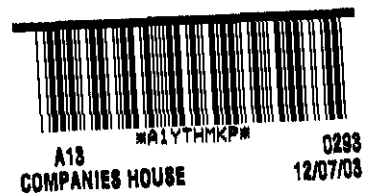


BSH Home Appliances Limited

Report and Financial Statements

31 December 2002

ERNST & YOUNG



BSH Home Appliances Limited

Registered No: 1844007

Directors

E-U Hanneck
J C Gehrels KBE
C Blake
A Wood
M Seitz
Dr P H Götz
Dr K L Gutberlet

Secretary

C Blake

Auditors

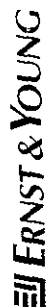
Ernst & Young LLP
400 Capability Green
Luton
Bedfordshire
LU1 3LU

Bankers

Midland Bank plc
High Street
Uxbridge
Middlesex
UB8 1BY

Registered Office

Grand Union House
Old Wolverton Road
Wolverton
Milton Keynes
MK12 5PT

 ERNST & YOUNG

Directors' report

The directors present their report and financial statements of the company for the year ended 31 December 2002.

Review of the business

The profit for the year, after taxation, amounted to £16,803,327 (2001: £19,094,859 – as restated). An interim dividend of £13,000,000 (2001: £nil) was paid during the year. The directors do not recommend the payment of a final dividend.

Principal activity and ownership

The principal activity during the year continued to be the sale in the United Kingdom of domestic electrical and gas appliances and the sale of related spares and servicing.

The company is a wholly owned subsidiary undertaking of BSH Bosch und Siemens Hausgeräte GmbH.

Future developments

The directors aim to maintain the management policies which have resulted in the company's growth in recent years.

Directors and their interests

The directors at 31 December 2002 were as follows:

E-U Hanneck
J C Gehrels KBE
C Blake
A Wood
M Seitz
Dr P H Götz
Dr K L Gutberlet

None of the directors had any beneficial interest in the shares of the company.

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.

Auditors

A resolution to reappoint Ernst & Young LLP as the company's auditor will be put to the forthcoming Annual General Meeting.

By order of the board


Secretary

16 May 2003

Statement of directors' responsibilities in respect of the financial statements

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.

Independent auditors' report

to the members of BSH Homes Appliances Limited

We have audited the company's financial statements for the year ended 31 December 2002 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 19. These financial statements have been prepared on the basis of the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

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 audit 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 December 2002 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young LLP

Registered Auditor
Luton

16 May 2003

Profit and loss account

for the year ended 31 December 2002

	Notes	2002 £	As restated 2001 £
Turnover	2	386,484,780	345,447,606
Cost of sales		294,493,769	255,793,668
Gross profit		91,991,011	89,653,938
Selling and distribution costs		59,982,426	54,120,227
Administrative expenses		10,820,563	9,995,049
		70,802,989	64,115,276
Other operating income		21,188,022	25,538,662
		2,466,396	1,219,312
Operating profit	3	23,654,418	26,757,974
Interest receivable and similar income	6	782,275	959,448
Interest payable and similar charges	7	—	(41,857)
		782,275	917,591
Profit on ordinary activities before taxation		24,436,693	27,675,565
Tax on profit on ordinary activities	8	7,633,366	8,580,706
Profit the financial year	16	16,803,327	19,094,859
Dividends: interim ordinary dividends on equity shares		13,000,000	—
Profit retained for the financial year		3,803,327	19,094,859

Statement of total recognised gains and losses

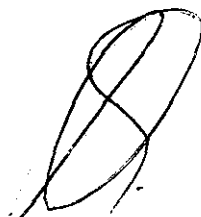
	2002 £	As restated 2001 £
Profit for the financial year	3,803,327	19,094,859
Total recognised gains and losses relating to the year	3,803,327	19,094,859
Prior year adjustment (note 8)	1,313,746	—
Total gains and losses recognised since the last annual report	5,117,073	19,094,859

Balance sheet

at 31 December 2002

	Notes	2002 £	As restated 2001 £
Fixed assets			
Tangible assets	9	10,359,912	11,468,625
Investments	10	80,000	80,000
		<u>10,439,912</u>	<u>11,548,625</u>
Current assets			
Stocks	11	32,162,516	32,532,324
Debtors	12	41,145,148	39,895,295
Cash at bank and in hand		13,509,872	8,709,145
		<u>86,817,536</u>	<u>81,136,764</u>
Creditors: amounts falling due within one year	13	37,222,549	36,631,319
Net current assets		<u>49,594,987</u>	<u>44,505,445</u>
Total assets less current liabilities		<u>60,034,899</u>	<u>56,054,070</u>
Provisions for liabilities and charges	14	6,573,933	6,396,431
		<u>53,460,966</u>	<u>49,657,639</u>
Capital and reserves			
Called up share capital	15	4,250,000	4,250,000
Profit and loss account	16	49,210,966	45,407,639
Equity shareholders' funds		<u>53,460,966</u>	<u>49,657,639</u>

Approved by the board on 16 May 2003 and signed on its behalf by:



Director

Notes to the financial statements

at 31 December 2002

1. Accounting policies

Accounting convention

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

Group financial statements

Group financial statements have not been prepared as the company is exempt from the obligation to prepare group financial statements under Section 228 (1) of the Companies Act 1985. The financial statements therefore present information about the company as an individual undertaking not about its group.

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 financial statements, including the company, which are publicly available.

Depreciation

Fixed assets with an individual value below £250 are expensed in the year of purchase. Depreciation is provided on all other assets at rates calculated to write off the cost less estimated residual value of each asset evenly over its expected useful life as follows:

Freehold buildings	-	2.5% 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.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction.

Monetary assets and liabilities denominated in foreign currency are retranslated into sterling at the rate of exchange ruling at the balance sheet date.

All differences are taken to the profit and loss account.

Leasing and hire purchase contracts

Rentals payable under operating leases are charged to the profit and loss account in equal instalments over the period of the lease.

Notes to the financial statements

at 31 December 2002

1. Accounting policies (continued)

Deferred taxation

In preparing the financial statements for the current year, the company has adopted FRS 19 'Deferred Tax'. The adoption of FRS 19 has resulted in a change in accounting policy for deferred tax. Deferred tax is recognised on a full provision basis in accordance with the accounting policy described below. Previously, deferred tax was not provided. This change in accounting policy has resulted in a prior year adjustment (note 8). FRS 19 has no impact on cash flows.

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 have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposals of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets that have been re-valued or replaced. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Deferred tax assets are recognised only to the extent that the directors consider that it is 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 measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Pensions

The company operates two pension schemes. One is a money purchase scheme and contributions are charged in the profit and loss financial statements as they become payable in accordance with the rules of the scheme.

The other scheme is a defined benefit (final salary) scheme. Contributions to this scheme are charged in the profit and loss account so as to spread the costs of pensions over the employees' working lives within the company. The regular cost is attributed to individual years using the projected unit credit method. Variations in pensions cost, which are identified as a result of actuarial valuations, are amortised over the average expected remaining working lives of employees in proportion to their expected payroll costs. Differences between the amounts funded and the amounts charged in the profit and loss account are treated as either provisions or prepayments in the balance sheet.

Holidays not taken

Provision is made for estimated future costs of holiday pay not taken by employees and is based on the number of hours of holiday not taken at the year end and the average hourly wage rate.

Warranty and guarantee costs

Provision is made for the estimated future costs of providing free service of goods sold under warranty or guarantee. The estimate is based upon the expected claim rate and the historical average cost of claims.

Notes to the financial statements

at 31 December 2002

2. Turnover

Turnover, which is stated net of value added tax, represents the net amounts invoiced to customers.

Turnover is attributable to one continuing principle activity, the sale of domestic electrical and gas appliances and related spares and servicing and is generated within the United Kingdom and the Republic of Ireland.

3. Operating profit

This is stated after charging/(crediting):

	2002 £	2001 £
Depreciation of owned fixed assets	1,428,096	1,580,228
Operating lease charges - land and buildings	90,145	101,808
- plant and machinery	292,386	324,344
Auditors' remuneration - audit fee	88,000	85,000
- tax fee and other services	118,075	51,150
Profit on sale of owned fixed assets	(43,350)	(55,902)
Profit on translation of foreign currencies	(2,014,278)	(726,154)

4. Directors' emoluments

	2002 £	2001 £
Emoluments	464,063	325,614

	2002 No.	2001 No.
Members of defined benefit pension scheme	1	1

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

	2002 £	2001 £
Emoluments	225,945	121,970

Notes to the financial statements

at 31 December 2002

5. Staff costs

	2002 £	2001 £
Wages and salaries	18,655,838	16,596,580
Social security costs	1,700,913	1,597,026
Other pension costs	961,077	2,288,952
	<u>21,317,828</u>	<u>20,482,558</u>

The average monthly number of employees during the year was as follows:

	2002 No.	2001 No.
Service and spares	424	393
Selling and distribution	151	108
Administration	94	107
	<u>669</u>	<u>608</u>

6. Interest receivable

	2002 £	2001 £
Bank interest receivable	782,275	959,448
	<u>782,275</u>	<u>959,448</u>

7. Interest payable and similar charges

	2002 £	2001 £
Other loans	–	41,857
	<u>–</u>	<u>41,857</u>

Notes to the financial statements

at 31 December 2002

8. Tax

a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2002	<i>As restated</i> 2001
	£	£
UK Corporation tax at 30% (2001 : 30%)		
On profits of the year	7,611,706	9,195,078
Adjustments in respect of previous years	(61,776)	(40,684)
	<u>7,549,930</u>	<u>9,154,394</u>
Foreign tax		
Adjustment in respect of previous years	16,898	—
	<u>7,566,828</u>	<u>9,154,394</u>
Deferred tax		
Originating and reversal of timing differences	40,960	(573,688)
Adjustments in respect of previous years	25,578	—
	<u>7,633,366</u>	<u>8,580,706</u>

b) Factors affecting the tax charge for the year

The tax assessed on the profit on ordinary activities for the period is higher than the standard rate of corporation tax in the UK. The differences are explained below:

	2002	2001
	£	£
Profit on ordinary activities before tax	24,436,693	27,675,565
Profit/(loss) on ordinary activities multiplied by standard rate of Corporation tax in the UK of 30% (2001: 30%)	<u>7,331,008</u>	<u>8,302,669</u>
Effect of:		
Disallowed expenses and non-taxable income	381,658	318,721
Depreciation in excess of capital allowances	27,023	30,108
Other timing differences	(67,983)	543,580
Net adjustments in respect of previous periods	(44,878)	(40,684)
Utilisation of tax losses	(60,000)	—
Current tax charge for the year	<u>7,566,828</u>	<u>9,154,394</u>

c) Factors that may affect future tax charges

As at 31 December 2002 the company has tax losses of £1,681,000 (2001: £1,881,000) carried forward. These losses relate to the Gaggeneau division of the company and are available for offset against future trading profits in that division. The Gaggeneau division generated a taxable profit of approximately £200,000 in the year ended 31 December 2002. Accordingly, the tax losses in Gaggeneau have been utilised against these profits. However, a deferred tax asset has not been recognised in respect of the losses as it is uncertain if the division will generate sufficient taxable profits in the future.

Notes to the financial statements

at 31 December 2002

8. Tax (continued)

d) Deferred tax

	<i>Deferred tax asset</i> £
At 31 December 2000 - as previously reported	–
Prior year adjustment on adoption of FRS 19	806,596
At 31 December 2000 - as restated	806,596
Credit to the profit and loss account	573,688
At 31 December 2001 - as restated	1,380,284
Charge to the profit and loss account	(66,538)
At 31 December 2002	1,313,746

The deferred tax assets/(liabilities) included in the balance sheet and the deferred tax not provided in the balance sheet is as follows:

	<i>2002</i> <i>Recognised</i> £	<i>2002</i> <i>Not</i> <i>Recognised</i> £	<i>As restated</i> <i>2001</i> <i>Recognised</i> £	<i>2001</i> <i>Not</i> <i>Recognised</i> £
Accelerated capital allowances	(135,843)	–	(183,516)	–
Other timing differences	1,449,589	–	1,563,800	–
Tax losses carried forward	–	504,000	–	564,000
Undiscounted net deferred tax asset	1,313,746	504,000	1,380,284	564,000

The un-recognised deferred tax assets relate to tax losses in the Gaggeneau division of the company (note 8c)

Notes to the financial statements

at 31 December 2002

9. Tangible fixed assets

	<i>Freehold property</i>	<i>Motor vehicles</i>	<i>Fixtures, fittings and office equipment</i>	<i>Total</i>
	£	£	£	£
Cost:				
At 1 January 2002	11,338,102	4,358,537	1,833,958	17,530,597
Additions	—	594,593	—	594,593
Disposals	—	(1,042,653)	—	(1,042,653)
At 31 December 2002	11,338,102	3,910,477	1,833,958	17,082,537
Depreciation:				
At 1 January 2002	2,184,576	2,333,346	1,544,050	6,061,972
Provided during the year	413,927	808,274	205,895	1,428,096
Disposals	—	(767,443)	—	(767,443)
At 31 December 2002	2,598,503	2,374,177	1,749,945	6,722,625
Net book value:				
At 31 December 2002	8,739,599	1,536,300	84,013	10,359,912
At 1 January 2002	9,153,526	2,025,191	289,908	11,468,625

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

10. Investments

	<i>Subsidiary undertakings</i>
	£
Cost:	
At 1 January 2002 and 31 December 2002	80,000
Net book value:	
At 1 January 2002 and 31 December 2002	80,000

Details of the company's investments in subsidiary undertakings at 31 December 2002 are as follows:

<i>Name of company</i>	<i>Holding</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
BSH Appliance Care Limited	Ordinary shares	100%	Dormant

Notes to the financial statements

at 31 December 2002

11. Stocks

	2002 £	2001 £
Spare parts for resale	1,795,581	1,484,201
Appliances	30,366,935	31,048,123
	<u>32,162,516</u>	<u>32,532,324</u>

The replacement cost of stocks held by the company at 31 December 2002 and 2001 is not materially different from the balance sheet values above.

Included in the above is £29,445,000 (2001: £29,462,000) of stock held subject to reservation of title.

12. Debtors

	2002 £	<i>As restated</i> 2001 £
Trade debtors	33,536,598	34,579,281
Amount owed by group undertakings	6,132,336	3,933,293
Other debtors	159,724	–
Prepayments and accrued income	2,744	2,437
Deferred tax asset	1,313,746	1,380,284
	<u>41,145,148</u>	<u>39,895,295</u>

13. Creditors: amounts falling due within one year

	2002 £	2001 £
Trade creditors	3,106,292	2,080,808
Amount owed to group undertakings	20,325,287	18,103,523
Corporation tax	5,243,388	7,642,478
Other taxes and social security costs	2,391,076	2,570,808
Accruals and deferred income	6,156,506	6,233,702
	<u>37,222,549</u>	<u>36,631,319</u>

Notes to the financial statements

at 31 December 2002

14. Provisions for liabilities and charges

	<i>Dilapidations</i>	<i>Warranties and guarantees</i>	<i>Total</i>
	£	£	£
Balance at 1 January 2002	259,873	6,136,558	6,396,431
Charge for the year	–	420,212	420,211
Released during the year	(242,710)	–	(242,710)
Balance at 31 December 2002	17,163	6,556,770	6,573,933

The dilapidation provisions are against future expected charges on leased properties.

Provision is made for the estimated future costs of providing free service of goods sold under warranty or guarantee. The estimate is based upon the expected claim rate and the historical average cost of claims.

15. Share capital

	<i>2002</i>	<i>Authorised 2001</i>	<i>called up and fully paid 2002</i>	<i>Allotted 2001</i>
	No.	No.	£	£
Ordinary shares of £1 each	4,250,000	4,250,000	4,250,000	4,250,000

16. Reconciliation of shareholders' funds and movement on reserves

	<i>Share capital</i>	<i>Profit and loss account</i>	<i>Total shareholders' funds</i>
	£	£	£
At 1 January 2001 (as previously reported)	4,250,000	25,506,184	29,756,184
Prior year adjustment (note 8)	–	806,596	806,596
At 1 January 2001 (as restated)	4,250,000	26,312,780	30,562,780
Profit for the year	–	18,521,171	18,521,171
Prior year adjustment	–	573,688	573,688
At 1 January 2002 (as restated)	4,250,000	45,407,639	49,657,639
Profit for the year	–	16,803,327	16,803,327
Dividend	–	(13,000,000)	(13,000,000)
At 31 December 2002	4,250,000	49,210,966	53,460,966

Notes to the financial statements

at 31 December 2002

17. 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 costs of the final salary section have been assessed as at 31 December 2000 by a qualified independent actuary using the projected unit method. The principal assumptions were (in nominal terms):

Rate of investment return pre retirement	6.75% per annum
Rate of investment return post retirement (assumes that pensions are provided by purchasing immediate annuities on rates calculated using this rate of interest)	4.75% per annum
Rate of increase in salaries	4.0% per annum
Rate of increase of pensions in payment (earned pre 6 April 1997)	3.0% per annum
Rate of increase of pensions in payment (earned post 5 April 1997)	2.5% per annum
Inflation assumption	2.5% per annum
Retirement age assumption	Age 62

The market value of the final salary section's assets at 31 December 2000 was £12,341,000. The valuation showed that for the final salary section the ratio of the market value of assets to the actuarial value of the accrued liabilities after allowing for future increases in pensionable salaries was 87%. As a result of the actuarial valuation, employee contributions to the final salary section have increased from 5.5% to 7.5% of pensionable salaries per annum and company contributions have increased from an average 14.7% to 15.5% of pensionable salaries per annum plus £15,000 per month plus at least £120,000 per annum with effect from 1 January 2002, in accordance with the actuary's recommendations. The aims to fund the shortfall by 31 December 2009. The pension costs calculated made no allowance for the cost of any changes to benefits in respect of equalisation of benefits between men and women.

The group pension cost charged to the profit and loss account for the year for the final salary section of the scheme was £593,000 (2001: £1,934,054). The balance sheet provision at the end of the year was £32,910 (2001: £1,442,785).

The group pension cost charged to the profit and loss account for the year for the money purchase section of the scheme was £368,077 (2001: £354,898).

The additional disclosures required by Financial Reporting Standard 17, Retirement Benefits with respect to the final salary section are set out below:

Balance sheet presentation

	2002	As restated 2001
	£	£
Net assets	53,460,966	49,657,639
Pension provision	32,910	1,442,785
Net assets excluding pension deficit	53,493,876	51,100,424
Pension deficit (under FRS 17)	(7,958,000)	(5,008,000)
Deferred tax on pension deficit	2,387,000	1,502,000
	<u>47,922,876</u>	<u>47,594,424</u>

Notes to the financial statements

at 31 December 2002

17. Pension commitments (continued)

Reserves note

	2002	As restated 2001
	£	£
Profit and loss reserve	49,210,966	45,407,639
Pension provision	32,910	1,442,785
	<u>49,243,876</u>	<u>46,850,424</u>
Pension deficit (under FRS 17)	(7,958,000)	(5,008,000)
Deferred tax on pension asset	2,387,000	1,502,000
	<u>43,672,876</u>	<u>43,344,424</u>
Profit and loss reserve including pension deficit		

Composition of the scheme

The company operates a scheme with separate final salary and money purchase sections in the UK. A full actuarial valuation was carried out at 31 December 2000 and updated to 31 December 2002 by a qualified independent actuary. The major assumptions used by the actuary were (in nominal terms):

	2002	2001
	%	%
Rate of increase in salaries	3.8	4.0
Rate of increase of pensions in payment (post 5 April 1997 pensions only)	2.3	2.5
Discount rate	5.5	5.8
Inflation assumption	2.3	2.5

The assets in the final salary section of the scheme and the expected rate of return were:

	Long-term asset return expected 31 December 2002 %	Value 31 December 2002 £	Long-term asset return expected 31 December 2001 %	Value 31 December 2001 £
Equities	7.5	8,562,000	7.8	9,331,000
Bonds	5.5	1,803,000	5.8	1,966,000
		<u>10,365,000</u>		<u>11,297,000</u>
Total market value of assets				
Actuarial value of liability		(18,323,000)		(16,305,000)
		<u>(7,958,000)</u>		<u>(5,008,000)</u>
Deficit in the scheme				
Related deferred tax asset		2,387,000		1,502,000
		<u>(5,571,000)</u>		<u>(3,506,000)</u>
Net pension liability				

Notes to the financial statements

at 31 December 2002

17. Pension commitments (continued)

Analysis of the amount charged to operating profit:

	<i>Year to 31 December 2002 £</i>
Service cost	593,000
Past service cost	—
Total operating charge	<u>593,000</u>

Analysis of amount charged to financing of provisions:

	<i>Year to 31 December 2002 £</i>
Expected return on pension scheme assets	874,000
Interest on pension liabilities	(916,000)
Net return	<u>(42,000)</u>

Analysis of amount recognised in Statement of Total Recognised Gains and Losses (STRGL):

	<i>Year to 31 December 2002 £</i>
Actual return less expected return on assets	(2,661,000)
Experience gains and losses on liabilities	90,000
Changes in assumptions	(2,201,000)
Actuarial loss recognised in STGL	<u>(4,772,000)</u>

Notes to the financial statements

at 31 December 2002

17. Pension commitments (continued)

Movement in surplus during the year:

	<i>Year to 31 December 2002 £</i>
Deficit in scheme at beginning of year	(5,008,000)
Movement in year:	
Current service cost	(593,000)
Contributions	2,457,000
Past service costs	—
Net return on assets/(interest cost)	(42,000)
Actuarial loss	(4,772,000)
Deficit in scheme	<u>(7,958,000)</u>

No improvements in benefits were made in the financial year. Company contributions were 20% of ex-Robert Bosch members' Pensionable Salaries and 15% of other members' Pensionable Salaries. Members' contributions increased to 7.5% of Pensionable Salary with effect from 1 January 2002. In addition, the company made special contributions totalling £1,911,000 in the year.

History of experience gains and losses:

	<i>Year to 31 December 2002</i>
Difference between expected and actual return on scheme assets	(2,661,000)
Percentage of scheme assets	-26%
Experience gains and losses on scheme liabilities	(90,000)
Percentage of scheme assets	0%
Total amount recognised in statement of total recognised gains and losses	(4,772,000)
Percentage of scheme assets	-26%

Notes to the financial statements

at 31 December 2002

18. Other financial commitments

At 31 December 2002 the company had annual commitments under non-cancellable operating leases as set out below:

	<i>Land and buildings</i>		<i>Other</i>	
	£	£	£	£
	2002	2001	2002	2001
Operating leases which expire:				
Within one year	62,500	11,550	24,835	48,399
In two and five years	66,462	115,218	238,921	215,128
In over five years	99,653	83,696	—	—
	<u>228,615</u>	<u>210,464</u>	<u>263,756</u>	<u>263,527</u>

19. 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 financial statements are prepared.

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

As a wholly owned subsidiary undertaking of a parent undertaking whose financial statements are publicly available, the company has taken advantage of the exemption available under FRS 8, Related Party Disclosures, and has not disclosed transactions with its parent or fellow subsidiary undertakings. There were no other transactions which require disclosure.