

## Worcester Heat Systems Limited

Accounts 31 December 1998  
together with directors' and auditors' reports

Registered number: 1993294



## Directors' report

For the year ended 31 December 1998

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 1998.

### 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 £89.9 million (1997 - £88.9 million). Profit before taxation for the company decreased in the year to £10.2 million (1997 - £10.6 million). The directors expect that the current level of activity will be sustained.

### Results and dividends

Company results and dividends (paid and proposed) are as follows:

	1998 £'000
Retained profit and loss account, beginning of year	6,806
Profit for the financial year	6,739
Ordinary dividends paid and proposed	(7,650)
Retained profit and loss account, end of year	<u>5,895</u>

### Directors and their interests

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

C. W. Arntzen  
J. D. Beadling  
D. Hall  
K. Lee  
R. A. Soper  
D. E. Steade

None of the directors had any interest in the shares of the company at 31 December 1998 or 1 January 1998, 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 £4,267 (1997 - £5,853). 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)

### The Year 2000 issue

The directors are aware of the importance of the Year 2000 issue and have a dedicated project team in place adapting the company's systems and preparing contingency plans for the Millennium.

Timetables are currently being drawn up to achieve Year 2000 compliance for any hardware and software which is not already compliant. It is anticipated that these tasks will be completed early in the current year and that compliance will be achieved without the company incurring significant additional costs.

### 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,



J D Beadling

Secretary

1 March 1999

## Auditors' report

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Birmingham

### 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 to 8.

#### Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 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 1998 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Arthur Andersen*

Arthur Andersen

Chartered Accountants and Registered Auditors

1 Victoria Square  
Birmingham  
B1 1BD

1 March 1999

## Profit and loss account

For the year ended 31 December 1998

	Notes	1998 £'000	1997 £'000
<b>Turnover</b>	2	89,888	88,878
Cost of sales		(70,800)	(70,442)
<b>Gross profit</b>		19,088	18,436
Other operating expenses (net)	3	(8,578)	(7,879)
<b>Operating profit</b>		10,510	10,557
Bank interest receivable		58	119
Interest payable and similar charges	4	(329)	(42)
<b>Profit on ordinary activities before taxation</b>	5	10,239	10,634
Tax on profit on ordinary activities	7	(3,500)	(3,236)
<b>Profit for the financial year</b>		6,739	7,398
Dividends paid and proposed	8	(7,650)	(8,500)
<b>Retained loss for the financial year</b>		(911)	(1,102)
<b>Retained profit brought forward</b>		6,806	7,908
<b>Retained profit carried forward</b>		5,895	6,806

All activity derives from continuing operations.

There were no recognised gains or losses in either period other than the retained profit for the financial year as stated above.

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

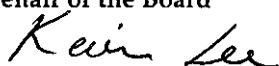
# Balance sheet

31 December 1998

	Notes	1998 £'000	1997 £'000
<b>Fixed assets</b>			
Tangible assets	9	5,349	7,342
<b>Current assets</b>			
Stocks	10	9,558	12,697
Debtors			
- falling due within one year	11	21,996	20,678
- falling due after one year	11	9,926	11,038
Cash at bank and in hand		2,746	23
		44,226	44,436
<b>Creditors: Amounts falling due within one year</b>	12	(27,478)	(26,017)
<b>Net current assets</b>		16,748	18,419
<b>Total assets less current liabilities</b>		22,097	25,761
<b>Creditors: Amounts falling due after more than one year</b>	13	(13,320)	(17,227)
<b>Provisions for liabilities and charges</b>	14	(2,782)	(1,628)
<b>Net assets</b>		5,995	6,906
<b>Capital and reserves</b>			
Called-up share capital	15	100	100
Profit and loss account		5,895	6,806
<b>Shareholders' funds - all equity</b>	16	5,995	6,906


Signed on behalf of the Board

K Lee



Director

J D Beadling



Director

1 March 1999

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

## Notes to accounts

For the year ended 31 December 1998

### 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 modified to include the revaluation of certain leasehold properties 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.

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

Leasehold land and buildings	over the term of the lease, straight line
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

Corporation tax payable is provided on taxable profits at the current rate. 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.

Advance corporation tax payable on dividends paid or provided for in the period is written-off, except when recoverability against corporation tax payable is considered to be reasonably assured. Credit is taken for advance corporation tax written off in previous years when it is recovered against corporation tax liabilities.

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.



## Notes to accounts (continued)

### 1 Accounting policies (continued)

#### 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 is shown as a separately identified liability or asset in the balance sheet.

#### 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 comprises the value of sales, (including service income but excluding VAT and similar taxes, and intra-group transactions) of goods and services in the normal course of business.

#### 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 activity. The geographical analysis of turnover by destination in the year was as follows:

	1998 £'000	1997 £'000
UK	84,588	83,347
Other European countries	5,300	5,531
	<u>89,888</u>	<u>88,878</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)

	1998 £'000	1997 £'000
Distribution costs	6,539	5,087
Administrative expenses	2,039	2,792
	<u>8,578</u>	<u>7,879</u>

### 4 Interest payable and similar charges

	1998 £'000	1997 £'000
On bank loans, overdrafts and other loans repayable within five years	<u>329</u>	<u>42</u>

### 5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	1998 £'000	1997 £'000
Depreciation of tangible fixed assets	2,436	1,900
Operating lease rentals		
- plant and machinery	4	4
- other	1,246	1,268
Auditors' remuneration		
- audit fees	30	29
- other services	10	3
Research and development expenditure	<u>1,681</u>	<u>1,291</u>

## Notes to accounts (continued)

### 6 Staff costs

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

	1998 £'000	1997 £'000
Employee costs during the period amounted to:		
Wages and salaries	16,854	17,293
Social security costs	1,631	1,644
Other pension costs	353	391
	<u>18,838</u>	<u>19,328</u>

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

	1998 Number	1997 Number
Management, sales and administration	141	148
Production and service	894	1,012
	<u>1,035</u>	<u>1,160</u>

### *Directors' remuneration*

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

	1998 £'000	1997 £'000
Emoluments	447	404
Company contributions to money purchase pension schemes	18	17
	<u>465</u>	<u>421</u>

### *Pensions*

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

	1998 Number	1997 Number
Money purchase schemes	<u>6</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:

	1998 £'000	1997 £'000
Emoluments	97	88
Company contributions to money purchase pension schemes	4	3
	<u>101</u>	<u>91</u>

### 7 Tax on profit on ordinary activities

The tax charge is based on the profit for the year and comprises:

	1998 £'000	1997 £'000
UK corporation tax at 31.0% (1997 - 31.5%)	3,500	3,526
Over provision in respect of prior years	-	(290)
	<u>3,500</u>	<u>3,236</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 increased by £80,000 (1997 increased by £32,000).

### 8 Dividends paid and proposed

	1998 £'000	1997 £'000
Ordinary		
- interim paid of £76.50 (1997 - £85.00) per ordinary share	<u>7,650</u>	<u>8,500</u>

## Notes to accounts (continued)

### 9 Tangible fixed assets

The movement in the year was as follows:

	Assets in the course of construction £'000	Long leasehold land and buildings £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>					
Beginning of year	509	1,863	11,203	2,787	16,362
Transfers	(509)	-	509	-	-
Transfers to other group undertakings	-	(1,863)	-	-	(1,863)
Additions	641	-	1,358	501	2,500
Disposals	-	-	(228)	(504)	(732)
End of year	641	-	12,842	2,784	16,267
<b>Depreciation</b>					
Beginning of year	-	-	7,490	1,530	9,020
Charge	-	-	1,639	797	2,436
Disposals	-	-	(74)	(464)	(538)
End of year	-	-	9,055	1,863	10,918
<b>Net book value</b>					
Beginning of year	509	1,863	3,713	1,257	7,342
End of year	641	-	3,787	921	5,349

### 10 Stocks

The following are included in the net book value of stocks:

	1998 £'000	1997 £'000
Raw materials and consumables	3,501	3,531
Work-in-progress	1,075	1,597
Finished goods and goods for resale	4,982	7,569
	<u>9,558</u>	<u>12,697</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

The following are included in the net book value of debtors:

	1998 £'000	1997 £'000
Trade debtors	21,148	18,930
Amounts owed by fellow group undertakings	395	1,530
Other debtors	20	106
Prepayments	433	112
	<u>21,996</u>	<u>20,678</u>
Amounts falling due after more than one year:		
Amounts owed by fellow group undertakings	9,926	11,038
	<u>31,922</u>	<u>31,716</u>

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

The following amounts are included in creditors falling due within one year:

	1998 £'000	1997 £'000
Bank loans and overdrafts	-	6,849
Trade creditors	8,877	8,957
Amounts owed to other group undertakings	11,985	4,083
Other creditors		
- corporation tax payable	1,306	2,528
- other taxes, including social security and PAYE	3,159	2,783
- other	27	101
Accruals	2,124	716
	<u>27,478</u>	<u>26,017</u>

## Notes to accounts (continued)

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

The following amounts are included in creditors falling due after more than one year:

	1998 £'000	1997 £'000
Amounts owed to other group undertakings	<u>13,320</u>	<u>17,227</u>

### 14 Provisions for liabilities and charges

Provisions for liabilities and charges comprise:

	1998 £'000	1997 £'000
Warranty provisions	<u>2,782</u>	<u>1,628</u>

#### *Movements in provisions*

Movements in provisions in the year were as follows:

	Warranty provision £'000
Beginning of year	1,628
Charged to profit and loss account	2,656
Utilised in the year	<u>(1,502)</u>
End of year	<u>2,782</u>

#### *Deferred taxation*

The amounts provided and unprovided are as follows:

	1998		1997	
	Provided £'000	Asset not recognised £'000	Provided £'000	Asset not recognised £'000
Accelerated capital allowances	-	-	-	80
Other timing differences	-	68	-	68
	<u>-</u>	<u>68</u>	<u>-</u>	<u>148</u>

## Notes to accounts (continued)

### 15 Called-up share capital

	1998 £'000	1997 £'000
<i>Authorised</i>		
100,000 (1997 - 100,000) ordinary shares of £1 each	<u>100</u>	<u>100</u>
<i>Allotted</i>		
100,000 (1997 - 100,000) ordinary shares of £1 each - fully paid	<u>100</u>	<u>100</u>

### 16 Reconciliation of movement in shareholders funds

	1998 £'000	1997 £'000
Profit for the financial year	6,739	7,398
Dividends paid and proposed	<u>(7,650)</u>	<u>(8,500)</u>
Net reduction in shareholders funds	(911)	(1,102)
Opening shareholders funds	<u>6,906</u>	<u>8,008</u>
Closing shareholders funds	<u>5,995</u>	<u>6,906</u>

### 17 Guarantees and other financial commitments

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

	1998 £'000	1997 £'000
Contracted for but not provided for	<u>788</u>	<u>330</u>

b) At 31 December 1998, the company was committed to making the following minimum annual payments under non-cancellable operating leases:

	Land and buildings	
	1998 £'000	1997 £'000
Operating leases which expire:		
- within 2-5 years	46	68
- after 5 years	<u>1,200</u>	<u>1,200</u>
	<u>1,246</u>	<u>1,268</u>

The company is a party to guarantees in respect of the borrowing of group undertakings which at 31 December 1998 amounted to £Nil (1997 - £3,598,000).



## Notes to accounts (continued)

### 18 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, Gerlingen-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.

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 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.

