ARTHUR
ANDERSEN

Briggs & Stratton U.K. Limited

Accounts 29 June 1997
together with directors' and auditors' reports

Registered number: 2030483

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COMPANIES HOUSE 22/04/98

Directors' report

29 June 1997

The directors present their annual report on the affairs of the company, together with the accounts and auditors' report, for the year ended 29 June 1997.

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.

Results and dividends

The company has recorded a profit on ordinary activities after taxation for the year of £46,559 (1996: profit £210,991).

Turnover for the year was £1,116,886 (1996: £3,259,649).

A dividend of £4 per ordinary share was paid on 30 December 1996 (1995: £Nil).

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.

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,

B M Peachey

BP Peachey
Director

23 January 1998

Auditors' report

St Albans

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

We have audited the accounts on pages 4 to 12 which have been prepared under the historical cost convention and the accounting policies set out on pages 6 and 7.

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 29 June 1997 and of its loss 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

23 January 1998

Profit and loss account

For the year ended 29 June 1997

	Notes	1997 £	1996 £
Turnover	2	1,116,886	3,259,649
Cost of sales		(849,711)	(2,347,027)
Gross profit		267,175	912,622
Other operating income	3	495,405	249,838
Other operating expenses		(707,574)	(857,010)
Operating profit		55,006	305,450
Investment income		13,553	13,860
Interest payable	4	-	(1,595)
Profit on ordinary activities before taxation	5	68,559	317,715
Tax on profit on ordinary activities	7	(22,000)	(106,724)
Profit on ordinary activities after taxation		46,559	210,991
Dividends paid		(400,000)	-
Retained (loss)/profit for the period		(353,441)	210,991
Retained profit, brought forward		1,151,645	940,654
Retained profit, carried forward		798,204	1,151,645

There are no recognised gains or losses other than the retained loss for the year ending 29 June 1997 and the retained profit for the year ending 30 June 1996.

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

29 June 1997

	Notes	1997 £	1996 £
Fixed assets			
Tangible assets	9	154,301	180,595
		154,301	180,595
Current assets			
Stocks	10	-	171,531
Debtors	11	636,978	936,751
Cash at bank and in hand		511,763	487,853
		1,148,741	1,596,135
Creditors: Amounts falling due within one year	12	(404,838)	(525,085)
Net current assets		743,903	1,071,050
Net assets		898,204	1,251,645
Capital and reserves			
Called up share capital	13	100,000	100,000
Profit and loss account		798,204	1,151,645
Equity shareholders' funds	14	898,204	1,251,645

Signed on behalf of the Board 23 January 1998

HA Keltz
Director

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

Notes to accounts

29 June 1997

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 1997 financial year of the company which ended on 29 June 1997 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 30 July 1996.

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.

i) Cash flow statement
In accordance with FRS1 (revised) the company has elected not to prepare a cash flow statement as it is a wholly owned subsidiary of a company which prepares a consolidated cash flow statement and whose accounts are publicly available.

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.

3 Other operating income

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

4 Interest payable

	1997	1996
	£	£
Other	-	1,595

5 Profit on ordinary activities before taxation is stated after charging:

		1997	1996
		£	£
Depreciation of tangible fixed assets		51,971	49,359
Operating lease rentals	- motor vehicles	18,497	21,958
	- other	90,509	89,772
Auditors' remuneration	- audit	8,750	10,850
	- other	-	-
Staff costs (see note 6)		368,647	391,522

6 Staff costs

Particulars of employees (including executive directors) are as shown below:	1997	1996
	£	£
Wages and salaries	319,814	332,354
Social security costs	22,650	28,924
Other pension costs (note 16)	26,183	30,244
	368,647	391,522

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

	Number	Number
Total employees	17	22

Notes to accounts (continued)

6 Staff costs *(continued)*

Directors' remuneration paid in respect of directors of the company was as follows:	1997	1996
	£	£
Emoluments	49,582	45,341
The number of directors who were members of pension schemes was as follows:	Number	Number
Defined benefit schemes	1	1

7 Tax on profit on ordinary activities

The tax charge is based on the profit for the year and comprises:	1997	1996
	£	£
Corporation tax at 33% (1996: 33%)	22,000	106,724

There were no amounts of unprovided deferred tax at 29 June 1997 (1996: £Nil).

8 Dividend paid

During the year the company paid a dividend of £4 per ordinary share (1996: £Nil).

9 Tangible fixed assets

The movement during the year was as follows:

	Leasehold improvements	Machinery, fixtures and fittings	Motor vehicles	Total
	£	£	£	£
Cost				
Beginning of year	79,966	366,050	26,242	472,258
Additions	-	28,324	-	28,324
Disposals	-	(5,063)	-	(5,063)
End of year	79,966	389,311	26,242	495,519
Depreciation				
Beginning of year	38,554	244,743	8,366	291,663
Charge	4,926	40,795	6,250	51,971
Disposals	-	(2,416)	-	(2,416)
End of year	43,480	283,122	14,616	341,218
Net book value				
Beginning of year	41,412	121,307	17,876	180,595
End of year	36,486	106,189	11,626	154,301

Notes to accounts (continued)

10 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.

11 Debtors

	1997	1996
	£	£
Amounts falling due within one year:		
Trade debtors	72,567	688,378
Amounts owed by group undertakings	351,644	183,533
Prepayments and accrued income	90,707	64,840
ACT recoverable	122,060	-
	636,978	936,751

12 Creditors: Amounts falling due within one year

	1997	1996
	£	£
Bank overdraft	74,799	-
Trade creditors	-	76,286
Amounts owed to other group undertakings	-	123,871
UK corporation tax payable	32,573	95,231
VAT payable	131,824	146,944
Social security and PAYE	11,046	16,423
Other creditors	11,059	-
ACT payable	72,500	-
Accruals and deferred income	71,037	66,330
	404,838	525,085

13 Called-up share capital

	1997	1996
	£	£
Authorised, allotted, called up and fully paid		
100,000 ordinary shares of £1 each	100,000	100,000

Notes to accounts (continued)

14 Reconciliation of movements in shareholders' funds

	1997	1996
	£	£
Profit on ordinary activities after taxation	46,559	210,991
Dividends	(400,000)	-
Net (decrease)/increase in shareholders' funds	(353,441)	210,991
Opening shareholders' funds	1,251,645	1,040,654
Closing shareholders' funds	898,204	1,251,645

15 Guarantees and other financial commitments

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:

	1997	1996
	£	£
Operating leases which expire		
- within 1 year	-	4,432
- within 2 - 5 years	19,743	10,092
	19,743	14,524

The total annual cost under these agreements in the year was £18,497 (1996: £21,958).

16 Pension arrangements

The company operates a defined benefit pension scheme providing benefits based on final pensionable pay. 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 £26,183 (1996: £30,244), representing company contributions of 10.2 % (1996: 10.2%) 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% of total pensionable salaries. This represents a regular pension cost of 10.2% 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.

The most recent actuarial valuation was completed prior to the announcement in the budget that pension schemes will be unable to reclaim the creditors on UK dividends. The directors view, based on initial actuarial advice, is that the reflection of this new factor would not significantly alter the pension charge for the period. The directors are considering the implications of the budget for future funding of the pension scheme and the associated costs to the company.

17 Related party transactions

No related party transactions have been disclosed as the company has taken advantage of the exemption under FRS8, Related Party Disclosures on the basis that it is 100% owned subsidiary of a company for which consolidated financial statements are publicly available

18 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.