FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-11-14** | Period of Report: **1996-09-30**
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FILER

WINDMERE CORP
CIK:**217084**| IRS No.: **591028301** | State of Incorp.:**FL** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-10177** | Film No.: **96663233**
SIC: **3634** Electric housewares & fans

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5980 MIAMI LAKES DRIVE
MIAMI LAKES FL 33014

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3053622611

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D. C. 20549

FORM 10-Q

X QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarterly Period Ended SEPTEMBER 30, 1996

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Transition Period from to

Commission File Number 1-10177

WINDMERE-DURABLE HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

FLORIDA	59-1028301
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

5980 MIAMI LAKES DRIVE, MIAMI LAKES, FLORIDA	33014
(Address of principal executive offices)	(Zip Code)

(305) 362-2611
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such report(s), and (2) has been subject to such filing requirement for the past 90 days. Yes X No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Number of Shares Outstanding on November 1, 1996
Common Stock, $.10 Par Value	17,407,225

WINDMERE-DURABLE HOLDINGS, INC. AND SUBSIDIARIES

INDEX

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

WINDMERE-DURABLE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS (Unaudited)

(In Thousands Except Per Share Information)

<TABLE>

	Three Months Ended September 30,			
	1996		1995	
<S>	<C>	<C>	<C>	<C>
Sales	$ 56,181	100.0%	$ 52,681	100.0%
Cost of Goods Sold	45,765	81.5	41,460	78.7
Gross Profit	10,416	18.5	11,221	21.3
Selling, General and Administrative Expenses	10,295	18.3	9,662	18.3
Operating Profit	121	.2	1,559	3.0
Other (Income) Expense				
Interest Expense	612	1.1	163	.3
Interest and Other Income	(943)	(1.7)	(420)	(.7)
	(331)	(.6)	(257)	(.4)
Earnings Before Equity in Net Earnings of Joint Ventures and Income Taxes	452	.8	1,816	3.4
Equity in Net Earnings (Loss) of Joint Ventures	848	1.5	(328)	(.6)
Earnings Before Income Taxes	1,300	2.3	1,488	2.8
Income Taxes				
Current	25	.1	498	.9
Deferred	(426)	(.8)	118	.3
	(401)	(.7)	616	1.2
Net Earnings (Loss)	$ 1,701	3.0%	$ 872	1.6%
Earnings (Loss) Per Common and Common Equivalent Shares	$ .10		$.05	
Average Number of Common and Common Equivalent Shares Outstanding	18,984		17,282	
Dividends Per Common Share	$.05		$.05	

</TABLE>

The accompanying notes are an integral part of these statements.

WINDMERE-DURABLE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS (Unaudited)
(In Thousands Except Per Share Information)

<TABLE>

	Nine Months Ended September 30, 1996		1995	
<S>	<C>	<C>	<C>	<C>
Sales	$ 136,124	100.0%	$ 132,714	100.0%
Cost of Goods Sold	108,757	80.0	103,284	77.8
Gross Profit	27,367	20.0	29,430	22.2
Selling, General and Administrative Expense	27,061	19.9	27,635	20.8
Operating Profit	306	.1	1,795	1.4
Other (Income) Expense				
Interest Expense	942	.7	479	.4
Interest and Other Income	(2,033)	(1.5)	(1,974)	(1.5)
	(1,091)	(.8)	(1,495)	(1.1)
Earnings Before Equity in Net Earnings of Joint Ventures and Income Taxes	1,397	.9	3,289	2.5
Equity in Net Earnings (Loss) of Joint Ventures	97	.1	(198)	(.2)
Earnings Before Income Taxes	1,494	1.0	3,092	2.3
Income Taxes				
Current	(168)	(.1)	1,357	1.0
Deferred	108	.1	(378)	(.3)
	(60)		979	.7
Net Earnings	$ 1,554	1.0%	$ 2,113	1.6%
Earnings Per Common and Common Equivalent Shares	$ .09		$ .12	
Average Number of Common and Common Equivalent Shares Outstanding	17,671		17,378	

Dividends Per Common Share	$ .15	$ .15

</TABLE>
The accompanying notes are an integral part of these statements.

WINDMERE-DURABLE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Unaudited)
(In Thousands)

<TABLE>

ASSETS	9/30/96	12/31/95	9/30/95
CURRENT ASSETS			
<S>	<C>	<C>	<C>
Cash & Cash Equivalents	$ 7,592	$ 17,768	$ 5,604
Accounts Receivable, less allowances of $1,193, $1,158 and $1,299, respectively	44,242	36,597	41,887
Receivables from Affiliates (Notes 2 and 4)	7,748	9,983	5,572
Inventories			
Raw Materials	14,107	16,328	24,700
Work-in-process	18,063	21,085	16,556
Finished Goods	51,254	41,600	43,677
Total Inventories	83,424	79,013	84,933
Prepaid Expenses	4,149	2,184	7,250
Future Income Tax Benefits	1,643	1,643	2,014
Total Current Assets	148,798	147,188	147,260
INVESTMENTS IN AFFILIATES (Notes 2 and 4)	32,863		
PROPERTY, PLANT & EQUIPMENT - AT COST, less accumulated			

depreciation of $45,118, $40,427 and $39,099, respectively	33,396	30,485	30,738
OTHER ASSETS	12,504	10,339	17,172
TOTAL ASSETS	$ 227,561	$ 188,012	$ 195,170

</TABLE>

WINDMERE-DURABLE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Unaudited)

<TABLE>

(In Thousands)

Continued

LIABILITIES	9/30/96	12/31/95	9/30/95
CURRENT LIABILITIES			
<S>	<C>	<C>	<C>
Notes and Acceptances Payable	$15,564	$ 42	$ 2,723
Current Maturities of Long-Term Debt	815	815	815
Accounts Payable and Accrued Expenses	22,037	18,108	16,980
Deferred Income, current portion	598	598	598
Total Current Liabilities	39,014	19,563	21,116
LONG-TERM DEBT (Note 4)	20,088	2,852	3,056
DEFERRED INCOME, less current portion	218	667	816
STOCKHOLDERS' EQUITY (Note 3)			
Special Preferred Stock - authorized 40,000,000 shares of $.01 par value; none issued			

Common Stock - authorized 40,000,000 shares of $.10 par value; shares issued and outstanding: 17,328, 16,713 and 16,787, respectively	1,733	1,671	1,679
Paid-in Capital	34,348	30,173	30,589
Retained Earnings	132,921	133,851	138,687
Unrealized Foreign Currency Translation Adjustment	(761)	(765)	(773)
Total Stockholders' Equity	168,241	164,930	170,182
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	$227,561	$188,012	$195,170

</TABLE>

The accompanying notes are an integral part of these statements.

WINDMERE-DURABLE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(In Thousands)

<TABLE>

	Nine Months Ended September 30, 1996	1995
Cash flows from operating activities:		
<S>	<C>	<C>
Net earnings	$ 1,554	$ 2,113
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation of property, plant and equipment	4,886	4,555
Amortization of intangible assets	483	425
Amortization of deferred income	(449)	(449)
Net change in allowance for losses on accounts receivable	35	(39)
Equity in net (earnings) loss of joint ventures	(97)	198
Changes in assets and liabilities:		
Increase in accounts receivable	(7,680)	(3,114)
Increase in inventories	(3,681)	(10,655)

(Increase) decrease in prepaid expenses	(1,146)	481
(Increase) decrease in other assets	(776)	230
Increase (decrease) in accounts payable and accrued expenses	3,929	(179)
Increase (decrease) in current and deferred income taxes		(2,098)
Increase in other accounts	10	13
Net cash used in operating activities	(2,932)	(8,519)

Cash flows from investing activities:

Proceeds from fixed asset sales		147
Additions to property, plant and equipment - net	(7,798)	(6,990)
Decrease in short-term investments		2,500
Purchase of assets - Litter Maid	(2,246)	
Purchase of assets - Bay Books & Tapes	(1,180)	
Investments in joint ventures	(7,934)	
Decrease in accounts and notes receivable from affiliates	1,307	6,675
Net cash provided by (used in) investing activities	$ (17,851)	$ 2,332

</TABLE>

WINDMERE-DURABLE HOLDINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(In Thousands)

Continued
<TABLE>

	Nine Months Ended September 30, 1996	1995
Cash flows from financing activities:		
<S>	<C>	<C>
Net borrowings under lines of credit	$ 15,522	$ 1,982
Payments of long-term debt	(611)	(611)
Exercise of stock options and warrants	1,949	390
Cash dividends paid	(2,485)	(2,514)
Purchases of common stock	(3,768)	(444)

Net cash provided by (used in) financing activities	10,607	(1,197)
Decrease in cash and cash equivalents	(10,176)	(7,384)
Cash and cash equivalents at beginning of year	17,768	12,988
Cash and cash equivalents at end of quarter	$ 7,592	$ 5,604

</TABLE>

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION

<TABLE>

Cash paid for:

<S>	<C>	<C>
Interest	$ 337	$ 374
Income taxes	$ 336	$ 2,077

</TABLE>

SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES:

The Company purchased a 50-percent interest in New M-Tech Corporation in exchange for $3 million in cash and $7 million in long term promissory notes.

The Company purchased a 50-percent interest in Salton/Maxim Housewares, Inc. in exchange for $3.3 million in cash, 748,112 shares of Windmere common stock (valued at $6.1 million) and a $10.8 million promissory note.

The accompanying notes are an integral part of these statements.

WINDMERE-DURABLE HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. SUMMARY OF ACCOUNTING POLICIES

Interim Reporting

In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all normal recurring adjustments necessary to present fairly the Company's financial position as of September 30, 1996 and 1995, and the results of its operations and changes in financial position for the interim periods. Results for interim periods should not be considered indicative of results for a full year. Reference should be made to the financial statements contained in the registrant's Annual Report on Form 10-K for the year ended December 31, 1995.

Reclassifications

Certain prior period amounts have been reclassified for comparability.

2. INVESTMENTS IN AFFILIATES

Investments in affiliates consist of the Company's interests in joint ventures, accounted for under the equity method. Included are the Company's 50-percent interests in Salton/Maxim Housewares, Inc., New M-Tech Corporation, Paragon Industries, PX Distributors, Inc., Breakroom of Tennessee, Inc. and Anasazi Partners, L.P. (See Note 4).

Summarized financial information of the unconsolidated companies is as follows: (In Thousands)

<TABLE>

	Nine Months Ended 9/30/96	Year Ended 12/31/95	Nine Months Ended 9/30/95
Earnings			
<S>	<C>	<C>	<C>
Sales	$77,085	$30,172	$22,878
Gross Profit	$13,433	$ 2,346	$ 1,946
Net Earnings (Loss)	$ 453	$ (785)	(446)
Balance Sheet			
Current Assets	$90,862		
Noncurrent Assets	$31,950		
Current Liabilities	$78,473		
Shareholders' Equity	$43,451		

</TABLE>

Certain joint venture investments had deficits of $1.8 million, $.8 million and $.6 million, at September 30, 1996, December 31, 1995 and September 30, 1995, respectively. Such deficits have been classified as reductions in Receivables from Affiliates.

At September 30, 1996, the Company's loans to certain of its affiliates totaled $2.2 million. The Company has also provided short term standby letters of credit in the amount of

$3.6 million on behalf of its affiliates.

Note: Profits earned by the Company's manufacturing subsidiary on sales to joint ventures are included in the consolidated earnings results and are not part of the above table.

3. STOCKHOLDERS' EQUITY

Dividends

The Board of Directors of the Company declared a regular quarterly cash dividend of $.05 per share to shareholders of record at the close of business on September 3, 1996, which was paid on September 17, 1996. The payment of dividends is at the discretion of the Board of Directors of the Company and will depend upon, among other things, future earnings, capital requirements, the Company's financial condition and such other factors as the Board of Directors may consider.

Stock Purchase

In June 1996, the Company completed its purchase of one million shares of its common stock under the 1994 stock purchase program at a total cost of $8.7 million.

The Company's Board of Directors subsequently authorized a new stock purchase program, whereby, the Company can purchase up to 10-percent of its own outstanding common shares (approximately 1.6 million shares).
No shares have been purchased under the new program.

4. ACQUISITIONS

PX Distributors, Inc.("PX")

In December 1995, the Company purchased, for a nominal amount, a 50-percent interest in PX Distributors, Inc., a distributor of home automation/security devices. The Company and the other owners have agreed to lend PX certain amounts from time to time to meet working capital requirements. Such loans bear interest at the prime rate and are payable upon PX achieving sufficient cash flow.

Salton/Maxim Housewares, Inc. ("Salton")

In February 1996, the Company entered into a stock purchase agreement with Salton providing for the issuance and sale by Salton to the Company of 6,508,572 shares of its common stock, representing 50-percent of Salton's outstanding common stock after issuance.

On July 11, 1996, Windmere completed its acquisition of 50-percent of Salton. The Company received 6,508,572 shares of Salton common stock (market value at date of acquisition of approximately $36.2 million) in exchange for a cash payment of $3.3 million, a $10.8 million promissory note and 748,112 shares of Windmere stock (market value at date of agreement of approximately $6.1 million). The total cost in excess of net assets acquired is not deemed to be material.

In addition, the Company received an option to purchase 453,000 shares of Salton common stock at an exercise price of $4.53 per share. The option becomes exercisable only if and to the extent that options to purchase shares of Salton common stock outstanding at the date of the stock purchase agreement are exercised.

The $10.8 million promissory note bears interest at a rate of 8-percent per annum, payable quarterly, and is due in July 2001. The note is subordinated to the Company's current and future indebtedness with its senior lender.

LitterMaid

In March 1996, the Company purchased, for $2.2 million in cash, certain assets and marketing rights for the LitterMaid, computerized, infrared, automatic self-cleaning cat litter box.

New M-Tech Corporation ("New M-Tech")

In April 1996, the Company acquired a 50-percent interest in New M-Tech Corporation, a consumer electronics company for $10 million. Payment consisted of $3 million in cash and $7 million in promissory notes. The promissory notes bear interest at 8% per annum and consist of a $3 million promissory note maturing in 1998, and two $2 million promissory notes maturing in 2001, one of which is convertible into shares of the Company's common stock at a price of $15 per share. Conversion may occur at any time during the term of the convertible promissory note, and may be required under certain circumstances. The total cost in excess of net assets acquired of $5.3 million has resulted in goodwill and is being amortized over 20 years on a straight-line basis.

Breakroom of Tennessee, Inc.

In May 1996, the Company agreed to contribute and/or purchase inventory valued at $250,000 in exchange for a 50-percent interest in Breakroom of Tennessee, Inc., a joint venture formed to market and distribute office products. The Company's investment as of September 30, 1996 consists of $240,390 in inventory purchased on behalf of the joint venture.

Bay Books & Tapes, Inc.

In June 1996, the Company acquired the assets of the books and video publishing division of KQED, Inc., consisting mostly of inventory, for $1.2 million in cash. Bay Books & Tapes, Inc. publishes public television companion books and videos.

Anasazi Partners, L.P.

In June 1996, the Company entered into an agreement to acquire a 50-percent interest in an investment partnership for $1.25 million. Payments as of September 30, 1996 include a $1.25 million capital contribution to the partnership and a $1.25 million loan to the partnership's other equity partner. Such loan bears interest at a rate of 8-percent per annum and is payable upon demand.

The results of operations on a proforma basis as though Salton and New M-Tech Corporation had been acquired as of the beginning of the nine month periods ended September 30, 1996 and 1995 are as follows: (In Thousands except per share amounts)

<TABLE>

	Nine Months Ended September 30, 1996	1995
Equity in net earnings (loss)		
<S>	<C>	<C>
of joint ventures	$ (50)	$ (646)
Net Income	$ 798	$ 638
Earnings per common and common equivalent share	$ .05	$ .04

</TABLE>

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Results of Operations
Three Months Ended September 30, 1996 Compared to
Three Months Ended September 30, 1995

Net sales for the third quarter of 1996 increased by $3.5 million or 6.6% from the sales for the third quarter of 1995. The increase is primarily the result of a $5.7 million increase in manufacturing sales offset by a $1.9 million decrease in distribution sales. Sally Beauty Company and a kitchen electric appliance distributor accounted for 12.6% and 11.1% of the Company's total sales for the 1996 period.

COMPARATIVE SALES RESULTS
(In Thousands) Three Months Ended

<TABLE>

	September 30, 1996		September 30, 1995	
<S>	<C>	<C>	<C>	<C>
DISTRIBUTION	$ 42,097	74.9%	$ 44,275	84.0%
MANUFACTURING	14,084	25.1	8,406	16.0
Total Sales	$ 56,181	100.0%	$ 52,681	100.0%

</TABLE>

The gross profit percentage for the third quarter of 1996 was 18.5% as compared to 21.3% for the third quarter of 1995. The decrease is largely the result of substantial growth in manufacturing sales which typically provide lower gross profit margins than the Company's distribution business as well as the continuing effect of higher raw material costs. Expenditures were made at the Company's manufacturing facilities in the PRC in anticipation of future incremental sales growth, particularly in kitchen electric appliances. Increases in future capacity utilization should provide for absorption of the newly incurred overhead.

The $633,000 increase in selling, general and administrative expenses in the third quarter of 1996 primarily reflects the commencement of operations at LitterMaid,Inc. and Bay Books & Tapes, Inc.

The Company's equity in the net earnings of joint ventures was $848,000 and $(328,000) in the third quarter of 1996 and 1995, respectively. The increase in 1996 reflects the results of operations of the Company's newly acquired interests in Salton/Maxim Housewares, Inc. ("Salton") and New M-Tech Corporation as well as a more profitable product mix at its seasonal products joint venture. The Company's equity in the net earnings of Salton and New M-Tech totaled $1.1 million for the third quarter of 1996.

The Company's income tax expense is based on the earnings of each of its foreign and domestic operations and it includes such additional U.S. taxes as are applicable to the repatriation of foreign earnings. Foreign earnings, other than in Canada, are generally taxed at rates lower than in the United States.

Results of Operations
Nine Months Ended September 30, 1996 Compared to
Nine Months Ended September 30, 1995

Net sales for the nine months ended September 30, 1996 were $136.1 million as compared to $132.7 for the same period in 1995. The 2.6% increase is primarily the result of a $6.2 million increase in manufacturing sales partially offset by a $3.9 million decrease in distribution sales.

COMPARATIVE SALES RESULTS

(In Thousands) Nine Months Ended

<TABLE>

	September 30, 1996		September 30, 1995	
<S>	<C>	<C>	<C>	<C>
DISTRIBUTION	$ 105,069	77.2%	$ 107,818	81.2%
MANUFACTURING	31,055	22.8	24,896	18.8
Total Sales	$ 136,124	100.0%	$ 132,714	100.0%

</TABLE>

The gross profit percentage for the nine months ended September 30, 1996 was 20.0% as compared to 22.2% for the nine months ended September 30, 1995. The decrease is primarily attributable to the continuing effect of higher raw material prices as well as the increased percentage of lower margin manufacturing sales to total sales in 1996.

The decrease in selling, general and administrative expenses primarily reflects the continuing reduction in advertising costs.

The Company's equity in the net loss of joint ventures was sustained primarily in the first half of 1996 due to higher raw material prices, which impacted the profitability of the Company's seasonal products joint venture, and to costs incurred by other joint ventures in their start-up phase.

The Company's income tax expense is based on the earnings of each of its foreign and domestic operations and it includes such additional U.S. taxes as are applicable to the repatriation of foreign earnings. Foreign earnings other than in Canada, are generally taxed at rates lower than in the United States.

Liquidity & Capital Resources

At September 30, 1996, the Company's current ratio and quick ratio were 3.8 to 1 and 1.6 to 1 as compared to 7.0 to 1 and 2.9 to 1 at September 30, 1995. Working capital at those dates was $109.8 million and $126.1 million, respectively. Cash balances decreased by $10.2 million during the nine months ended September 30, 1996 primarily as a result of the Company's investing activities.

Certain of the Company's foreign subsidiaries (the "subsidiaries") have $6.4 million in trade finance lines of credit, payable on demand, which are secured by the subsidiaries' tangible and intangible property located in Hong Kong and in the People's Republic of China, as well as a Company guarantee. At September 30, 1996, the subsidiaries were utilizing, including letters of credit, approximately $2.0 million of these credit lines. These subsidiaries also have available a $5.0 million revolving line of credit which is supported by a domestic standby letter of credit.
As of September 30, 1996, the Company has borrowed $4.9 million under this facility.

In October 1996, the Company increased its domestic bank line of credit to $30 million, which line is secured by domestic accounts receivable and finished goods inventory. At September 30, 1996, outstanding borrowings under this line totaled $13.6 million which includes $3.6 in stand-by letters of credit provided on behalf of affiliates.

The Company has entered into the following significant investing transactions in 1996:

Salton/Maxim Housewares, Inc. ("Salton")

In February 1996, the Company entered into a stock purchase agreement with Salton providing for the issuance and sale by Salton to the Company of 6,508,572 shares of its common stock, representing 50-percent of Salton's outstanding common stock after issuance.

On July 11, 1996, Windmere completed its acquisition of 50-percent of Salton. The Company received 6,508,572 shares of Salton common stock (market value at date of acquisition of approximately $36.2 million) in exchange for a cash payment of $3.3 million, a $10.8 million promissory note and 748,112 shares of Windmere stock (market value at date of agreement of approximately $6.1 million).

In addition, the Company received an option to purchase 453,000 shares of Salton common stock at an exercise price of $4.53 per share. The option becomes exercisable only if and to the extent that options to purchase shares of Salton common stock outstanding at the date of the stock purchase agreement are exercised.

The $10.8 million promissory note bears interest at a rate of 8-percent per annum, payable quarterly, and is due in July 2001. The note is subordinated to the Company's current and future indebtedness with its senior lender.

LitterMaid

In March 1996, the Company purchased, for $2.2 million in cash, certain assets and marketing rights for the Litter Maid , computerized, infrared, automatic self-cleaning cat litter box.

New M-Tech Corporation ("New M-Tech")

In April 1996, the Company acquired a 50-percent interest in New M-Tech Corporation, a consumer electronics company for $10 million.
Payment consisted of $3 million in cash and $7 million in promissory notes. The promissory notes bear interest at 8% per annum and consist of a $3 million promissory note maturing in 1998, and two $2 million promissory notes maturing in 2001, one of which is convertible into shares of the Company's common stock at a price of $15 per share.
Conversion may occur at any time during the term of the convertible promissory note, and may be required under certain circumstances.

Bay Books & Tapes, Inc.

In June 1996, the Company acquired the assets of the books and video publishing division of KQED, Inc., consisting mostly of inventory, for $1.2 million in cash. Bay Books & Tapes, Inc. publishes public television companion books and videos.

No provisions for U.S. taxes has been made on undistributed earnings of the Company's foreign subsidiaries and joint ventures because management plans to reinvest such earnings in their respective operations or in other foreign operations. Repatriating those earnings or using them in some other manner whichwould give rise to a U.S. tax liability would reduce after tax earnings and available working capital.

The Company believes that its cash on hand and internally generated funds, together with its credit lines, will provide sufficient funding to meet the Company's capital requirements and its operating needs for the foreseeable future.

Manufacturing Operations

Substantially all of the Company's products (85% - 90%) are manufactured by Durable, its wholly-owned Hong Kong subsidiary, in Bao An County, Guandong Province of the People's Republic of China (PRC), which is approximately 60 miles northwest of central Hong Kong. The Company has a significant amount of its assets in the People's Republic, primarily consisting of inventory, equipment and molds. The supply and cost of products manufactured in the PRC can be adversely affected, among other reasons, by changes in foreign currency exchange rates, increased import duties, imposition of tariffs, imposition of import quotas, interruptions in sea or air transportation and political or economic changes.
Presently products imported into the U.S. from the PRC are subject to favorable duty rates based on the "Most Favored Nation" status of the PRC ("MFN Status"). MFN Status is reviewed on an annual basis by the President and Congress and was renewed in July 1996.

If MFN status for goods produced in the People's Republic was removed, there would be a substantial increase in tariffs imposed on goods of Chinese origin entering the United States, including those manufactured by the Company, which could have a material adverse impact on the Company's revenues and earnings. From time to time, the Company explores opportunities to diversify its sourcing and/or production of certain products to other low-cost locations or with other third parties or joint venture partners in order to reduce its dependence on production in the People's Republic and/or reduce Durable's dependence on the Company's existing distribution base. However, at the present time, the

Company intends to continue its production in the People's Republic.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

In April 1994, Kabushiki Kaisha Izumi Seiki Seisakusho, a Japanese corporation ("Izumi"), filed an action against the Company, David M. Friedson, the President and Chief Executive Officer of the Company, U.S. Philips Corporation, North American Philips Corporation and N.V. Philips Gloellampenfabrieken (together, "Philips"). This action concerns the 1992 settlement (the "Philips Settlement") of certain claims, primarily a Federal antitrust claim, made by the Company against Philips, which resulted in an $89,644,257 judgment in favor of the Company. Pursuant to the Philips Settlement, Philips paid the Company $57,000,000 in May 1992. As part of the Philips Settlement, the Company and Philips agreed that the Company's money judgment against Philips in connection with such antitrust litigation would be vacated. Izumi is claiming, among other things, that the Philips Settlement, including the agreement with Philips to cooperate to vacate the related judgment in favor of the Company, constitutes a breach by the Company of a customary indemnification agreement between Izumi (as seller of goods) and the Company (as buyer of goods) dated February 20, 1984. This indemnification agreement covered certain claims against the Company and was entered into more than eight months prior to the commencement of the Philips litigation in connection with the routine purchase by the Company of goods from Izumi. Izumi advanced certain legal fees and costs to the Company in connection with the Philips litigation. Izumi is further claiming that it is entitled to recover from the Company the greater of one-third of the Philips' Settlement or between $14 - 25 million dollars in lost profits (which would be trebled under the antitrust laws) alleged to represent damages incurred by Izumi when it allegedly abandoned an antitrust counterclaim in reliance on Windmere's alleged agreement to share a portion of the Philips' Settlement, punitive damages and reimbursement of litigation and other related costs and miscellaneous expenses including interest. The Company disagrees with Izumi's position and believes that it has meritorious defenses. A pre-answer motion by the Company has resulted in the dismissal of some of Izumi's claims, and the Company has answered the remaining claims.

The Company intends to defend this action fully and vigorously.

The Company is subject to other legal proceedings and claims which arise in the ordinary course of its business. In the opinion of management, the amount of ultimate liability, if any, in excess of applicable insurance coverage, is not likely to have a material effect on the financial position of the Company.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

None.

(b) Filed report on Form 8-K on July 25, 1996.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WINDMERE-DURABLE HOLDINGS, INC.
(Registrant)

November 13, 1996 By: /s/
Harry D. Schulman
Senior Vice President and Executive Vice President - Finance and Administration and Chief Financial Officer
(Duly authorized to sign on behalf of the Registrant)

November 13, 1996 By: /s/
Burton A. Honig
Vice President - Finance
(Duly authorized to sign on behalf of the Registrant)

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