

# **BSH Home Appliances Limited**

## **Report and Accounts**

31 DECEMBER 1999



# BSH Home Appliances Limited

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Registered no. 1844007

## **DIRECTORS**

Dr H Woerner

E-U Hanneck

J C Gehrels KBE

H-P Haase

R Hanser

C Blake

A Wood (appointed 2 January 1999)

## **SECRETARY**

C Blake

## **AUDITORS**

Ernst & Young

400 Capability Green

Luton

Beds

LU1 3LU

## **BANKERS**

Midland Bank plc

High Street

Uxbridge

UB8 1BY

## **REGISTERED OFFICE**


Grand Union House

Old Wolverton Road

Wolverton

Milton Keynes

MK12 5PT

 **ERNST & YOUNG**

## DIRECTORS' REPORT

The directors present their report together with the audited accounts for the year ended 31 December 1999.

### REVIEW OF THE BUSINESS

The results for the year are set out on page 7 of the accounts.

### PRINCIPAL ACTIVITY AND OWNERSHIP

The company is a wholly owned subsidiary undertaking of BSH Bosch und Siemens Hausgeräte GmbH and its business is the sale in the United Kingdom of domestic electrical and gas appliances and the sale of related spares and servicing.

### DIVIDENDS

The directors paid an interim dividend for the year of £6,000,000 (1998: £4,000,000), making the total of dividends paid £6,000,000 for the year ended 31 December 1999 (1998: £6,000,000).

### FIXED ASSETS

Significant changes in tangible fixed assets are set out in note 7 to the accounts.

### DIRECTORS AND THEIR INTERESTS

The directors as shown on page 2 hold no beneficial interest in the company. All directors served throughout the period and to the date of this report except where stated.

### DISABLED EMPLOYEES

The company gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is the company's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion wherever appropriate.

### EMPLOYEE INVOLVEMENT

During the year, the company provides employees systematically with information on matters of concern to them as employees. Employees or their representatives are consulted on a regular basis so that the views of employees can be taken into account in making decisions which are likely to affect their interests.

DIRECTORS' REPORT

**YEAR 2000 COMPLIANCE**

Prior to 31 December 1999, steps were taken to review computer and date dependent systems critical to the company ongoing operations and preparation of financial information to establish the impact, if any, which the Year 2000 might have on the accuracy of its calculations, processing and reporting. Although in the future it is not possible to guarantee that no Year 2000 problems remain, the Company believes that its internal systems are Year 2000 compliant.

The company continues to address the business risk from third parties with whom it deals on business or financial matters, including key customers and suppliers. Contingency plans have been developed to minimise the risk of disruption. No significant disruption has occurred to date.

Although the millennium date change has passed and no significant problems have been encountered, the directors recognise that there is still a risk of Year 2000 impacting the business but do not expect this to be significant.

The cost of addressing the Year 2000 problems has been subsumed into the recurring activities of the department concerned.

**AUDITORS**

Ernst & Young have expressed their willingness to continue in office as auditors and a resolution proposing their reappointment will be submitted at the Annual General Meeting.

By order of the board



Secretary

25/2/2000

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE  
ACCOUNTS

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.

**REPORT OF THE AUDITORS**

to the members of BSH Home Appliances Limited

We have audited the accounts on pages 7 to 16, which have been prepared under the historical cost convention and on the basis of the accounting policies set out on pages 9 and 10.

**Respective responsibilities of directors and auditors**

As described on page 5 the company's directors are responsible for the preparation of the accounts in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you. 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 state of affairs of the company as at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Registered Auditor  
Luton

29 February 2000

# BSH Home Appliances Limited

## PROFIT AND LOSS ACCOUNT for the year ended 31 December 1999

	Notes	1999 £	1998 £
<b>TURNOVER</b> - continuing operations	2	280,633,402	235,499,878
Cost of sales		(230,375,950)	(190,915,591)
<b>GROSS PROFIT</b>		50,257,452	44,584,287
Selling and distribution costs		(26,833,640)	(24,016,895)
Administrative expenses		(13,046,026)	(12,138,198)
		(39,879,666)	(36,155,093)
Other operating income		10,377,786	8,429,194
		628,386	428,992
<b>OPERATING PROFIT</b> - continuing operations	3	11,006,172	8,858,186
Income from interests in subsidiary undertakings	2	—	84,409
Other interest receivable and similar income		542,401	824,146
Interest payable and similar charges	5	(12,000)	—
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>	2	11,536,573	9,766,741
Tax on profit on ordinary activities	6	(4,123,810)	(3,166,000)
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION FOR THE FINANCIAL YEAR</b>	15	7,412,763	6,600,741
Dividends - equity shares - paid		(6,000,000)	(2,000,000)
- proposed		—	(4,000,000)
<b>PROFIT RETAINED FOR THE FINANCIAL YEAR</b>		1,412,763	600,741

## RECOGNISED GAINS AND LOSSES

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £7,412,763 in the year ended 31 December 1999, and the profit attributable to shareholders of the company of £6,600,741 in the year ended 31 December 1998.

# BSH Home Appliances Limited

## BALANCE SHEET at 31 December 1999

	Notes	1999 £	1998 £
<b>FIXED ASSETS</b>			
Tangible assets	7	12,703,174	12,870,928
Investments	8	1,330,001	1,466,760
		<u>14,033,175</u>	<u>14,337,688</u>
<b>CURRENT ASSETS</b>			
Stocks	9	24,995,474	20,355,507
Debtors	10	28,443,297	18,497,492
Cash at bank and in hand		1,185,267	647,960
		<u>54,624,038</u>	<u>39,500,959</u>
<b>CREDITORS: amounts falling due within one year</b>	11	<u>(43,039,135)</u>	<u>(29,565,191)</u>
<b>NET CURRENT ASSETS</b>		<u>11,584,903</u>	<u>9,935,768</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>25,618,078</u>	<u>24,273,456</u>
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	12	<u>(5,869,493)</u>	<u>(5,937,634)</u>
<b>NET ASSETS</b>		<u>19,748,585</u>	<u>18,335,822</u>
<b>CAPITAL AND RESERVES</b>			
Share capital	14	4,250,000	4,250,000
Profit and loss account	15	15,498,585	14,085,822
<b>Equity shareholders' funds</b>		<u>19,748,585</u>	<u>18,335,822</u>

Approved by the board on 25.2.2000 and signed on its behalf by:

Director





NOTES TO THE ACCOUNTS  
at 31 December 1999

1. ACCOUNTING POLICIES

*Accounting convention*

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

*Group accounts*

Group accounts are not submitted as the company is exempt from the obligation to prepare group accounts under Section 228 (1) of the Companies Act 1985. The results of the subsidiary undertakings are dealt with in the consolidated accounts of BSH Bosch und Siemens Hausgeräte GmbH (note 18).

*Cash flow statement*

The company is not required to prepare a cash flow statement under Financial Reporting Standard No. 1 due to it being a wholly owned subsidiary of BSH Bosch und Siemens Hausgeräte GmbH, which prepares consolidated accounts, including the company, which are publicly available (note 18).

*Depreciation*

Fixed assets with an individual value below £250 are expensed in the year of purchase. Other assets are depreciated on a straight line basis by reference to the cost and expected useful lives of the assets concerned. The principal depreciation rates are:

Freehold buildings	-	4% per annum
Improvements to buildings	-	25% per annum
Motor vehicles	-	25% per annum
Fixtures, fittings and office equipment	-	25% per annum

The carrying values of tangible fixed assets are reviewed for impairment in periods if events or changes in circumstances indicate the carrying value may not be recoverable.

*Stocks*

Stocks are stated at the lower of cost and net realisable value. Cost includes all costs incurred in bringing each product to its present location and condition, determined on a weighted average basis.

Net realisable value is based on estimated selling price less further costs expected to be incurred to completion and disposal.

*Deferred taxation*

Provision is made for deferred taxation at the current rate, to the extent that in the opinion of the directors a liability is likely to arise in the foreseeable future.

*Foreign currencies*

Monetary assets and liabilities denominated in foreign currency have been translated into sterling at the exchange rates ruling at the balance sheet date.

Stock purchased in foreign currency is translated at the rate prevailing at the date of receipt.

Profits or losses arising on translation are included in the profit and loss account.

# BSH Home Appliances Limited

## NOTES TO THE ACCOUNTS at 31 December 1999

### 1. ACCOUNTING POLICIES (continued)

#### *Holidays not taken*

Provision is made for estimated future costs of holiday pay not taken by employees.

#### *Leasing and hire purchase contracts*

The cost of operating leases is charged to the profit and loss account in equal instalments over the period of the lease.

#### *Warranty and guarantee costs*

Provision is made for the estimated future costs of providing free service of goods sold under warranty or guarantee.

#### *Pensions*

Contributions to the pension scheme are based on actuarial advice and are charged to profit over the period in which benefit is derived from the employees' services.

### 2. TURNOVER AND PROFIT

Turnover represents the net amounts invoiced to customers and is stated net of value added tax. The destination of all turnover is within the United Kingdom and the Republic of Ireland.

The figures for 1998 include the turnover of the trade previously conducted by Gaggenau (UK) Limited. The net assets and business of this company were transferred at 1 January 1998.

Turnover is attributable to one principle activity, the sale of domestic electrical and gas appliances and related spares and servicing.

### 3. OPERATING PROFIT

This is stated after charging/(crediting):

	1999 £	1998 £
Depreciation of owned assets	1,477,594	1,329,173
Operating lease charges - hire of plant and machinery	276,236	155,832
- land and buildings	190,353	178,851
Auditors' remuneration - audit fee	80,500	89,000
- tax fee and other services	31,100	33,380
Profit on sale of owned fixed assets	(128,909)	(100,435)

# BSH Home Appliances Limited

## NOTES TO THE ACCOUNTS at 31 December 1999

### 4. DIRECTORS' EMOLUMENTS AND STAFF COSTS

#### a) Directors

Amounts receivable from the company and its subsidiary undertakings are as follows:

	1999 £	1998 £
Emoluments	268,925	254,538
Company contributions to pension scheme	9,462	8,100
	1999 No.	1998 No.
Members of pension scheme	1	1

The amounts in respect of the highest paid director are as follows:

	1999 £	1998 £
Emoluments	161,900	154,555
Company contributions to pension scheme	—	—

#### b) Number of employees

The average number of employees providing services to the company during the year was:

	1999 No.	1998 No.
Service and spares	232	195
Selling and distribution	205	225
Administration	82	56
	519	476

#### c) Employment costs

The total remuneration was:

	1999 £	1998 £
Wages and salaries	12,244,732	10,910,457
Social security costs	1,149,595	1,011,162
Other pension costs	1,206,915	970,262
	14,601,242	12,891,881

# BSH Home Appliances Limited

## NOTES TO THE ACCOUNTS at 31 December 1999

### 5. INTEREST PAYABLE AND SIMILAR CHARGES

	1999 £	1998 £
Other loans	12,000	—

### 6. TAX ON PROFIT ON ORDINARY ACTIVITIES

	1999 £	1998 £
UK corporation tax	4,123,810	3,526,404
Over provision from previous years	—	(360,404)
	<u>4,123,810</u>	<u>3,166,000</u>

Following the transfer of the net assets of Gaggenau (UK) (note 2), and subject to the agreement of the Inland Revenue, there are unrelieved losses, which in tax terms amount to £731,805 (1998: £756,199). These losses are available for set off against future profits of the trade formerly conducted by Gaggenau (UK).

### 7. FIXED ASSETS

	<i>Freehold property</i> £	<i>Motor vehicles</i> £	<i>Fixtures</i> £	<i>Total</i> £
Cost:				
At 1 January 1999	11,338,102	3,354,935	1,922,035	16,615,072
Additions	—	1,268,221	122,430	1,390,651
Disposals	—	(1,087,301)	(352,236)	(1,439,537)
Exchange difference	—	(2,311)	(2,225)	(4,536)
At 31 December 1999	<u>11,338,102</u>	<u>3,533,544</u>	<u>1,690,004</u>	<u>16,561,650</u>
Depreciation:				
At 1 January 1999	976,818	1,919,401	847,925	3,744,144
Charge for the year	413,927	682,701	380,966	1,477,594
Disposals	—	(1,021,715)	(337,295)	(1,359,010)
Exchange difference	—	(2,061)	(2,191)	(4,252)
At 31 December 1999	<u>1,390,745</u>	<u>1,578,326</u>	<u>889,405</u>	<u>3,858,476</u>
Net book value:				
At 31 December 1999	<u>9,947,357</u>	<u>1,955,218</u>	<u>800,599</u>	<u>12,703,174</u>
At 1 January 1999	<u>10,361,284</u>	<u>1,435,534</u>	<u>1,074,110</u>	<u>12,870,928</u>

Included in Freehold Property is land with a purchase price of £2,250,000 which is not depreciated.

# BSH Home Appliances Limited

## NOTES TO THE ACCOUNTS at 31 December 1999

### 8. INVESTMENTS

	1999 £
Cost:	
At 1 January 1999 and 31 December 1999	1,530,001
Amounts provided:	
At 1 January 1999	63,241
Charge for the year	136,759
At 31 December 1999	200,000
Net book value:	
At 31 December 1999	1,330,001
At 1 January 1999	1,466,760

The charge for the year relates to the "striking off" of Safel UK Limited, a dormant subsidiary undertaking

The investments comprise direct holdings of the ordinary shares of the following wholly owned subsidiary companies:

<i>Name of company</i>	<i>Nature of business</i>
BSH Appliance Care Limited	Dormant
Neff (UK) Limited	Dormant
Gaggenau (UK) Limited	Dormant

### 9. STOCKS

	1999 £	1998 £
Spare parts for resale	838,563	641,645
Appliances	24,156,911	19,713,862
	24,995,474	20,355,507

The replacement cost of stocks held by the company at 31 December 1999 and 1998 is not materially different from the balance sheet values above.

Included in the stock figure and amounts owed to group undertakings is £19,370,522 (1998: £6,661,146) in respect of goods held subject to reservation of title.

# BSH Home Appliances Limited

## NOTES TO THE ACCOUNTS at 31 December 1999

### 10. DEBTORS

	1999 £	1998 £
Trade debtors	26,642,809	17,691,183
Amounts owed by group undertakings	701,505	804,563
Prepayments and accrued income	1,098,983	1,746
	<u>28,443,297</u>	<u>18,497,492</u>

### 11. CREDITORS: amounts falling due within one year

	1999 £	1998 £
Trade creditors	3,989,184	6,236,835
Amounts owed to group undertakings	26,735,137	8,208,068
Corporation tax payable	3,374,583	3,721,342
Other taxation and social security	2,969,106	1,762,471
Accruals and deferred income	5,971,125	5,636,475
Proposed dividend	—	4,000,000
	<u>43,039,135</u>	<u>29,565,191</u>

### 12. PROVISIONS FOR LIABILITIES AND CHARGES

	<i>Dilapidations</i> £	<i>Warranty and guarantee</i> £	<i>Total</i> £
Balance at 1 January 1999	594,830	5,342,804	5,937,634
Charge for the year	—	1,024,000	1,024,000
Released in the year	—	(419,000)	(419,000)
Utilised in the year	(352,654)	(320,487)	(673,141)
	<u>242,176</u>	<u>5,627,317</u>	<u>5,869,493</u>

### 13. DEFERRED TAXATION

The deferred taxation asset not provided in the accounts is as follows:

	1999 £	1998 £
Depreciation in advance of capital allowances	142,517	94,216
Other timing differences	(1,326,119)	(1,031,913)
	<u>(1,183,602)</u>	<u>(937,697)</u>

# BSH Home Appliances Limited

## NOTES TO THE ACCOUNTS at 31 December 1999

### 14. SHARE CAPITAL

	1999 No.	1998 No.	1999 £	Authorised, allotted, called up and fully paid 1998 £
Ordinary shares at £1 each	4,250,000	4,250,000	4,250,000	4,250,000

### 15. RECONCILIATION OF SHAREHOLDERS' FUNDS AND MOVEMENT ON RESERVES

	Share capital £	Profit and loss account £	Total shareholders' funds £
At 31 December 1997	4,250,000	13,485,081	17,735,081
Profit for the year	—	6,600,741	6,600,741
Dividends	—	(6,000,000)	(6,000,000)
At 31 December 1998	4,250,000	14,085,822	18,335,822
Profit for the year	—	7,412,763	7,412,763
Dividends	—	(6,000,000)	(6,000,000)
At 31 December 1999	4,250,000	15,498,585	19,748,585

### 16. PENSION COMMITMENTS

A substantial number of the company's employees belong to a pension scheme established for the benefit of the employees. The scheme provides benefits based on final pensionable salary. The assets of the scheme are held separately from those of the company, being invested with an independent insurance company. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company.

The pension cost has been assessed at 1 January 1998 by a qualified actuary using the Projected Unit method. The principal assumptions were a rate of investment return of 8% per annum compound, a rate of salary increase of 6.5% per annum compound, and that pensions will be provided by purchasing immediate annuities on rates calculated on the basis of 8% per annum interest.

The valuation showed that the value of the scheme's assets at 1 January 1998 was £7,573,000 and that the actuarial value of the accrued liabilities after allowing for future increases in pensionable salaries was 114%. The pension costs calculated assumed that any changes to benefits in respect of equalisation of benefits between men and women would not lead to an increase.

The group pension charge for the year was £1,206,915 (1998: £970,362).

# BSH Home Appliances Limited

## NOTES TO THE ACCOUNTS at 31 December 1999

### 17. OTHER FINANCIAL COMMITMENTS

The company is committed to the following annual payments in respect of leases which expire:

	<i>Land and buildings</i>			<i>Other</i>
	£	£	£	£
	1999	1998	1999	1998
Operating leases which expire:				
Within one year	7,500	–	24,610	40,111
In two and five years	59,096	64,506	124,988	105,611
In over five years	124,056	114,345	–	–
	<u>190,652</u>	<u>178,851</u>	<u>149,598</u>	<u>145,722</u>

### 18. PARENT UNDERTAKING AND CONTROLLING PARTY

The company is a subsidiary undertaking of BSH Bosch und Siemens Hausgeräte GmbH, registered in the Federal Republic of Germany. BSH Bosch und Siemens Hausgeräte GmbH is regarded by the directors as being the company's ultimate parent company and it is also the parent undertaking of the smallest and largest group of which the company is a member and for which group accounts are prepared.

Copies of the group accounts are available from Hochstrasse 17, Munich 80, 81669, Germany.

A substantial proportion of goods sold by the company is purchased from the parent company.

As a wholly owned subsidiary undertaking of a parent undertaking whose accounts are publicly available, the company has taken advantage of the exemption available under FRS8, Related Party Disclosures, and has not disclosed transactions with its parent or fellow subsidiary undertakings. There were no other transactions which require disclosure.