

New World Holdings Limited

Annual report for the year ended 31 December 1996

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Directors and advisers

Directors

M Cola

E Del Neri

C Nicolai

F Santini

Registered Auditors

Coopers & Lybrand

Abacus Court

6 Minshull Street

Manchester

M1 3ED

Secretary and registered office

S Amin

Grappenhall Works

Thelwall Lane

Warrington

Cheshire

Solicitors

Stephenson Harwood

1 St Pauls Churchyard

London

EC4M 8SH

Bankers

National Westminster Bank PLC

55 King Street

Manchester

M60 2DB

**Directors' report
for the year ended 31 December 1996**

The directors present their report and the audited financial statements for the year ended 31 December 1996.

Principal activities

The company's principal activity is that of a holding company.

Review of business

The company has not traded during the year.

Directors

The directors of the company at 31 December 1996, all of whom have been directors for the whole of the year ended on that date, are listed on page 1.

Directors' interests in shares of the company

No director had any interests in the shares of the company at 31 December 1996.

Directors' responsibilities

The directors are required by UK company law to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit or loss of the company for that period.

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 December 1996. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

A resolution to reappoint the auditors, Coopers & Lybrand, will be proposed at the annual general meeting.

By order of the board

A handwritten signature in cursive script, appearing to read 'M Cola'.

M Cola

Director

12 May 1997

Report of the auditors to the members of New World Holdings Limited

We have audited the financial statements on pages 5 to 9.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

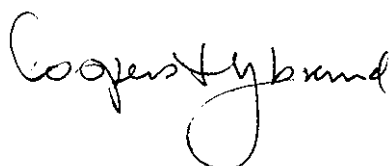
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 December 1996 and have been properly prepared in accordance with the Companies Act 1985.



Coopers & Lybrand

Chartered Accountants and Registered Auditors
Manchester
12 May 1997

**Profit and loss account
for the year ended 31 December 1996**

	Year ended 31 December 1996 £	17 months ended 31 December 1995 £
Turnover	-	-
Cost of sales	-	-
Gross profit	-	-
Finance costs arising from the management buy-in	-	(353,998)
Loss on ordinary activities before taxation	-	(353,998)
Tax on loss on ordinary activities	-	-
Retained loss for the financial year	-	(353,998)

The company has not traded during the current year.

The company has no recognised gains and losses other than the losses shown above and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalents.

**Balance sheet
at 31 December 1996**

	Notes	1996 £	1995 £
Fixed assets			
Investments	2	192,130	192,130
Current assets			
Debtors: amounts due from fellow subsidiary		3,194,704	3,194,704
Net assets		<u>3,386,834</u>	<u>3,386,834</u>
Capital and reserves			
Called up share capital	3	2,758,294	2,758,294
Share premium	5	982,538	982,538
Profit and loss account	5	(353,998)	(353,998)
Shareholders' funds		<u>3,386,834</u>	<u>3,386,834</u>
Equity interests		696,584	696,584
Non-equity interests		<u>2,690,250</u>	<u>2,690,250</u>
		<u>3,386,834</u>	<u>3,386,834</u>

The financial statements on pages 5 to 9 were approved by the board of directors on 12 May 1997 and were signed on its behalf by:


M Cola
Director

**Notes to the financial statements
for the year ended 31 December 1996**

1 Principal accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important policies, which have been applied consistently, is set out below.

Basis of accounting

The financial statements are prepared in accordance with the historical cost convention.

Investments

Investments are stated at the lower of cost and net realisable value.

Exemption from preparing consolidated financial statements

The financial statements contain information about New World Holdings Limited as an individual company and do not contain consolidated financial information as the parent of a group. The company is exempt under section 228 of the Companies Act 1985 from the requirement to prepare consolidated financial statements as it and its subsidiary undertakings are included by full consolidation in the consolidated financial statements of its ultimate parent, Merloni Elettrodomestici S.p.A, a company registered in Italy

2 Fixed asset investments

	Investments in subsidiary undertakings £
Cost	
At 1 January 1996 and 31 December 1996	192,130

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Details of the investments in subsidiaries is presented below:

Name of undertaking	Country of incorporation or registration	Shares held	Proportion of shares held %	Description of activities
New World (Group) Limited	England and Wales	Ordinary	100	Manufacturer of domestic appliances
New World Domestic Appliances Limited	England and Wales	Ordinary	100	Dormant
Cobco (137) Limited	England and Wales	Ordinary	100	Dormant

All the above companies operate principally in their country of incorporation or registration.

The company and its subsidiaries are included in the consolidation of Merloni Elettrodomestici S.p.A, a company registered in Italy.

3 Called up share capital

	1996 £	1995 £
Authorised		
213,720 ordinary shares of 10p each	21,372	21,372
3,587,000 cumulative redeemable preference shares of 75p each	2,690,250	2,690,250
467,000 cumulative participating preferred ordinary shares of 10p each	46,700	46,700
	<u>2,758,322</u>	<u>2,758,322</u>
Allotted, called up and fully paid		
213,442 ordinary shares of 10p each	21,344	21,344
3,587,000 cumulative redeemable preference shares of 75p each	2,690,250	2,690,250
467,000 cumulative participating preferred ordinary shares of 10p each	46,700	46,700
	<u>2,758,294</u>	<u>2,758,294</u>

4 Reconciliation of movement in shareholders' funds

	1996 £	1995 £
Loss for the year	-	(353,998)
Add: proceeds of issue of shares	-	4,070,635
Less: costs of issue of shares	-	(468,873)
Net proceeds of issue	-	3,601,762
Increase in shareholders' funds in the year	-	3,247,764
Opening shareholders' funds	3,386,834	139,070
Closing shareholders' funds	3,386,834	3,386,834

5 Share premium account and reserves

	Share premium £	Profit and loss account £
At 1 January 1996 and 31 December 1996	982,538	(353,998)

6 Ultimate parent company

The directors regard Merloni Elettrodomestici S.p.A, a company registered in Italy, as the ultimate parent company.