



ARTHUR ANDERSEN

**Worcester Heat Systems Limited**

Accounts 31 December 2000

together with directors' and auditors' reports

Registered number: 1993294



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COMPANIES HOUSE 14/06/01

## Directors' report

For the year ended 31 December 2000

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 31 December 2000.

### Principal activities and business review

The company's principal activities are the manufacture, supply and after-sales support of gas and oil-fired boilers and related appliances.

The company's turnover increased in the year to £109.0 million (1999 - £98.9 million). Profit before taxation for the company increased in the year to £17.8 million (1999 - £14.0 million). The directors expect that the current level of activity will be sustained.

### Results and dividends

Company results and dividends are as follows:

	2000 £'000
Retained profit and loss account, beginning of year	2,001
Profit for the financial year	12,299
Ordinary dividends	(12,598)
Retained profit and loss account, end of year	<u>1,702</u>

### Directors and their interests

The directors who served during the year, were as follows:

C. W. Arntzen  
D. Hall  
R. E. Hill (appointed 12 June 2000)  
K. Lee  
B. K. Malige (appointed 1 March 2000)  
R. A. Soper  
D. E. Steade  
J. D. Beadling (resigned 13 October 2000)

None of the directors had any interest in the shares of the company at 31 December 2000 or 1 January 2000, nor in the shares of any fellow subsidiary company during the year.

## Directors' report (continued)

### Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the aptitudes of the applicant concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the company continues and that appropriate training is arranged. It is the policy of the company that the training, career development and promotion of disabled persons should, as far as possible, be identical with that of other employees.

### Employee consultation

The company places considerable value on the involvement of its employees and keeps them informed on matters affecting them as employees and on the various factors affecting the performance of the company.

### Charitable and political contributions

During the year the company made charitable donations of £6,512 (1999 - £5,508). There were no political contributions in either year.

### Supplier payment policy

The company's policy is to settle terms of payment with suppliers when agreeing the terms of each transaction, ensure that suppliers are made aware of the terms of payment and abide by the terms of payment.

## Directors' report (continued)

### Auditors

Arthur Andersen have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be proposed at the Annual General Meeting.

Cotswold Way  
Warndon  
Worcester  
WR4 9SW

By order of the Board,



B. K. Malige

Secretary

27 March 2001

**To the Shareholders of Worcester Heat Systems Limited:**

We have audited the accounts on pages 5 to 16 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

**Respective responsibilities of directors and auditors**

As described on page 2, the company's directors are responsible for the preparation of accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

**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 accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts 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 accounts 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 accounts.

**Opinion**

In our opinion, the accounts give a true and fair view of the company's state of affairs at 31 December 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



**Arthur Andersen**  
**Chartered Accountants and Registered Auditors**

1 Victoria Square  
Birmingham  
B1 1BD

27 March 2001

# Profit and loss account

For the year ended 31 December 2000

	Notes	2000 £'000	1999 £'000
<b>Turnover</b>	2	108,964	98,918
Cost of sales		(81,423)	(74,192)
<b>Gross profit</b>		27,541	24,726
Other operating expenses (net)	3	(10,215)	(10,813)
<b>Operating profit</b>		17,326	13,913
Bank interest receivable		473	146
Interest payable and similar charges	4	-	(46)
<b>Profit on ordinary activities before taxation</b>	5	17,799	14,013
Tax on profit on ordinary activities	7	(5,500)	(4,263)
<b>Profit for the financial year</b>		12,299	9,750
Dividends	8	(12,598)	(13,644)
<b>Retained loss for the year</b>		(299)	(3,894)
Retained profit brought forward		2,001	5,895
<b>Retained profit carried forward</b>		1,702	2,001

All activity derives from continuing operations.

There were no recognised gains or losses in either year other than the retained loss for that year.

The accompanying notes are an integral part of this profit and loss account.

# Balance sheet

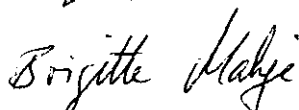
31 December 2000

	Notes	2000 £'000	1999 £'000
<b>Fixed assets</b>			
Tangible assets	9	5,624	5,755
<b>Current assets</b>			
Stocks	10	11,725	9,919
Debtors			
- falling due within one year	11	23,666	24,097
- falling due after one year	11	9,926	9,926
Cash at bank and in hand		1,559	1,660
		46,876	45,602
<b>Creditors: Amounts falling due within one year</b>	12	(34,473)	(33,186)
<b>Net current assets</b>		12,403	12,416
<b>Total assets less current liabilities</b>		18,027	18,171
<b>Creditors: Amounts falling due after more than one year</b>	13	(13,320)	(13,320)
<b>Provisions for liabilities and charges</b>	14	(2,905)	(2,750)
<b>Net assets</b>		1,802	2,101
<b>Capital and reserves</b>			
Called-up share capital	15	100	100
Profit and loss account		1,702	2,001
<b>Shareholders' funds – all equity</b>	16	1,802	2,101

The accounts on pages 5 to 16 were approved by the Board of Directors on 27 March 2001 and signed on its behalf by:

K. Lee  Director

B. K. Malige



27 March 2001

The accompanying notes are an integral part of this balance sheet.

## Notes to accounts

For the year ended 31 December 2000

### 1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

#### *a) Basis of accounting*

The accounts are prepared under the historical cost convention and in accordance with applicable accounting standards.

No cash flow statement is presented under the provisions of Financial Reporting Standard 1 (Revised) as consolidated financial statements in which Worcester Heat Systems Limited is included are publicly available.

#### *b) Tangible fixed assets*

Tangible fixed assets are shown at cost, less accumulated depreciation and any provision for impairment.

Depreciation is provided at rates calculated to write off the cost of each asset over its expected useful life, as follows:

Plant, equipment and motor vehicles 23 - 33% per annum, reducing balance

Assets in the course of construction are not depreciated until they are brought into use.

#### *c) Stocks*

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

Cost comprises materials and, where appropriate, labour and production overheads. Provision is made for obsolete, slow-moving or defective items where appropriate.

#### *d) Taxation*

UK corporation tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date. The taxation liabilities of certain group companies are reduced wholly or in part by the surrender of losses by fellow group companies. The tax benefits arising from group relief are recognised in the accounts of the surrendering and recipient companies.

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and by the tax authorities) has been calculated on the liability method. Deferred taxation is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of the reversal.

Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

#### *e) Pension costs*

The company operates a defined contribution pension scheme. The assets of the scheme are held separately in independently administered funds. The amount charged to the profit and loss account represents the contributions payable in the year. Any differences between amounts charged to the profit and loss account and contributions paid are shown as a separately identified liability or asset in the balance sheet.



## Notes to accounts (continued)

### 1 Accounting policies (continued)

#### *f) Research and development*

Research and development expenditure is written-off in the year in which it is incurred.

#### *g) Government grants*

Capital grants are credited to a deferral account and are released to revenue over the expected useful life of the relevant assets.

#### *h) Foreign currency*

Transactions denominated in foreign currencies are recorded in the local currency at exchange rates as of the date of the transaction (or, where appropriate, at the rate of exchange in a related forward exchange contract). Monetary assets and liabilities denominated in foreign currencies at the year end are reported at the rates of exchange prevailing at the year end (or, where appropriate, at the rate of exchange in a related forward exchange contract). Any gain or loss arising from a change in exchange rates subsequent to the date of the transaction is included as an exchange gain or loss in the profit and loss account.

#### *i) Turnover*

Turnover represents amounts receivable for goods and services provided in the normal course of business, net of trade discounts, VAT and other sales related taxes.

#### *j) Operating leases*

Operating lease costs are charged to the profit and loss account as they are incurred.

#### *k) Warranty costs*

Product warranty costs are provided for at the point of sale.

## Notes to accounts (continued)

### 2 Segment information

Substantially all turnover and operating profits derive from the company's principal continuing activity. The geographical analysis of turnover by destination in the year was as follows:

	2000 £'000	1999 £'000
UK	104,941	95,100
Other European countries	4,023	3,818
	<u>108,964</u>	<u>98,918</u>

No other segmental information has been disclosed since the directors are of the opinion that disclosure of this information would be seriously prejudicial to the interests of the company.

### 3 Other operating expenses (net)

	2000 £'000	1999 £'000
Distribution costs	7,932	8,023
Administrative expenses	2,283	2,790
	<u>10,215</u>	<u>10,813</u>

### 4 Interest payable and similar charges

	2000 £'000	1999 £'000
On bank loans, overdrafts and other loans	<u>-</u>	<u>46</u>

### 5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2000 £'000	1999 £'000
Depreciation of tangible fixed assets - owned	2,438	2,176
Research and development expenditure	2,271	2,339
Operating lease rentals		
- plant and machinery	4	4
- other	1,553	1,246
Auditors' remuneration		
- audit fees	45	30
- other services	<u>30</u>	<u>25</u>

## Notes to accounts (continued)

### 6 Staff costs

Particulars of employees (including executive directors) are as shown below:

	2000 £'000	1999 £'000
Employee costs during the year amounted to:		
Wages and salaries	20,266	19,641
Social security costs	1,870	1,759
Other pension costs	746	597
	<u>22,882</u>	<u>21,997</u>

The average monthly number of persons employed by the company during the period was as follows:

	2000 Number	1999 Number
Management, sales and administration	180	177
Production and service	896	871
	<u>1,076</u>	<u>1,048</u>

#### *Directors' remuneration*

Directors' remuneration was paid in respect of directors of the company as follows:

	2000 £'000	1999 £'000
Emoluments	642	503
Company contributions to money purchase pension schemes	140	32
	<u>782</u>	<u>535</u>

#### *Pensions*

The number of directors who were members of pension schemes was as follows:

	2000 Number	1999 Number
Money purchase schemes	<u>7</u>	<u>6</u>

## Notes to accounts (continued)

### 6 Staff costs (continued)

#### *Highest-paid director*

The above amounts for remuneration include the following in respect of the highest paid director:

	2000 £'000	1999 £'000
Emoluments	117	108
Company contributions to money purchase pension schemes	26	17
	<u>143</u>	<u>125</u>

### 7 Tax on profit on ordinary activities

The tax charge comprises:

	2000 £'000	1999 £'000
UK corporation tax at 30% (1999 – 30.25%)	<u>5,500</u>	<u>4,263</u>

Details of unprovided deferred taxation are set out in note 14. Had the company been providing in full for deferred taxation the tax charge for the year would have been decreased by £556,000 (1999 increased by £6,000).

### 8 Dividends

	2000 £'000	1999 £'000
Equity shares		
dividend of £125.98 (1999 - £136.44) per ordinary share	<u>12,598</u>	<u>13,644</u>

# Notes to accounts (continued)

## 9 Tangible fixed assets

	Assets in the course of construction £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>				
At 1 January 2000	344	13,641	4,084	18,069
Additions	690	1,270	395	2,355
Disposals	-	(62)	(371)	(433)
Transfers	(1,034)	1,446	(412)	-
At 31 December 2000	-	16,295	3,696	19,991
<b>Depreciation</b>				
At 1 January 2000	-	10,298	2,016	12,314
Charge for the year	-	1,623	815	2,438
Disposals	-	(60)	(325)	(385)
At 31 December 2000	-	11,861	2,506	14,367
<b>Net book value</b>				
At 31 December 2000	-	4,434	1,190	5,624
At 31 December 1999	344	3,343	2,068	5,755

## 10 Stocks

	2000 £'000	1999 £'000
Raw materials and consumables	4,102	3,384
Work-in-progress	1,027	1,110
Finished goods and goods for resale	6,596	5,425
	<u>11,725</u>	<u>9,919</u>

In the opinion of the directors, there is no material difference between the replacement cost and balance sheet value of stocks.

## Notes to accounts (continued)

### 11 Debtors

	2000 £'000	1999 £'000
Amounts falling due within one year:		
Trade debtors	22,972	22,937
Amounts owed by group undertakings	394	395
Other debtors	93	48
Prepayments	207	717
	<u>23,666</u>	<u>24,097</u>
Amounts falling due after more than one year:		
Amounts owed by group undertakings	<u>9,926</u>	<u>9,926</u>

### 12 Creditors: Amounts falling due within one year

	2000 £'000	1999 £'000
Trade creditors	10,105	8,521
Amounts owed to group undertakings	5,089	4,141
UK corporation tax	2,812	2,688
Other taxation and social security	3,170	3,124
Other creditors	98	257
Proposed dividends	12,598	13,644
Accruals	601	811
	<u>34,473</u>	<u>33,186</u>

### 13 Creditors: Amounts falling due after more than one year

	2000 £'000	1999 £'000
Amounts owed to group undertakings	<u>13,320</u>	<u>13,320</u>

# Notes to accounts (continued)

## 14 Provisions for liabilities and charges

	Warranty provision £'000
At 1 January 2000	2,750
Charged to profit and loss account	2,854
Utilised in year	(2,699)
At 31 December 2000	<u>2,905</u>

## Deferred taxation

The amounts provided and unprovided are as follows:

	2000		1999	
	Provided £'000	Asset not recognised £'000	Provided £'000	Asset not Recognised £'000
Accelerated capital allowances	-	618	-	20
Other timing differences	-	-	-	42
	<u>-</u>	<u>618</u>	<u>-</u>	<u>62</u>

## 15 Called-up share capital

	2000 £'000	1999 £'000
<i>Authorised</i>		
100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>
<i>Allotted, called-up and fully paid</i>		
100,000 ordinary shares of £1 each	<u>100</u>	<u>100</u>

## Notes to accounts (continued)

### 16 Reconciliation of movement in shareholders' funds

	2000 £'000	1999 £'000
Profit for the financial year	12,299	9,750
Dividends	(12,598)	(13,644)
Net reduction in shareholders' funds	(299)	(3,894)
Opening shareholders' funds	2,101	5,995
Closing shareholders' funds	1,802	2,101

### 17 Guarantees and other financial commitments

a) At the end of the year, capital commitments were:

	2000 £'000	1999 £'000
Contracted for but not provided for	366	695

b) At 31 December 2000, the company was committed to making the following minimum annual payments under non-cancellable operating leases:

	Land and buildings	
	2000 £'000	1999 £'000
Operating leases which expire:		
- within 2-5 years	18	46
- after 5 years	1,246	1,200
	1,264	1,246

### 18 Related party transactions

Related party transactions with group members are not disclosed as 100% of the voting rights are controlled within the group and consolidated accounts are publicly available.

### 19 Ultimate holding company

The largest group in which the results of the company are consolidated is that headed by Robert Bosch GmbH, a company incorporated in Germany. The consolidated accounts are available to the public and may be obtained from Robert Bosch Platz 1, Gerllingen-Schillerhoehe, Postfach 106050, D-70049, Stuttgart, Germany.

The smallest group into which the results of the company are consolidated is Robert Bosch Investment plc a company incorporated in England and Wales whose principal place of business is Cotswold Way, Warndon, Worcester WR4 9SW.



## Notes to accounts (continued)

### **20 Ultimate controlling party**

The Robert Bosch Stiftung GmbH controls the company as a result of controlling directly 92% of the issued share capital of Robert Bosch GmbH.