			
Cost at 31 December 1984	15,595	41,859	57,454
Capital expenditure	2,182	7,838	10,020
Disposals	(831)	(5,774)	(6,605)
Cost at 31 December 1985	<u>16,946</u>	<u>43,923</u>	<u>60,869</u>
Depreciation at 31 December 1984	6,990	28,888	35,878
Charge for the year	497	4,066	4,563
Disposals	(497)	(5,388)	(5,885)
Depreciation at 31 December 1985	<u>6,990</u>	<u>27,566</u>	<u>34,556</u>
Net book value at 31 December 1985	<u>9,956</u>	<u>16,357</u>	<u>26,313</u>

The net book value of fixed assets of £26,313,000 includes an amount of £7,267,000 in respect of assets held under finance leases.

	The Group		Hoover plc	
	1985 £'000	1984 £'000	1985 £'000	1984 £'000
Land and buildings comprise:-				
Freehold land and buildings	11,885	11,194	9,179	7,266
Short term leasehold buildings	7,767	8,339	7,767	8,329
	<u>19,652</u>	<u>19,533</u>	<u>16,946</u>	<u>15,595</u>

The approximate amounts of future capital expenditure not dealt with in these accounts are:-				
In respect of contracts placed	4,300	3,300	3,700	2,000
Authorised by the directors but not yet committed	13,000	17,500	12,800	15,500

Fixed asset investments

The Group	Associated company £'000	Other investments £'000	Total £'000
Cost			
At 31 December 1984			
and at 31 December 1985	<u>3,107</u>	<u>398</u>	<u>3,505</u>
Share of post acquisition reserves			
At 31 December 1984	4,211		4,211
Loss for year	(424)		(424)
Currency translation differences	125		125
At 31 December 1985	<u>3,912</u>		<u>3,912</u>
Net book value at 31 December 1985	<u>7,019</u>	<u>398</u>	<u>7,417</u>

The loss for the year includes £510,000 shown as rationalisation costs in the Profit and Loss Account.

Hoover plc	Subsidiaries £'000	Associated company £'000	Other investments £'000	Total £'000
Cost				
At 31 December 1984	2,741	3,107	398	6,246
Disposals	(722)	-	-	(722)
At 31 December 1985	<u>2,019</u>	<u>3,107</u>	<u>398</u>	<u>5,524</u>
Amounts written off				
At 31 December 1984	724	-	-	724
Amount written back	(515)	-	-	(515)
At 31 December 1985	<u>209</u>	<u>-</u>	<u>-</u>	<u>209</u>
Net book value at 31 December 1985	<u>1,810</u>	<u>3,107</u>	<u>398</u>	<u>5,315</u>

Other investments of £398,000 comprise investments listed on a recognised stock exchange. Their market value at 31 December 1985 was £379,000 (1984-£366,000).

10 Shares in subsidiaries

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

Manufacturing and marketing domestic appliances		
Hoover (Australia) Pty. Ltd.		Australia
Hoover S.A. (Proprietary) Ltd.		South Africa
Hoover Electrica Portuguesa Lda.		Portugal
Marketing domestic appliances		
Hoover (Zimbabwe)(Pvt.) Ltd.		Zimbabwe
Hoover Oy.		Finland
Hoover Austria Ges.m.b.H.		Austria

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

11 Investment in associated company

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.

12 Stocks comprise

	The Group		Hoover plc	
	1985 £'000	1984 £'000	1985 £'000	1984 £'000
Raw materials and consumables	6,317	7,426	3,704	3,966
Work in progress	11,437	12,558	11,023	12,068
Finished goods	25,379	30,193	20,050	21,512
	<u>43,133</u>	<u>50,177</u>	<u>34,777</u>	<u>37,546</u>

13 Debtors comprise

Trade debtors	36,939	35,510	26,310	23,627
Amounts owed by subsidiaries	-	-	444	897
Amounts owed by fellow subsidiaries	46	53	46	53
Amounts owed by associated companies	1,679	2,339	1,685	2,384
Other debtors	1,977	2,142	1,583	1,512
Prepayments and accrued income	467	536	210	431
Deferred taxation (note 16)	1,342	2,220	-	-
	<u>42,450</u>	<u>42,800</u>	<u>30,278</u>	<u>28,904</u>

Trade debtors include £2,092,000 (1984-nil) falling due after more than one year.

	The Group		Hoover plc	
	1985 £'000	1984 £'000	1985 £'000	1984 £'000
14 Creditors: Amounts falling due within one year comprise				
Trade creditors	22,084	20,002	18,830	15,191
Bills of exchange payable	-	29	-	-
Amounts owed to fellow subsidiaries and holding company	988	2,038	953	1,771
Amounts owed to associated companies	3,168	2,965	2,626	2,175
Taxation and social security	7,461	8,784	4,309	4,919
Other creditors	278	260	263	168
Accruals and deferred income	14,378	15,344	11,145	10,052
Obligations under finance leases	1,658	1,179	1,638	1,141
	<u>50,015</u>	<u>50,601</u>	<u>39,764</u>	<u>35,417</u>

15 Creditors: Amounts falling due after more than one year comprise

Other creditors	2,072	2,085	1,577	1,577
Accruals and deferred income	1,838	2,564	923	1,077
Obligations under finance leases:-				
payable 1907 to 1990	3,325	1,851	3,311	1,799
payable after 1990	1,896	2,031	1,896	2,031
	<u>9,131</u>	<u>8,531</u>	<u>7,707</u>	<u>6,484</u>

16 Provisions for liabilities and charges comprise

	The Group £'000	Hoover plc £'000
Deferred taxation		
At 31 December 1984	278	-
Charged to profit and loss	444	-
Exchange adjustments	647	-
Transferred from debtors	(878)	-
	<u>491</u>	<u>-</u>
At 31 December 1985		

Debtors include deferred taxation of £1,342,000. The net amount of £851,000 comprises:

The taxation provision on the difference between the net book value of fixed assets and their written down values for taxation purposes	(396)	-
Other timing differences	(455)	-
	<u>(851)</u>	<u>-</u>

16 Provision for liabilities and charges (cont)

If provision had been made for all timing differences the liability at 31 December 1985 after deducting taxation losses carried forward would have been:

	The Group £'000	Hoover plc £'000
The taxation provision on the difference between the net book value of fixed assets over their written down values for taxation purposes	(4)	392
Other timing differences	(847)	(392)
	<u>(851)</u>	<u>-</u>

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

17 Share capital of Hoover plc

	Authorised 1985 & 1984 £'000	Issued and fully paid	
		1985 £'000	1984 £'000
7,640,000 ordinary shares of 25p each issued	1,920	1,910	1,910
12,210,800 'A' non-voting 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 Chicago Pacific Corporation, incorporated in the U.S.A., who, through a wholly owned subsidiary acquired the share capital of The Hoover Company during 1985, who together with its nominees hold all the issued share capital of Hoover plc.

18 Reserves	The Group		Hoover plc	
	1985 £'000	1984 £'000	1985 £'000	1984 £'000
Other reserves				
At 31 December 1984	2,503	2,503	2,203	2,203
Transfer to Profit and Loss account	15	-	-	-
At 31 December 1985	<u>2,518</u>	<u>2,503</u>	<u>2,203</u>	<u>2,203</u>

18 Reserves (cont)	The Group		Hoover plc	
	1985 £'000	1984 £'000	1985 £'000	1984 £'000
Profit and loss account At 31 December 1984	60,398	47,524	33,279	27,480
Adjustment in respect of change in basis of accounting for finance leases	(747)	(645)	(749)	(641)
Opening balance restated	59,651	46,879	32,536	26,839
(Released) Retained during year	2,486	10,916	(829)	5,697
Transfer from Other Reserves	(15)	-	-	-
Currency translation differences	(8,650)	1,856	-	-
At 31 December 1985	<u>53,472</u>	<u>59,651</u>	<u>31,707</u>	<u>32,536</u>

19 Contingent liabilities comprise

Guarantees in respect of borrowings by wholly owned subsidiaries	-	-	400	600
Customs and Excise guarantees	1,100	1,100	1,100	1,100
Other trading guarantees	200	250	50	50
	<u>1,300</u>	<u>1,350</u>	<u>1,550</u>	<u>1,750</u>

20 Operating lease commitments

The annual commitments under non-cancellable operating leases comprise:-

Land & building leases which expire:-				
within one year	60	82	-	25
in 1987 to 1990	103	117	35	14
after 1990	799	761	799	761
Other leases which expire:-				
within one year	24	66	-	24
in 1987 to 1990	125	112	69	-
after 1990	-	-	-	-
	<u>1,111</u>	<u>1,138</u>	<u>903</u>	<u>824</u>

21 Pension commitments

The Group has a number of pension schemes for its employees. The latest actuarial valuations of the major schemes indicated that there were sufficient assets in each of the funds to secure the benefits of existing pensioners and to provide paid up pensions to present employees on the basis of present salaries and credited periods of service.