



## **Worcester Heat Systems Limited**

Annual report and financial statements  
for the year ended 31 December 2001

Registered number: 1993294



## Directors' report

For the year ended 31 December 2001

The directors present their annual report on the affairs of the company, together with the financial statements and auditors' report, for the year ended 31 December 2001.

### 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 £115.6 million (2000 - £109.0 million). Profit before taxation for the company increased in the year to £20.0 million (2000 - £17.8 million). The directors expect that the current level of activity will be sustained.

### Results and dividends

Company results and dividends are as follows:

	2001 £'000
Retained profit and loss account, beginning of year	1,702
Profit for the financial year	14,279
Ordinary dividends	
-final proposed of £149.63 per share	(14,963)
Retained profit and loss account, end of year	<u>1,018</u>

### Directors and their interests

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

C. W. Arntzen  
D. Hall  
R. E. Hill  
B. K. Malige (German)  
R. A. Soper  
D. E. Steade  
K. Lee (resigned 30 April 2001)

None of the directors had any interest in the shares of the company at 31 December 2001 or 1 January 2001, nor in the shares of any fellow subsidiary company during the year.

## Directors' report (continued)

### 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 £6,740 (2000 - £6,512). 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.

### Auditors

The directors will place a resolution before the annual general meeting to reappoint Arthur Andersen as auditors for the ensuing year.

Cotswold Way  
Warndon  
Worcester  
WR4 9SW

By order of the Board,



B. K. Malige

Secretary

26 March 2002

## Directors' responsibilities

Company law requires the directors to prepare financial statements 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 financial statements, 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 financial statements; and
- prepare the financial statements 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 financial statements 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.

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

We have audited the financial statements of Worcester Heat Systems Limited for the year ended 31 December 2001 which comprise the Profit and loss account, Balance sheet, and the related notes numbered 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of directors' responsibilities. Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' report and consider the implications for our report if we become aware of any apparent misstatements within it. Our responsibilities do not extend to any other information.

**Basis of opinion**

We conducted our audit in accordance with United Kingdom 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

## Independent auditors' report (continued)

### Opinion

In our opinion, the financial statements give a true and fair view of the company's state of affairs at 31 December 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in cursive script that reads "Arthur Andersen".

**Arthur Andersen**

**Chartered Accountants and Registered Auditors**

Four Brindleyplace  
Birmingham  
B1 2HZ

26 March 2002

## Profit and loss account

For the year ended 31 December 2001

	Notes	2001 £'000	2000 £'000
<b>Turnover</b>	1	115,648	108,964
Cost of sales		(83,717)	(81,423)
<b>Gross profit</b>		31,931	27,541
Other operating expenses (net)	2	(12,285)	(10,215)
<b>Operating profit</b>		19,646	17,326
Bank interest receivable		354	473
<b>Profit on ordinary activities before taxation</b>	3	20,000	17,799
Tax on profit on ordinary activities	5	(5,721)	(5,500)
<b>Profit for the financial year</b>		14,279	12,299
Dividends	6	(14,963)	(12,598)
<b>Retained loss for the year</b>		(684)	(299)
Retained profit brought forward		1,702	2,001
<b>Retained profit carried forward</b>		1,018	1,702

All activity derives from continuing operations.

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

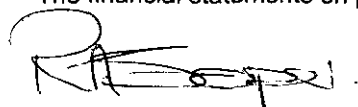
The accompanying notes are an integral part of this profit and loss account.

# Balance sheet

31 December 2001

	Notes	2001 £'000	2000 £'000
<b>Fixed assets</b>			
Tangible assets	7	5,537	5,624
<b>Current assets</b>			
Stocks	8	11,093	11,725
Debtors			
- falling due within one year	9	24,724	23,666
- falling due after one year	9	9,926	9,926
Cash at bank and in hand		4,526	1,559
		50,269	46,876
<b>Creditors: Amounts falling due within one year</b>	10	(37,868)	(34,473)
<b>Net current assets</b>		12,401	12,403
<b>Total assets less current liabilities</b>		17,938	18,027
<b>Creditors: Amounts falling due after more than one year</b>	11	(13,320)	(13,320)
<b>Provisions for liabilities and charges</b>	12	(3,500)	(2,905)
<b>Net assets</b>		1,118	1,802
<b>Capital and reserves</b>			
Called-up share capital	13	100	100
Profit and loss account		1,018	1,702
<b>Shareholders' funds – all equity</b>	14	1,118	1,802

The financial statements on pages 6 to 18 were approved by the Board of Directors and signed on its behalf by:



R. A. Soper

Director



B. K. Malige

Director

26 March 2002

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



## Statement of accounting policies

31 December 2001

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

### **Basis of accounting**

The financial statements 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.

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

### **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.

### **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.

### **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. Payment for tax losses is settled through intercompany accounts.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

## Statement of accounting policies (continued)

### **Taxation (continued)**

Deferred tax is measured at the average rates of tax that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

### **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.

### **Research and development**

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

### **Government grants**

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

### **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.

### **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.

### **Operating leases**

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

### **Warranty costs**

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

## Notes to the financial statements

31 December 2001

### 1 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:

	2001 £'000	2000 £'000
UK	113,733	104,941
Other European countries	1,915	4,023
	<u>115,648</u>	<u>108,964</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.

### 2 Other operating expenses (net)

	2001 £'000	2000 £'000
Distribution costs	8,905	7,932
Administrative expenses	3,380	2,283
	<u>12,285</u>	<u>10,215</u>

### 3 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	2001 £'000	2000 £'000
Depreciation of tangible fixed assets – owned	2,045	2,438
Research and development expenditure	2,310	2,271
Operating lease rentals		
- plant and machinery	210	4
- other	1,243	1,553
Auditors' remuneration		
- audit fees	39	45
- other services	48	30
	<u></u>	<u></u>

## Notes to the financial statements (continued)

### 4 Staff costs

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

	2001 £'000	2000 £'000
Employee costs during the year amounted to:		
Wages and salaries	21,522	20,266
Social security costs	1,962	1,870
Other pension costs	830	746
	<u>24,314</u>	<u>22,882</u>

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

	2001 Number	2000 Number
Management, sales and administration	228	180
Production and service	901	896
	<u>1,129</u>	<u>1,076</u>

#### Directors' remuneration

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

	2001 £'000	2000 £'000
Emoluments	661	642
Company contributions to money purchase pension schemes	72	140
	<u>733</u>	<u>782</u>

#### Pensions

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

	2001 Number	2000 Number
Money purchase schemes	<u>6</u>	<u>7</u>

## Notes to the financial statements (continued)

### 4 Staff costs (continued)

Highest-paid director

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

	2001 £'000	2000 £'000
Emoluments	126	117
Company contributions to money purchase pension schemes	12	26
	<u>138</u>	<u>143</u>

### 5 Tax on profit on ordinary activities

(a) The tax charge comprises:

	2001 £'000	2000 £'000
<b>Current Tax</b>		
UK Corporation tax on profits of the year	6,073	5,500
Adjustments in respect of previous years	616	-
	<u>6,689</u>	<u>5,500</u>
<b>Deferred Tax</b>		
Origination and reversal of timing differences:		
Current year	(77)	-
Adjustment for previous years	(891)	-
	<u>5,721</u>	<u>5,500</u>
<b>Tax on profit on ordinary activities</b>		

## Notes to the financial statements (continued)

### 5 Tax on profit on ordinary activities (continued)

#### (b) Factors affecting tax charge for the year:

The tax assessed for the year is higher than the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2001 £'000	2000 £'000
Profit on ordinary activities before tax	<u>20,000</u>	<u>17,799</u>
Corporation Tax Standard Rate	30.0%	30.0%
Profit on ordinary activities taxed at the standard rate of corporation tax in the UK	6,000	5,340
Effects of:		
Expenditure not deductible for tax purposes	212	15
Depreciation for period in excess of capital allowances	(33)	188
Other timing differences	<u>(106)</u>	<u>(43)</u>
Current tax charge for the year	<u>6,073</u>	<u>5,500</u>

### 6 Dividends

	2001 £'000	2000 £'000
Equity shares		
Dividend of £149.63 (2000 - £125.98) per ordinary share	<u>14,963</u>	<u>12,598</u>

## Notes to the financial statements (continued)

### 7 Tangible fixed assets

	Assets in the course of construction £'000	Plant and equipment £'000	Motor vehicles £'000	Total £'000
<b>Cost</b>				
At 31 December 2000	-	16,295	3,696	19,991
Additions	239	1,411	382	2,032
Disposals	-	(3,253)	(581)	(3,834)
At 31 December 2001	239	14,453	3,497	18,189
<b>Depreciation</b>				
At 31 December 2000	-	11,861	2,506	14,367
Charge for the year	-	1,740	305	2,045
Disposals	-	(3,223)	(537)	(3,760)
At 31 December 2001	-	10,378	2,274	12,652
<b>Net book value</b>				
At 31 December 2001	239	4,075	1,223	5,537
At 31 December 2000	-	4,434	1,190	5,624

### 8 Stocks

	2001 £'000	2000 £'000
Raw materials and consumables	2,975	4,102
Work-in-progress	1,125	1,027
Finished goods and goods for resale	6,993	6,596
	<u>11,093</u>	<u>11,725</u>

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

## Notes to the financial statements (continued)

### 9 Debtors

	2001 £'000	2000 £'000
Amounts falling due within one year:		
Trade debtors	22,993	22,972
Amounts owed by group undertakings	421	394
Other debtors	37	93
Prepayments	305	207
Deferred tax	968	-
	<u>24,724</u>	<u>23,666</u>
Amounts falling due after more than one year:		
Amounts owed by group undertakings	<u>9,926</u>	<u>9,926</u>

#### Deferred taxation

The amount of the asset recognised (2000 – unrecognised) is as follows:

	2001		2000	
	Provided £'000	Asset recognised £'000	Provided £'000	Asset not Recognised £'000
Depreciation in excess of capital allowances	-	661	-	694
Other timing differences	-	307	-	197
	<u>-</u>	<u>968</u>	<u>-</u>	<u>891</u>

To comply with Financial Reporting Standard 19 the company has changed its accounting policy during the year ended 31 December 2001 and now provides for deferred tax assets and liabilities on a full provision basis. The effect of this change in accounting policy is not considered to be material to the company financial statements, and accordingly no prior year adjustment is required.



## Notes to the financial statements (continued)

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

	2001 £'000	2000 £'000
Trade creditors	7,450	10,105
Amounts owed to group undertakings	7,921	5,089
UK corporation tax	2,608	2,812
Other taxation and social security	4,035	3,170
Other creditors	366	98
Proposed dividends	14,963	12,598
Accruals	525	601
	<u>37,868</u>	<u>34,473</u>

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

	2001 £'000	2000 £'000
Amounts owed to group undertakings	<u>13,320</u>	<u>13,320</u>

Amounts owed to group undertakings are unsecured and interest free. Robert Bosch Investment plc and its UK subsidiaries have agreed that all intra-group amounts shown due after more than one year will not be repayable earlier than 1 January 2003.

### 12 Provisions for liabilities and charges

	Warranty Provision £'000
At 31 December 2000	2,905
Charged to profit and loss account	3,500
Utilised in year	<u>(2,905)</u>
At 31 December 2001	<u>3,500</u>

### 13 Called-up share capital

	2001 £'000	2000 £'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 the financial statements (continued)

### 14 Reconciliation of movement in shareholders' funds

	2001 £'000	2000 £'000
Profit for the financial year	14,279	12,299
Dividends	(14,963)	(12,598)
Net reduction in shareholders' funds	(684)	(299)
Opening shareholders' funds	1,802	2,101
Closing shareholders' funds	1,118	1,802

### 15 Guarantees and other financial commitments

#### a) Capital commitments

At the end of the year, capital commitments were:

	2001 £'000	2000 £'000
Contracted for but not provided for	686	366

#### b) Lease commitments

At 31 December 2001, the company was committed to making the following minimum annual payments under non-cancellable operating leases:

	2001		2000	
	Land and buildings £'000	Other £'000	Land and Buildings £'000	Other £'000
Operating leases which expire:				
- within 2-5 years	-	355	-	18
- after 5 years	1,232	-	1,246	-
	1,232	355	1,246	25

#### c) Contingent liabilities

The company's banking arrangements are part of a netting agreement with certain other UK subsidiaries of Robert Bosch GmbH; each company being jointly and severally liable.

The aggregate net balance, under the terms of the agreement, at 31 December 2001 amounted to £874,063 surplus (2000 - £621,977 surplus).

## Notes to the financial statements (continued)

### **16 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 financial statements 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.

### **17 Ultimate controlling party**

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