

ARTHUR
ANDERSEN

ARTHUR ANDERSEN & CO, SC

Briggs & Stratton U.K. Limited

Accounts 30 June 1996

together with directors' and auditors' reports

Registered number: 2030483



Directors' report

30 June 1996

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 30 June 1996.

Directors' responsibilities

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those accounts, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activity and business review

The principal activity of the company continues to be the distribution and service of internal combustion engines for the garden machinery and industrial tooling industries.

The directors anticipate the improvement in profitability during 1996 to continue in 1997.

Results and dividends

The company has recorded a profit on ordinary activities after taxation for the year of £210,991 (1995: £21,634).

Turnover for the year was £3,259,649 (1995: £3,697,258).

The directors do not recommend the payment of a dividend for the year (1995: £100,000).

Directors' report (continued)

Directors and their interests

The directors who held office during the year are as shown below.

RH Eldridge)
MD Hamilton) American
HA Keltz)
BP Peachey

The directors do not have any interests required to be disclosed under Schedule 7 of the Companies Act 1985.

Fixed assets

Information relating to movements in tangible fixed assets is given in note 8 to the accounts.

Auditors

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

Hubert Road
Brentwood
Essex
CM14 4JE

By order of the Board,



EJ Strang

Secretary

22 April 1997

Auditors' report

St Albans

To the Shareholders of Briggs & Stratton U.K. Limited:

We have audited the accounts on pages 4 to 14 which have been prepared under the historical cost convention and the accounting policies set out on pages 7 and 8.

Respective responsibilities of directors and auditors

As described on page 1 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 30 June 1996 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Chartered Accountants and Registered Auditors

3 Victoria Square
Victoria Street
St Albans
Herts AL1 3TF

22 April 1997

Profit and loss account

For the year ended 30 June 1996

	Notes	30 June 1996 £	2 July 1995 £
Turnover	2	3,259,649	3,697,258
Cost of sales		(2,347,027)	(2,799,933)
Gross profit		912,622	897,325
Other operating income	3	249,838	218,251
Other operating expenses		(857,010)	(1,088,462)
Operating profit		305,450	27,114
Interest income		13,860	8,482
Interest payable	4	(1,595)	(11)
Profit on ordinary activities before taxation	5	317,715	35,585
Tax on profit on ordinary activities	7	(106,724)	(13,951)
Profit on ordinary activities after taxation		210,991	21,634
Dividends paid		-	(100,000)
Retained profit/(loss) for the period		210,991	(78,366)
Retained profit, brought forward		940,654	1,019,020
Retained profit, carried forward		1,151,645	940,654

There are no recognised gains or losses other than the retained profit for the year ending 30 June 1996 and the retained loss for the year ending 2 July 1995.

A reconciliation of movements in shareholders' funds is given in note 14.

There is no material difference between the reported profit on ordinary activities before taxation and the historical cost profit on ordinary activities before taxation.

All operations of the company continued throughout both periods and no operations were acquired or discontinued.

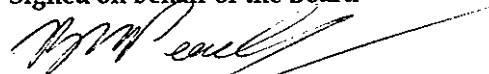
The accompanying notes are an integral part of this profit and loss account.

Balance sheet

30 June 1996

	Notes	30 June 1996 £	2 July 1995 £
Fixed assets			
Tangible assets	8	180,595	180,894
Current assets			
Stocks	9	171,531	243,476
Debtors	10	936,751	927,261
Cash at bank and in hand		487,853	239,301
		1,596,135	1,410,038
Creditors: Amounts falling due within one year	11	(525,085)	(550,278)
Net current assets		1,071,050	859,760
Net assets		1,251,645	1,040,654
Capital and reserves			
Called up share capital	12	100,000	100,000
Profit and loss account		1,151,645	940,654
Equity shareholders' funds	14	1,251,645	1,040,654

Signed on behalf of the Board



BP Peachey

Director

22 April 1997

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

Cash flow statement

For the year ended 30 June 1996

	Notes	30 June 1996		2 July 1995	
		£	£	£	£
Net cash inflow from operating activities	13a		293,779		137,785
Returns on investments and servicing of finance					
Interest received		13,860		8,482	
Interest paid		(1,595)		(11)	
Dividends paid		-		(100,000)	
Net cash inflow/(outflow) from returns on investments and servicing of finance			12,265		(91,529)
Taxation					
UK corporation tax paid (including advance corporation tax)			-		(110,818)
Investing activities					
Purchase of tangible fixed assets		(58,992)		(41,122)	
Sale of tangible fixed assets		1,500		2,000	
Net cash outflow from investing activities			(57,492)		(39,122)
Net cash inflow/(outflow) before financing			248,552		(103,684)
Financing			-		-
Increase/(decrease) in cash	13b		248,552		(103,684)

The accompanying notes are an integral part of this cash flow statement.

Notes to accounts

30 June 1996

1 Accounting policies

A summary of the principal accounting policies, all of which have been applied consistently throughout the year, and throughout the preceding year, are set out below.

a) Basis of accounting

The accounts are prepared under the historical cost convention and in accordance with applicable financial reporting and accounting standards.

b) Financial year

The financial statements are made up to the Sunday nearest to 30 June each year. Periodically this results in a financial year of 53 weeks. The 1996 financial year of the company which ended on 30 June 1996 comprises 52 weeks of activity. The financial information for the preceding year, presented in these statements for comparative purposes, represents the results for the 52 weeks ended 2 July 1995.

c) Tangible fixed assets

Fixed assets are shown at historical cost.

Depreciation is provided 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:

Leasehold improvements	10 or 20 years
Machinery	16 years
Fixtures and fittings	
- electrical	5 years
- other	10 years
Motor vehicles	4 years

d) Stocks

Stocks are stated at the lower of cost and net realisable value.

Cost incurred in bringing each product to its present location and condition is based on average purchase costs including transportation costs.

Net realisable value is based on estimated normal 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.

Notes to accounts (continued)

1 Accounting policies (continued)

e) *Taxation*

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

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

Deferred taxation (which arises from differences in the timing of the recognition of items, principally depreciation, in the accounts and under tax legislation) has been calculated on the liability method. Deferred taxation is provided on timing differences which will probably reverse, at the rates of tax likely to be in force at the time of the reversal.

Deferred tax is not provided on timing differences which, in the opinion of the directors, will probably not reverse. However, the amount of all deferred tax, including that which will probably not reverse, is shown in the notes to the accounts.

f) *Pension costs*

The company provides pensions to its employees through a defined benefit pension scheme. The scheme provides benefits based on final pensionable pay. During the year the scheme was amended so that the employees contribute with the remainder of the contributions being made by the company, although some members remain under the terms of the old scheme where funding is entirely by contributions from the company. The assets of the scheme are held separately from those of the company, being a Deposit Administration insurance contract underwritten by Sun Life Assurance Society plc.

The amount charged to the profit and loss account is the estimated regular cost of providing the benefits accrued in the year, adjusted to reflect variations from that cost. The regular cost is calculated so that it represents a substantially level percentage of current and future pensionable payroll. Variations from regular cost are charged or credited to the profit and loss account over the estimated average remaining working life of the scheme members.

g) *Foreign currency*

Transactions denominated in foreign currencies are recorded at the actual exchange rates. 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 is included as an exchange gain or loss in the profit and loss account.

h) *Turnover*

Turnover comprises the value of sales (excluding VAT, trade discounts and returns) of goods and services in the normal course of business.

2 Segment information

All the company's turnover and profit are earned in the UK and the directors consider that the company has a single class of business - that of the distribution of engines and related parts sourced from other group undertakings to manufacturers, hire outlets and service specialists in the garden machinery and industrial tooling industries.

Notes to accounts (continued)

3 Other operating income

Other operating income represents sales commission receivable from other group undertakings.

4 Interest payable

	30 June 1996 £	2 July 1995 £
Other	<u>1,595</u>	<u>11</u>

5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging:

	30 June 1996 £	2 July 1995 £
Depreciation of tangible fixed assets	49,359	42,832
Operating lease rentals		
- motor vehicles	21,958	33,960
- other	89,772	86,675
Auditors' remuneration		
- audit	10,850	10,375
- other	-	4,010
Staff costs (see note 6)	<u>391,522</u>	<u>482,751</u>

6 Staff costs

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

	30 June 1996 £	2 July 1995 £
Wages and salaries	332,354	414,926
Social security costs	28,924	37,355
Other pension costs (note 16)	30,244	30,470
	<u>391,522</u>	<u>482,751</u>

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

	30 June 1996 Number	2 July 1995 Number
Total employees	<u>22</u>	<u>24</u>

Notes to accounts (continued)

6 Staff costs (continued)

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

	30 June 1996 £	2 July 1995 £
Emoluments (including pension contributions)	<u>49,483</u>	<u>46,450</u>

Amounts paid to the highest paid director (excluding pension contributions) were £45,341 (1995: £42,514). No other director received any emoluments in either the current year or the prior year.

7 Tax on profit on ordinary activities

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

	30 June 1996 £	2 July 1995 £
Corporation tax at 33% (1995: 33%)	<u>106,724</u>	<u>13,951</u>

There were no amounts of unprovided deferred tax at 30 June 1996.

8 Tangible fixed assets

The movement during the year was as follows:

	Leasehold improvements £	Machinery, fixtures and fittings £	Motor vehicles £	Total £
Cost				
Beginning of year	77,204	346,055	16,724	439,983
Additions	2,762	38,230	18,000	58,992
Disposals	-	(18,235)	(8,482)	(26,717)
End of year	<u>79,966</u>	<u>366,050</u>	<u>26,242</u>	<u>472,258</u>
Depreciation				
Beginning of year	33,673	214,380	11,036	259,089
Charge	4,881	38,666	5,812	49,359
Disposals	-	(8,303)	(8,482)	(16,785)
End of year	<u>38,554</u>	<u>244,743</u>	<u>8,366</u>	<u>291,663</u>
Net book value				
Beginning of year	<u>43,531</u>	<u>131,675</u>	<u>5,688</u>	<u>180,894</u>
End of year	<u>41,412</u>	<u>121,307</u>	<u>17,876</u>	<u>180,595</u>

Notes to accounts (continued)

9 Stocks

Stocks comprise engines and spare parts for resale. The replacement cost of stocks is not considered to be materially different from the balance sheet value.

10 Debtors

	30 June 1996 £	2 July 1995 £
Amounts falling due within one year:		
Trade debtors	688,378	755,485
Amounts owed by other group undertakings	183,533	44,551
Prepayments and accrued income	64,840	105,160
ACT recoverable	-	22,065
	<u>936,751</u>	<u>927,261</u>

11 Creditors: Amounts falling due within one year

	30 June 1996 £	2 July 1995 £
Trade creditors	76,286	132,721
Amounts owed to other group undertakings	123,871	162,763
UK corporation tax payable	95,231	10,573
VAT payable	146,944	164,872
Social security and PAYE	16,423	15,959
Accruals and deferred income	66,330	63,390
	<u>525,085</u>	<u>550,278</u>

12 Called-up share capital

	30 June 1996 £	2 July 1995 £
<i>Authorised, allotted, called up and fully paid</i>		
100,000 ordinary shares of £1 each	<u>100,000</u>	<u>100,000</u>

Notes to accounts (continued)

13 Notes to cash flow statement

a) Reconciliation of operating profit to net cash inflow from operating activities

	30 June 1996 £	2 July 1995 £
Operating profit	305,450	27,114
Loss/(profit) on disposal of fixed assets	8,432	(2,000)
Depreciation	49,359	42,832
Decrease in stocks	71,945	62,723
Increase in debtors	(31,556)	(83,570)
(Decrease)/increase in creditors	(109,851)	90,686
Net cash inflow from operating activities	<u>293,779</u>	<u>137,785</u>

b) Analysis of movement in cash

	30 June 1996 £	2 July 1995 £
Balance at beginning of year	239,301	342,985
Net cash inflow/(outflow)	<u>248,552</u>	<u>(103,684)</u>
Balance at end of year	<u>487,853</u>	<u>239,301</u>

14 Reconciliation of movements in shareholders' funds

	30 June 1996 £	2 July 1995 £
Profit on ordinary activities after taxation	210,991	21,634
Dividends	-	(100,000)
Net increase/(decrease) in shareholders' funds	<u>210,991</u>	<u>(78,366)</u>
Opening shareholders' funds	<u>1,040,654</u>	<u>1,119,020</u>
Closing shareholders' funds	<u>1,251,645</u>	<u>1,040,654</u>

Notes to accounts (continued)

15 Guarantees and other financial commitments

a) Lease commitments

The company pays a rental of £86,675 per annum under a lease on the Brentwood premises which expires in the year 2012. The lease has rent reviews at 5 yearly intervals and the next review is due in 1997.

The company has also entered into contract hire agreements in respect of motor vehicles. The minimum annual rentals under these leases are as follows:

	30 June 1996 £	2 July 1995 £
Operating leases which expire		
- within 1 year	14,524	7,086
- within 2 - 5 years	14,685	25,060
	<u>29,209</u>	<u>32,146</u>

The total annual cost under these agreements in the year was £21,958 (1995: £33,960).

b) Capital commitments

At the end of the year, capital commitments were:

	30 June 1996 £	2 July 1995 £
Authorised but not contracted for	<u>-</u>	<u>3,500</u>

16 Pension arrangements

The company operates a defined benefit pension scheme providing benefits based on final pensionable pay. During the year the scheme was amended so that the contributions of the company and employees became 10.7% and 2% of pensionable salaries respectively, although some members remain under the terms of the old scheme where funding is entirely by contributions from the company. The assets of the scheme are held separately from those of the company, being a Deposit Administration insurance contract underwritten by Sun Life Assurance Society plc. 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 contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was as at 1 July 1995. The assumptions which have the most significant effect on the results of the valuation are the long-term yield on the investment of scheme monies and the rate of salary increases. It was assumed that the investment returns would be 8.5% per annum and that salary increases would average 7%.

The pension charge for the year was £30,244 (1995: £30,470), representing company contributions of 8.3% (1995: 10.5%) of total pensionable salaries.

Notes to accounts (continued)

16 Pension arrangements (*continued*)

The most recent actuarial valuation showed that the value of the scheme's assets was £498,260 and that the actuarial valuation of those assets represented 125% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The actuary recommended that, for the year commencing 1 July 1995 and thereafter until the next valuation, the company should make contributions to the scheme of 8.3%, and thereafter until the next valuation 10.2%, of total pensionable salaries. This represents a regular pension cost of 10.7% less an adjustment to contributions to reduce funding levels to 100% over a 17 year period (corresponding to the average remaining service life of the members), plus increased contributions to provide 5% compound escalation with effect from 1 July 1996 in line with the compulsory pension increase proposals of the Pensions Act 1995.

17 Ultimate parent company

The company is a wholly owned subsidiary of Briggs & Stratton Corporation, incorporated in the State of Wisconsin in the USA.

This is both the immediate and ultimate parent company. The accounts of the company are included in the consolidated accounts of Briggs & Stratton Corporation, which are available to the public from the Department of the Corporate Secretary, Post Office Box 702, Milwaukee, Wisconsin 53201, USA.