

MORPHY RICHARDS LIMITED

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

31 March 1982

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



MORPHY RICHARDS LIMITED

REPORT OF THE DIRECTORS

The directors present their annual report and audited financial statements in respect of the year ended 31 March 1982.

1. ACTIVITIES

On 1 April 1981 the manufacture and distribution of portable electrical appliances, previously operated as a division of Hotpoint Limited, was transferred to the company. On that date the assets and liabilities relating to these activities were transferred to the company at book value.

The activities of the company throughout the year have been the manufacture, distribution and servicing of portable electrical appliances.

2. RESULTS

The results for the year are as follows:

	£000's
Trading profit for the year	138
Less interest	<u>190</u>
Loss before taxation	(52)
Exceptional items	<u>(291)</u>
	(343)
Taxation	<u>Nil</u>
Loss after taxation retained	<u>(343)</u>

As the company's activities were carried out as a division of Hotpoint Limited in the previous year, no comparative figures are available for the profit and loss account.

3. DIVIDENDS

The directors do not recommend a dividend on the share capital of the company in respect of the year.

4. DIRECTORS

The persons who were directors are set out below:

C.S. Schreiber	(Chairman)	- resigned 31 March 1982
B.A. Solomon	(Chairman)	- appointed 2 April 1982
B.S. Wolfe	(Managing Director)	
P.R. Brettell		- resigned 31 March 1982
K. Brookes		- "
P.R. Sansom		- "
D.H. Thomas		

MORPHY RICHARDS LIMITED

REPORT OF THE DIRECTORS
(continued)

4. DIRECTORS (continued)

Messrs. C.S. Schreiber, K. Brookes and D.H. Thomas are directors of the previous holding company, GEC Schreiber Limited, and their declarable interests in the shares and debentures of that group are disclosed in that company's accounts.

Mr. P.R. Sansom's declarable interest at 1 April 1982 was the beneficial interest in 10,500 ordinary shares of 25p each in The General Electric Company plc, (at 31 March 1982 - 28,136 shares).

The interests of Messrs. B.S. Wolfe and P.R. Brettell in the shares of the company's immediate holding company, Morphy Richards Holdings Limited, are disclosed in the financial statements of that company.

5. FIXED ASSETS

On 1 April 1981 the manufacturing assets were acquired from Hotpoint Limited at their book value of £2,486,000. Additions to fixed assets since that date amounted to £592,000 of which £500,000 related to the acquisition of the freehold factory, at market value from which the operations are carried out.

6. EXPORTS

The value of goods exported by the company from the United Kingdom was £422,000.

7. DONATIONS

The company made no donations of a charitable or of a political nature during the year.

8. EMPLOYMENT OF DISABLED PERSONS

The company's policy and practice is to encourage and assist the employment of disabled people, their recruitment, training, career development and promotion; and the retention of employees who become disabled.

9. OWNERSHIP OF THE COMPANY

On 1 April 1981 the share capital of the company was sold by the company's previous parent company, Hotpoint Limited, to the holding company, GEC Schreiber Limited. During the year under review the ultimate holding company was The General Electric Company plc.

On 31 March 1982 there was a share capital reconstruction immediately prior to the change of ownership of the company, which is, at the date of this report a subsidiary of Morphy Richards Holdings Limited whose parent company is Capital For Industry Limited and whose ultimate holding company is Throgmorton Trust p.l.c.

MORPHY RICHARDS LIMITED

REPORT OF THE DIRECTORS
(continued)

10. EXTRAORDINARY GENERAL MEETING

Prior to the change of ownership of the company the share capital was increased and altered with the approval of an Extraordinary General Meeting of Members held on 31 March 1982.

The authorised share capital was increased to £600,000 by the creation of 100,000 new ordinary shares of £1 each, capitalising £100 from reserves and utilising those funds in paying-up in full at per 100 new ordinary shares of £1 each, such shares being appropriated as capital and allotted to the persons then being registered holders of the issued ordinary shares of £1 each; and converting each of the original 500,000 ordinary shares of £1 each into deferred shares of £1 each.

In addition, at the same Extraordinary General Meeting, the Articles of Association of the company were amended to incorporate certain rights, privileges and restrictions attaching to the converted deferred shares.

11. AUDITORS

Due to the change in the ownership of the company the present auditors, Messrs. Touche Ross & Co. will not seek re-election at the forthcoming Annual General Meeting. Messrs. Thomson McLintock & Co. will be proposed as auditors of the company at that meeting.

12. COMPANY SECRETARY

Mr. J.H. Butcher resigned as company secretary on 31 March 1982 and Mr. M.A. Jones was appointed in his place.

By order of the Board

M. JONES

Secretary

Mexborough

20 December 1982.

AUDITORS' REPORT TO THE MEMBERS

of

MORPHY RICHARDS LIMITED

We have audited the financial statements on pages 5 to 12 in accordance with approved Auditing Standards.

In our opinion the financial statements, which have been prepared under the historical cost convention, give a true and fair view of the state of the company's affairs at 31 March 1982 and of its loss and of its source and application of funds for the year then ended and comply with the Companies Acts 1948 to 1981.

Touche Ross & Co.

20 December 1982

Chartered Accountants.

MORPHY RICHARDS LIMITED

PROFIT AND LOSS ACCOUNT

for the year ended 31 March 1982

	Notes	1982 £000's	1981 £000's
SALES	1	11,330 =====	Nil ===
TRADING PROFIT before interest	2	138	-
Interest	3	<u>190</u>	<u>-</u>
LOSS BEFORE TAXATION		(52)	-
Exceptional items	4	<u>(291)</u>	<u>-</u>
		(343)	-
Taxation		<u>-</u>	<u>-</u>
LOSS AFTER TAXATION RETAINED and transferred to reserves	10	(343) =====	- ===

MORPHY RICHARDS LIMITED
BALANCE SHEET 31 March 1982

	Notes	1982 £000's	1981 £000's
EMPLOYMENT OF CAPITAL			
Current assets	6	4,515	1,787
Current liabilities	7	<u>2,783</u>	<u>-</u>
		1,732	1,787
Fixed assets	8	<u>2,429</u>	<u>-</u>
		<u>4,161</u> =====	<u>1,787</u> =====
CAPITAL EMPLOYED			
Shareholders' interests			
Share capital	9	500	500
Reserves	10	<u>943</u>	<u>1,287</u>
		1,443	1,787
Loan due to Hotpoint Limited	11	<u>2,718</u>	<u>-</u>
		<u>4,161</u> =====	<u>1,787</u> =====

The financial statements were approved by the Board of Directors on 20 December 1982.

B. WOLFE

B.A. SOLOMON

Directors

Handwritten signatures of B. Wolfe and B.A. Solomon

MORPHY RICHARDS LIMITED

STATEMENT OF SOURCE AND APPLICATION OF FUNDS

for the year ended 31 March 1982

	1982		1981	
	£000's	£000's	£000's	£000's
SOURCE OF FUNDS				
Retained		(343)		-
Adjustment for items not involving the movement of funds:				
Profit on sale of fixed assets		(21)		-
Warranty provision		160		-
Depreciation		648		-
Reorganisation provision		<u>31</u>		<u>-</u>
TOTAL GENERATED FROM OPERATIONS		475		-
Disposal of fixed assets		21		-
Loan from fellow subsidiary		<u>4,505</u>		<u>-</u>
		5,001		-
		=====		=====
APPLICATION OF FUNDS				
Purchase of fixed assets		3,078		-
Increase in working capital				
Increase in stocks	2,455			-
Increase in debtors	2,028			-
Increase in amount due by fellow subsidiaries	32			-
(Increase in creditors)	(2,552)			-
(Increase in amount due to fellow subsidiaries)	<u>(40)</u>			<u>-</u>
		1,923		-
		5,001		-
		=====		=====

MORPHY RICHARDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 March 1982

1. SALES

Sales represent the net value of goods sold, exclusive of value added tax, including sales to other group companies.

2. PROFIT FOR THE YEAR BEFORE INTEREST

	1982 £000's	1981 £000's
(a) The profit for the year is after charging:		
Depreciation	648	-
Auditors' remuneration	8	-
Hire of plant and equipment (See note 2(d))	137	-
Directors' remuneration (See note 2(b))	18	-
(b) Additional information concerning directors' emoluments is as follows:		
(i) Emoluments of the chairman	Nil	Nil
(ii) Emoluments of the highest paid director	16	-
(iii) Other directors had emoluments within the indicated ranges:		
£Nil	4	1
£1 - £5,000	1	-

Management charges are rendered by a fellow subsidiary company for the services provided by the managing director.

- (c) The reorganisation provision provided in previous years, when the company's activities were operated as a division of Hotpoint Limited, has been applied as follows:

	1982 £000's
Provision transferred from Hotpoint Limited	
1 April 1981	550
Less applied during the year	(100)
Add additionally provided during the year (Note 4)	<u>31</u>
Balance carried forward 31 March 1982	481
	===

- (d) Plant rentals include the cost of leasing rentals for plant and equipment, the original cost of which was approximately £451,000.

Future commitments under these lease agreements amount to approximately £50,000.

MORPHY RICHARDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 March 1982
(continued)

3. INTEREST

The interest charged in the financial statements is as follows:

	£000's
Interest on loan from fellow subsidiary	170
Other financial charges	<u>20</u>
	190
	===

4. EXCEPTIONAL ITEMS

	£000's
Increase in warranty provision	160
Increase in reorganisation provision for fixed assets	31
Increase in depreciation provision	<u>100</u>
	291
	===

5. TAXATION

In accordance with the Statement of Standard Accounting Practice No. 15 on deferred taxation, provision at the current rate of 52% is made only for taxation liabilities which in the opinion of the directors may crystallise in the foreseeable future.

No provision for UK taxation is required due to the incidence of trading losses. Tax losses of £2,150,000 were transferred from Hotpoint Limited at 1 April 1981, and at 31 March 1982, there are tax losses of approximately the same amount available to offset the liability to taxation on future profits of the company.

Deferred taxation

No provision for deferred taxation is required at 31 March 1982 (1981 - Nil).

There was no potential liability at 31 March 1982 and the analysis is as follows:

	£000's
Excess of capital allowances over depreciation	1,110
Future benefit of tax losses carried forward	(876)
Other timing differences	<u>(234)</u>
	Nil
	=====

MORPHY RICHARDS LIMITEDNOTES TO THE FINANCIAL STATEMENTS 31 March 1982
(continued)

6. CURRENT ASSETS

	1982 £000's	1981 £000's
Trade and other debtors	2,028	-
Inventory	2,455	-
Amounts due from:		
Fellow subsidiary companies	32	-
Hotpoint Limited	-	1,787
	<u>4,515</u>	<u>1,787</u>

The inventory has been valued at the lower of cost and net realisable value. Cost is represented by raw materials, labour and manufacturing overheads and comprises:

	1982 £000's	1981 £000's
Finished goods	1,602	-
Factory stocks and work-in-progress	<u>853</u>	<u>-</u>
	<u>2,455</u>	<u>-</u>

7. CURRENT LIABILITIES

	1982 £000's	1981 £000's
Trade and other creditors	1,862	-
Amount due to fellow subsidiary companies	40	-
Provision for warranty claims	400	-
Reorganisation provision	<u>481</u>	<u>-</u>
	<u>2,783</u>	<u>-</u>

8. FIXED ASSETS

	Freehold land and buildings £000's	Plant and equipment £000's	Total £000's
Transfer from Hotpoint Limited on 1 April 1981	-	6,417	6,417
Additions at cost	541	51	592
Disposals at cost	<u>-</u>	<u>(587)</u>	<u>(587)</u>
Cost at 31 March 1982 carried forward	541	5,881	6,422

MORPHY RICHARDS LIMITED

NOTES TO THE FINANCIAL STATEMENTS 31 March 1982
(continued)

8. FIXED ASSETS (continued)

	Freehold land and buildings £000's	Plant and equipment £000's	Total £000's
Cost at 31 March 1982 brought forward	541	5,881	6,422
Transfer from Hotpoint Limited on 1 April 1981	-	3,932	3,932
Depreciation on disposals	-	(587)	(587)
Charged to profit and loss account	-	648	648
Depreciation at 31 March 1982	-	3,993	3,993
Net book value at 31 March 1982	£541 ===	£1,888 =====	£2,429 =====
31 March 1981	Nil ===	Nil =====	Nil =====

Depreciation

- (a) Freehold land - Depreciation is not provided on freehold land as the directors do not consider this necessary.
- (b) Freehold buildings - Depreciation is provided on the straight line basis at 4% per annum.
- (c) Plant, equipment and transport - Depreciation is provided by equal annual instalments over the anticipated lives of the assets at rates of not less than 10% per annum.

The cost of assets which were fully depreciated at 31 March 1982 amounted to £1,974,000.

Included in fixed assets are items with a book value of £511,000, which are no longer in use. The reorganisation provision of £481,000 at 31 March 1982 is the estimated loss that will arise on their disposal.

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

	1982 £000's	1981 £000's
Commitments contracted at 31 March	1	-
Authorised but not committed at 31 March	14	-

MORPHY RICHARDS LIMITEDNOTES TO THE FINANCIAL STATEMENTS 31 March 1982
(continued)

9. SHARE CAPITAL

	1982		1981
	<u>Authorised</u>	<u>Issued and</u>	<u>Authorised,</u>
	<u>£</u>	<u>fully paid</u>	<u>issued and</u>
		<u>£</u>	<u>fully paid</u>
			<u>£</u>
Ordinary shares of £1 each	-	-	500,000
New ordinary shares of £1 each	100,000	100	-
Deferred shares of £1 each	<u>500,000</u>	<u>500,000</u>	-
	£600,000	£500,100	£500,000
	=====	=====	=====

The changes in the share capital of the company were approved by special resolutions passed at the Extraordinary General Meeting held on 31 March 1982.

10. RESERVES

	<u>Share</u>	<u>Non-</u>	<u>Distributable</u>	<u>Total</u>
	<u>account</u>	<u>distributable</u>	<u>£</u>	<u>£</u>
	<u>£</u>	<u>£</u>		
Reserves at 31 March 1981	1,102,816	212,456	(28,477)	1,286,795
Applied in accordance with Special Resolution dated 31 March 1982 for new ordinary shares	(100)	-	-	(100)
Retained for year	<u>-</u>	<u>(212,456)</u>	<u>(130,967)</u>	<u>(343,423)</u>
Reserves at 31 March 1982	£1,102,716	£ Nil	£(159,444)	£ 943,272
	=====	=====	=====	=====

11. LOAN DUE HOTPOINT LIMITED

The loan due to Hotpoint Limited arose in the main from the acquisition of the manufacturing assets and debtors, less liabilities at 1 April 1981, after setting off the loan due from that company at 1 April 1981, and other inter-company transactions during the year. The balance due at 31 March 1982 amounting to £2,718,000, was substantially repaid on 2 April 1982.

12. ULTIMATE HOLDING COMPANY

The ultimate holding company at 31 March 1982 was The General Electric Company p.l.c (GEC), which is incorporated in Great Britain. After the change in ownership on 2 April 1982 the parent company is Capital For Industry Limited whose ultimate holding company is Throgmorton Trust p.l.c., which is incorporated in Great Britain.

13. INCOME AND CORPORATION TAXES ACT 1979 - CLOSE COMPANY PROVISIONS

The close company provisions of the Income and Corporation Taxes Act 1970 do not apply to the company.