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Atco-Qualcast Limited

Financial statements for the year ended 31 December 2001
together with directors' and auditors' reports

Registered number: 3073491

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.

Statement of 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 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.

Principal activity

The principal activity of the company is the manufacture and sale of lawnmowers and other gardening equipment.

Business review

An operating loss was sustained in a market that remained competitive.

The company continues to review its product range and invest in research and development.

Results and dividends

The results for the year were as follows:

	Year ended 31 December	
	2001	2000
	£000	£000
Retained loss for the financial year	(2,621)	(289)

The directors are unable to recommend the payment of a dividend (2000 - £nil).

Supplier payment policy

The company 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 to abide by the terms of payment. The number of supplier days outstanding at the year end, calculated using the prescribed formula, was 41 days (2000 - 71 days).

Directors and their interests

The directors who served during the year were as follows:

S S Timms
U Raschke
S W Robinson

The directors had no interests in the company as at 31 December 2001 (2000 – nil).

Disabled employees

Full and fair consideration is given to the employment of applicants who are disabled persons, taking account of their aptitudes and abilities. Employees who become temporarily or permanently disabled are retained in employment where practicable, and fair regard is given to their training needs, career development and promotion potential.

Employee consultation

Regular consultation is encouraged between management and employees at the company's operating locations. Employees are kept informed of any relevant information through regular management and employee review meetings.

Auditors

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

Suffolk Works
Stowmarket
Suffolk
IP14 1EY

23 May 2002

By order of the Board,

S S Timms
Secretary

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To the Shareholders of Atco-Qualcast Limited:

We have audited the financial statements of Atco-Qualcast Limited for the year ended 31 December 2001 as set out on pages 5 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.

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.

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Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company at 31 December 2001 and of its loss 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

Betjeman House
104 Hills Road
Cambridge
CB2 1LH

23 May 2002

Profit and loss account

For the year ended 31 December 2001

	Notes	2001 £000	2000 £000
Turnover	2	59,887	57,593
Cost of sales		(49,921)	(47,422)
Gross profit		9,966	10,171
Other operating expenses (net)	3	(12,765)	(10,623)
Operating loss		(2,799)	(452)
Finance charges (net)	4	(1,036)	(789)
Loss on ordinary activities before taxation	5	(3,835)	(1,241)
Tax on loss on ordinary activities	8	1,214	952
Loss on ordinary activities after taxation, being retained loss for the year	15	(2,621)	(289)

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

All amounts relate to continuing activities during the year.

Statement of total recognised gains and losses

For the year ended 31 December 2001

	Notes	2001 £000	2000 £000
Loss for the financial year		(2,621)	(289)
Realised gain on dividend income	15	1,599	1,599
Realised diminution in goodwill	15	(1,633)	(1,633)
Total recognised gains and losses		(2,655)	(323)

The accompanying notes are an integral part of this statement of total recognised gains and losses.

Balance sheet

31 December 2001

	Notes	2001	2000
Fixed assets		£000	£000
Tangible assets	9	7,394	7,331
Investments	10	-	-
		7,394	7,331
Current assets			
Stocks	11	16,603	20,936
Debtors	12	11,235	10,863
Cash at bank and in hand		1	410
		27,839	32,209
Creditors: Amounts falling due within one year	13	(29,721)	(31,407)
Net current (liabilities) assets		(1,882)	802
Net assets		5,512	8,133
Capital and reserves			
Called-up share capital	14	8,907	8,907
Share premium account	15	975	975
Other reserves	15	(122)	(156)
Profit and loss account	15	(4,248)	(1,593)
Shareholders' funds - all equity	16	5,512	8,133

Signed on behalf of the Board

S S Timms

Director

23 May 2002

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

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 financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

b) Research and development

Research and development expenditure is written off as incurred.

c) Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on tangible fixed assets at rates calculated to write off the cost, less estimated residual value, of each asset on a straight-line basis over its expected useful life, as follows:

Plant and machinery	3-10 years
Fittings, tools and equipment	1-12 years

Residual value is calculated on prices prevailing at the date of acquisition. Assets in the course of construction are not depreciated.

d) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost includes materials, direct labour and an attributable proportion of manufacturing overheads based on normal levels of activity. Net realisable value is based on estimated selling price, less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

e) 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.

Deferred taxation is provided using the liability method on all timing differences only to the extent that they are expected to reverse in the future without being replaced, except that the deferred tax effects of timing differences arising from pensions and other post-retirement benefits are always recognised in full.

f) Pension costs

The company operates a defined benefit scheme, which was closed to new members in November 2000 and a money purchase scheme has been established.

1 Accounting policies (continued)

f) Pension costs (continued)

For defined benefit schemes the amounts charges to operating profit are the current service costs and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the profit and loss account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an acturial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date.

For money purchase schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

g) Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date. 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.

h) Goodwill

Historically, goodwill has been eliminated against reserves immediately on acquisition. Where goodwill has not suffered an actual diminution in value, realised reserves are not reduced immediately. Goodwill is written off against unrealised reserves initially and then charged to realised reserves over its useful economic life. In the opinion of the directors the useful economic life of the goodwill acquired is 10 years.

As permitted by Financial Reporting Standard No. 10 "Goodwill and Intangible Assets", goodwill previously written off to reserves has not been reinstated in the balance sheet.

i) Unrealised dividend income

Where dividends are received from subsidiaries which are paid out of profits generated within the group, the income is not recognised in the profit and loss account as it does not constitute realised income. In the opinion of the directors, dividend income received that results from the same transaction that generates the goodwill, should be realised over the same period in which the loss on goodwill is realised, that is 10 years.

1 Accounting policies (continued)

j) Investments

Fixed asset investments are shown at cost less provision for impairment.

k) 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.

l) Leases

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis.

m) Warranty costs

Costs of rectification and service arising under warranty are charged against profits in the period in which they are incurred. Provision is made at each year end for any significant expenditure which is considered likely to arise.

n) Cash flow statement

The company is exempt from the requirement of Financial Reporting Standard No. 1 (Revised) "Cash flow statements" to include a cash flow statement as part of its financial statements as the financial statements of its ultimate parent company, Robert Bosch GmbH, are publicly available.

o) Basis of consolidation

The company has taken advantage of the exemption from preparing consolidated financial statements afforded by Section 228 of the Companies Act 1985 because it is a wholly owned subsidiary of Robert Bosch GmbH which prepares consolidated financial statements which are publicly available.

2 Turnover

By geographical market:

	2001 £000	2000 £000
United Kingdom	44,715	44,006
Other European Union countries	12,688	10,636
Asia	655	799
Other European countries	1,539	771
Africa	85	85
Australasia	143	1,130
North America	1	3
South America	61	163
	59,887	57,593

All turnover is attributable to one class of business and originates in the UK.

3 Other operating expenses (net)

	2001 £000	2000 £000
Selling and distribution costs	8,417	7,674
Administrative expenses	2,611	1,455
Research and development expenses	1,737	1,494
	12,765	10,623

4 Finance charges (net)

	2001 £000	2000 £000
Interest payable to Robert Bosch Finance plc	1,036	789

5 Loss on ordinary activities before taxation

Loss on ordinary activities before taxation is stated after charging:

	2001 £000	2000 £000
Depreciation and amounts written off tangible fixed assets		
- owned	2,621	2,940
Operating lease rentals		
- property	495	495
- other	10	40
Auditors' remuneration		
- audit fees	27	31
- other	8	14
Research and development - current year expenditure	1,737	1,494

6 Staff costs

The average monthly number of persons (including executive directors) employed by the company during the year was:

	2001 Number	2000 Number
Production	399	504
Selling and distribution	80	90
Administration	74	66
	553	660

Their aggregate remuneration comprised:

	2001 £000	2000 £000
Wages and salaries	10,353	11,462
Social security costs	775	880
Other pension costs (see note 17b)	753	846
	11,881	13,188

7 Directors' remuneration

	2001 £000	2000 £000
Directors' emoluments	188,068	150,386

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

	2001 Number	2000 Number
Defined benefit schemes	2	2

8 Tax on loss on ordinary activities

	2001 £000	2000 £000
Group relief received in respect of:		
– current year	(1,000)	-
– prior years	(214)	(952)
	(1,214)	(952)

9 Tangible fixed assets

Cost	Plant and machinery £000	Fittings, tools and equipment £000	Assets in the course of construction £000	Total £000
At 1 January 2001	5,368	9,780	2,388	17,536
Additions	228	634	2,065	2,927
Transfers	566	1,689	(2,255)	-
Disposals	(1)	(2,808)	-	(2,809)
At 31 December 2001	6,161	9,295	2,198	17,654
Depreciation				
At 1 January 2001	2,707	7,498	-	10,205
Charge for the year	769	1,852	-	2,621
Disposals	(1)	(2,565)	-	(2,566)
At 31 December 2001	3,475	6,785	-	10,260
Net book value				
At 31 December 2000	2,661	2,282	2,388	7,331
At 31 December 2001	2,686	2,510	2,198	7,394

10 Fixed asset investments

The company holds investments in the following subsidiaries:

	Country of incorporation or registration	Principal activity	Holding	%
Arenagrow Limited	England and Wales	Dormant	2 Ordinary shares of £1	100%
Qualcast Equipamentos de Jardinagen Lda	Portugal	Lawnmower testing	400,000 Escudos	100%

The net book value of the above investments is £nil (2000 – £nil).

11 Stocks

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

	2001 £000	2000 £000
Raw materials and consumables	1,701	3,152
Work in progress	502	671
Finished goods and goods for resale	14,400	17,113
	16,603	20,936

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

12 Debtors

Amounts falling due within one year:

	2001 £000	2000 £000
Trade debtors	7,983	7,920
Amounts owed by group undertakings	1,476	2,210
Other debtors	1,520	492
Prepayments	256	241
	11,235	10,863

13 Creditors: Amounts falling due within one year

	2001 £000	2000 £000
Bank overdraft	402	-
Trade creditors	4,854	9,179
Amounts owed to group undertakings	21,779	19,477
Taxation and social security	209	310
Other creditors	842	793
Accruals	1,635	1,648
	29,721	31,407

14 Called-up share capital

	2001 £000	2000 £000
Authorised, allotted, called-up and fully paid:		
89,065,790 ordinary shares of 10p each	8,907	8,907

15 Reserves

	Share premium account £000	Other reserves £000	Profit and loss account £000	Total £000
At 1 January 2001	975	(156)	(1,593)	(774)
Retained loss for the year	-	-	(2,621)	(2,621)
Transfer of realised diminution in goodwill	-	1,633	(1,633)	-
Transfer of realised gain on dividend income	-	(1,599)	1,599	-
At 31 December 2001	975	(122)	(4,248)	(3,395)

Included in other reserves are the following amounts arising from the 1995 group reconstruction;

i Goodwill of £16,318,000 arising on the acquisition of the trade and assets of Beachshow Limited. This was increased by £9,000 during 1996 following a revised valuation of the corporation tax liability acquired.

ii Dividend income of £15,990,000 received from AQ Holdings Limited arising from the profit made by Beachshow Limited on the sale of assets and liabilities to Atco-Qualcast Limited.

The directors are of the opinion that as the dividend receipt arose from the same transaction that generated the goodwill, it is appropriate to include both amounts in one reserve account.

The amounts transferred to the profit and loss account reserve represents the realisation of the gain on the dividend and the realisation of the diminution in goodwill over its useful economic life. The useful economic life has been estimated by the directors as being 10 years and therefore the charge in respect of goodwill for this year is £1,633,000 (2000 - £1,633,000).

16 Reconciliation of movements in shareholders' funds

	2001 £000	2000 £000
Loss for the financial year	(2,621)	(289)
Opening shareholders' funds	8,133	8,422
Closing shareholders' funds	5,512	8,133

17 Guarantees and other financial commitments

a) Lease commitments

The minimum annual rentals under operating leases are as follows:

	2001		2000	
	Property £000	Other £000	Property £000	Other £000
Operating leases which expire:				
- within one year	-	-	-	39
- between two and five years	495	35	495	-
	495	35	495	39

b) Pension arrangements

The company operates a defined benefit pension scheme. The assets of the defined benefit pension scheme are held in a separate fund.

The latest valuation of the principal scheme was carried out at 5 April 2000 by a qualified actuary. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in wages, pensions and equity dividends. For the purposes of the valuation, it was assumed that the investment return would be 7.5% per annum, that wage increases would average 4.0% per annum and that present and future pensions would increase at an average rate of 2.5% per annum. The contributions charged in the profit and loss account were assessed using the projection unit credit method.

At the date of the valuation the market value of the fund's assets was £23,074,000 and the actuarial value was £21,179,000 (Past Service Liability). The Minimum Funding Requirement was £18,594,000. The market value of the assets represented 109% of the actuarial value of all benefits accrued to members and pensioners at that date, after allowing for the assumed future increases in wages and pensions. The surplus, on the advice of the actuary, has been carried forward. During the year the company made contributions to the funds totalling £753,000 (2000 - £846,000).

Additional disclosures regarding the company's defined benefit pension scheme are required under the transitional provisions of FRS 17 "Retirement benefits" and these are set out below. The disclosures relate to the first year of the transitional provisions. They provide information which will be necessary for full implementation of FRS 17 in the year ending 31 December 2003.

The actuarial valuation described above has been updated at 31 December 2001 by a qualified actuary using revised assumptions that are consistent with the requirements of FRS 17. Investments have been valued, for this purpose, at fair value.

17 Guarantees and other financial commitments (continued)

b) Pension arrangements (continued)

The major assumptions used for the actuarial valuation were:

	2001
Rate of increase in salaries	3.00%
Rate of increase in pensions in payment	2.50%
Discount rate	6.00%
Inflation assumption	2.50%

The fair value of the assets in the scheme, the present value of the liabilities in the scheme and the expected rate of return at the balance sheet date were:

	2001 %	2001 £
Equities	8.50	20,136,000
Bonds	5.00	948,000
Total fair value of assets		21,084,000
Present value of scheme liabilities		21,920,000
Deficit in the scheme		(836,000)
Related deferred tax liability		-
Net pension asset		(836,000)

The contribution rate for 2001 was 10% of pensionable earnings and the agreed contribution rate for the next year is 10% of pensionable earnings.

The scheme is a closed scheme and therefore under the projected unit method the current service cost would be expected to increase as the members of the scheme approach retirement.

c) Capital and contract commitments

There are capital commitments of £178,000 which fall due within 12 months (2000 - £115,000).

d) Netting arrangements

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 surplus, under the terms of the agreement, at 31 December 2001 amounted to £876,063 (2000 – £621,977 surplus).

18 Ultimate parent company

Robert Bosch GmbH, a company incorporated in Germany, is the parent for the smallest and largest group of which the company is a member. Consolidated financial statements for the Robert Bosch Group are available from Robert Bosch GmbH, Postfach 106050, D-70049 Stuttgart, Germany.

19 Related party information

As a subsidiary undertaking of Robert Bosch GmbH, the company has taken advantage of the exemption in Financial Reporting Standard No. 8 "Related party disclosures" not to disclose transactions with other members of the group headed by Robert Bosch GmbH.