

Company Registration Number 1945608

AL-KO KOBER HOLDINGS LIMITED  
FINANCIAL STATEMENTS  
31 DECEMBER 2003

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PLATE 1

# **AL-KO KOBER HOLDINGS LIMITED**

## **FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2003**

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# **AL-KO KOBER HOLDINGS LIMITED**

## **OFFICERS AND PROFESSIONAL ADVISERS**

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### **Directors**

K Kober  
W Kober  
R Kober

### **Company secretary**

R Kober

### **Registered office**

12 York Gate  
Regent's Park  
London  
NW1 4QS

### **Auditors**

Blick Rothenberg  
Chartered Accountants and  
Registered Auditors  
12 York Gate  
Regent's Park  
London  
NW1 4QS

# **AL-KO KOBER HOLDINGS LIMITED**

## **DIRECTORS' REPORT**

**YEAR ENDED 31 DECEMBER 2003**

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The directors present their report and the audited financial statements of the group for the year ended 31 December 2003.

### **Principal activities**

The principal activities of the group continued to be that of manufacture and distribution of vehicle components and the distribution of gardening and DIY machinery. During the year the group disposed of the trade relating to the distribution of garden and DIY machinery.

### **Review of the business and future developments**

The results for the year and the financial position at the year end were considered satisfactory by the directors who expect growth in the ongoing activities in the foreseeable future.

### **Results and dividends**

The results for the year and the group's financial position at the end of the year are shown in the attached financial statements.

The directors do not recommend a dividend.

It is proposed to transfer the profit for the year of £1,312,054 to reserves.

### **Directors**

The directors who served the company during the year were as follows:

K Kober  
W Kober  
R Kober

The directors do not have an interest in the share capital of the company and have taken advantage of the exemption allowing directors not to disclose their interests in the share capital of the ultimate parent company as it is incorporated outside Great Britain.

### **Directors' responsibilities**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the group and of the group's profit or loss for the year then ended.

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 group will continue in business.

# AL-KO KOBER HOLDINGS LIMITED

## DIRECTORS' REPORT *(continued)*

YEAR ENDED 31 DECEMBER 2003

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### Directors' responsibilities *(continued)*

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

### Auditors

A resolution to re-appoint Blick Rothenberg as auditors for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

Signed on behalf of the directors



K KOBER  
Chairman

*8th April 2004*

# **AL-KO KOBER HOLDINGS LIMITED**

## **INDEPENDENT AUDITORS' REPORT**

**YEAR ENDED 31 DECEMBER 2003**

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We have audited the financial statements on pages 6 to 20 which have been prepared under the historical cost convention and the accounting policies set out on pages 8 to 9.

This report is made solely to the company's shareholders, 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 shareholders 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 shareholders as a body, for our audit work, for this report, or for the opinions we have formed.

### **Respective responsibilities of the directors and the auditors**

As described on pages 2 to 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

It is our responsibility 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 group'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.

# **AL-KO KOBER HOLDINGS LIMITED**

## **INDEPENDENT AUDITORS' REPORT** *(continued)*

**YEAR ENDED 31 DECEMBER 2003**

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### **Opinion**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group as at 31 December 2003 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

12 York Gate  
Regent's Park  
London  
NW1 4QS

22 April 2004



**BLICK ROTHENBERG**  
Chartered Accountants and  
Registered Auditors



**AL-KO KOBER HOLDINGS LIMITED**  
**CONSOLIDATED PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31 DECEMBER 2003**

	Note	£	2003 £	£	2002 £
<b>Turnover</b>	<b>2</b>				
Continuing operations		20,018,745		16,099,454	
Discontinued operations		<u>709,738</u>		<u>2,984,831</u>	
			<b>20,728,483</b>		<b>19,084,285</b>
Operating costs	<b>3</b>		<b>(18,838,619)</b>		<b>(17,452,720)</b>
<b>Operating profit:</b>	<b>5</b>				
Continuing operations		1,826,185		1,938,236	
Discontinued operations		<u>63,679</u>		<u>(306,671)</u>	
			<b>1,889,864</b>		<b>1,631,565</b>
Interest payable	<b>6</b>		<b>(21,810)</b>		<b>(31,688)</b>
<b>Profit on ordinary activities before taxation</b>			<b>1,868,054</b>		<b>1,599,877</b>
Tax on profit on ordinary activities	<b>7</b>		<b>(556,000)</b>		<b>(483,928)</b>
<b>Profit on ordinary activities after taxation</b>	<b>8</b>		<b>1,312,054</b>		<b>1,115,949</b>
Dividends	<b>9</b>		<b>—</b>		<b>(700,000)</b>
<b>Retained profit for the financial year</b>			<b><u>1,312,054</u></b>		<b><u>415,949</u></b>

The group has no recognised gains or losses other than the results for the year as set out above.

The discontinued operations relate to the termination of the garden and D.I.Y machinery distribution business.

# AL-KO KOBER HOLDINGS LIMITED


## CONSOLIDATED BALANCE SHEET

31 DECEMBER 2003

		Group	2002	Company	2002
		2003	£	2003	£
		£	£	£	£
<b>Fixed assets</b>					
Tangible assets	10	4,632,223	4,642,199	-	-
Investments	11	-	-	1,027,103	1,027,103
		<u>4,632,223</u>	<u>4,642,199</u>	<u>1,027,103</u>	<u>1,027,103</u>
<b>Current assets</b>					
Stocks	12	1,545,015	1,941,353	-	-
Debtors	13	4,950,095	4,546,252	-	-
Cash at bank and in hand		38,598	916	-	-
		<u>6,533,708</u>	<u>6,488,521</u>	<u>-</u>	<u>-</u>
<b>Creditors: Amounts falling due within one year</b>	14	(2,487,116)	(3,746,709)	-	-
<b>Net current assets</b>		<u>4,046,592</u>	<u>2,741,812</u>	<u>-</u>	<u>-</u>
<b>Total assets less current liabilities</b>		<u>8,678,815</u>	<u>7,384,011</u>	<u>1,027,103</u>	<u>1,027,103</u>
<b>Provisions for liabilities and charges</b>					
Deferred taxation	16	(323,000)	(302,000)	-	-
Other provisions	17	(181,500)	(219,750)	-	-
		<u>8,174,315</u>	<u>6,862,261</u>	<u>1,027,103</u>	<u>1,027,103</u>
<b>Capital and reserves</b>					
Called-up share capital	20	2,300,000	2,300,000	2,300,000	2,300,000
Share premium account		327,103	327,103	327,103	327,103
Profit and loss account	21	5,547,212	4,235,158	(1,600,000)	(1,600,000)
<b>Shareholder's funds - equity</b>	22	<u>8,174,315</u>	<u>6,862,261</u>	<u>1,027,103</u>	<u>1,027,103</u>

These financial statements were approved by the board of directors on the 8th April 2004 and are signed on its behalf by:

  
R KOBER  
Director

  
K KOBER  
Director

# AL-KO KOBER HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

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### 1. Accounting policies

#### 1.1 Basis of accounting

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

#### 1.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the company and all group undertakings. These are adjusted, where appropriate, to conform to group accounting policies.

As a consolidated profit and loss account is published, a separate profit and loss account for the parent company is omitted from the group accounts by virtue of section 230 of the Companies Act 1985.

#### 1.3 Turnover

Turnover represents amounts receivable for goods and services, net of VAT and trade discounts.

#### 1.4 Depreciation

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

Freehold property	2% straight line
Leasehold property	25% straight line
Plant and machinery	10% - 25% straight line
Motor vehicles	25% straight line

Freehold land is not depreciated.

#### 1.5 Stocks and work in progress

Stock is valued at the lower of cost and net realisable value. Cost is determined on a first-in, first-out basis. The cost of finished goods comprises materials, direct labour and attributable production overheads. Net realisable value is based on estimated selling price less any further costs that are expected to be incurred to completion and disposal.

Work in progress comprises materials, direct labour and attributable production overheads. No element of profit is included in the valuation of work in progress.

#### 1.6 Leases

Operating lease rentals are charged to the profit and loss account in equal instalments over the lease term.

#### 1.7 Pension costs

The company operates two defined benefit pension schemes and a defined contribution pension scheme. The assets of the schemes are held in separate trustee administered funds. Contributions to the defined benefit schemes are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. Contributions to the defined contribution scheme are charged to the profit and loss account as they became payable.

# **AL-KO KOBER HOLDINGS LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2003**

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### **1. Accounting policies *(continued)***

#### **1.8 Provisions for liabilities and charges**

Provisions for the expected costs of maintenance under guarantees are charged against profits when products have been invoiced. The effect of the time value of money is not material and therefore the provisions are not discounted.

#### **1.9 Deferred taxation**

Deferred tax is provided in full on timing differences which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising on unremitted earnings of subsidiaries and associates where there is no commitment to remit these earnings. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

#### **1.10 Foreign currencies**

Monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the profit and loss account.

# AL-KO KOBER HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

### 2. Turnover

The turnover and profit before tax are attributable as follows:

	2003		2002	
	Turnover £	Profit before Tax £	Turnover £	Profit before tax £
Manufacture and distribution of vehicle components	20,018,745	1,826,963	16,099,454	2,042,166
Distribution of gardening equipment and DIY machinery	709,738	41,091	2,984,831	(442,289)
	<u>20,728,483</u>	<u>1,868,054</u>	<u>19,084,285</u>	<u>1,599,877</u>

#### Geographical analysis:

	2003 £	2002 £
United Kingdom	20,694,834	19,066,104
Rest of Europe	7,360	9,641
Rest of world	26,289	8,540
	<u>20,728,483</u>	<u>19,084,285</u>

#### Net assets by division:

	2003 £	2002 £
Vehicle Technology	9,531,985	8,239,657
Garden & Hobby	(1,357,670)	(1,377,396)
	<u>8,174,315</u>	<u>6,862,261</u>

**AL-KO KOBER HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2003**

**3. Net operating expenses**

	Continuing Operations £	Discontinued operations £	Total £
<b>Year ended 31 December 2003</b>			
Changes in stocks of finished goods and work in progress	(60,018)	456,355	396,337
Other external charges	13,755,771	83,621	13,839,392
Staff costs (Note 4)	2,467,653	88,530	2,556,183
Depreciation of fixed assets	282,396	2,232	284,628
Other operating charges	1,746,758	15,321	1,762,079
	<u>18,192,560</u>	<u>646,059</u>	<u>18,838,619</u>
<b>Year ended 31 December 2002</b>			
Changes in stocks of finished goods and work in progress	(395,078)	(15,782)	(410,860)
Other external charges	10,858,825	2,548,279	13,407,104
Staff costs (Note 4)	2,111,438	268,422	2,379,860
Depreciation of fixed assets	284,064	30,691	314,755
Other operating charges	1,301,969	459,892	1,761,861
	<u>14,161,218</u>	<u>3,291,502</u>	<u>17,452,720</u>

**4. Particulars of employees**

The average number of staff, including the directors, employed by the group during the financial year was:

	2003 Number	2002 Number
Production	50	39
Administration	23	25
Selling and distribution	18	22
	<u>91</u>	<u>86</u>

The aggregate payroll costs of the above were:

	2003 £	2002 £
Wages and salaries	2,132,818	1,976,430
Social security costs	205,155	168,043
Other pension costs	218,210	235,387
	<u>2,556,183</u>	<u>2,379,860</u>

**AL-KO KOBER HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2003**

**5. Operating profit**

Operating profit is stated after charging/(crediting):

	2003 £	2002 £
Directors' remuneration	—	—
Depreciation on tangible fixed assets	284,628	318,060
Profit on disposal of fixed assets	(2,326)	(3,305)
Auditors' remuneration:		
- audit services	31,600	28,350
- for other services	7,807	18,005
Operating lease costs:		
- land and buildings	96,993	69,686
- other	56,427	41,583

**6. Interest payable and similar charges**

	2003 £	2002 £
Interest payable on bank loans and overdrafts	20,887	31,688
On amounts payable to group companies	923	—
	<u>21,810</u>	<u>31,688</u>

**7. Tax on profit on ordinary activities**

**Taxation**

	2003 £	2002 £
Current tax:		
In respect of the year:		
UK corporation tax based on the results for the year at 30% (2002: 30%)	535,000	425,000
Adjustment in respect of previous years:		
Corporation tax	—	(72)
Total current tax	<u>535,000</u>	<u>424,928</u>
Increase in deferred tax provision (note 16)		
Capital allowances	(223,000)	280,000
Pension contributions paid in advance	244,000	(221,000)
Total deferred tax (note 16)	<u>21,000</u>	<u>59,000</u>
Tax on profit on ordinary activities	<u>556,000</u>	<u>483,928</u>

There is no material difference between the current tax charge on ordinary activities for the period reported in the profit and loss account and the current tax charge that would result from applying a relevant standard rate of tax to the profit on ordinary activities before tax.

# AL-KO KOBER HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

### 8. Profit attributable to members of the parent company

The company has taken advantage of s230 of Companies Act 1985 not to present its own profit and loss account.

The company made neither a profit nor a loss during the year.

### 9. Dividends

No dividend has been recommended for the year ended 31 December 2003.

### 10. Tangible fixed assets

Group	Freehold property £	Leasehold property £	Plant, machinery and equipment £	Motor Vehicles £	Total £
<b>Cost</b>					
At 1 January 2003	4,332,619	29,979	1,932,881	398,787	6,694,266
Additions	3,379	16,520	118,674	159,354	297,927
Disposals	—	—	(169,974)	(76,187)	(246,161)
<b>At 31 December 2003</b>	<b>4,335,998</b>	<b>49,499</b>	<b>1,881,581</b>	<b>481,954</b>	<b>6,746,032</b>
<b>Depreciation</b>					
At 1 January 2003	282,618	7,495	1,456,059	305,895	2,052,067
Charge for the year	65,720	15,755	123,964	79,189	284,628
On disposals	—	—	(167,799)	(55,087)	(222,886)
<b>At 31 December 2003</b>	<b>348,338</b>	<b>23,250</b>	<b>1,412,224</b>	<b>329,997</b>	<b>2,113,809</b>
<b>Net book value</b>					
<b>At 31 December 2003</b>	<b>3,987,660</b>	<b>23,249</b>	<b>469,357</b>	<b>151,957</b>	<b>4,632,223</b>
At 31 December 2002	4,050,001	22,484	476,822	92,892	4,642,199



**AL-KO KOBER HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2003**

**11. Fixed asset investments**

<b>Company</b>	<b>Shares in group companies brought forward £</b>
<b>Cost</b>	
<b>At 1 January 2003 and 31 December 2003</b>	<b><u>1,027,103</u></b>
<b>Net book value</b>	
<b>At 31 December 2003</b>	<b><u>1,027,103</u></b>
<b>At 31 December 2002</b>	<b><u>1,027,103</u></b>

Details of the company's subsidiary undertakings are as follows:

<b>Company name</b>	<b>Principal activity</b>	<b>Country of incorporation</b>	<b>Class of share</b>	<b>% holding</b>
AL-KO Kober Limited	Manufacture and distribution of vehicle components and distribution of gardening and DIY machinery	England and Wales	Ordinary	100
AL-KO Britain Limited	Dormant	England and Wales	Ordinary	100

The subsidiary companies listed above are included in these consolidated financial statements.

On 30 March 2004 AL-KO Britain Limited was dissolved.

**12. Stocks**

	<b>Group</b>		<b>Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Raw materials	<b>256,850</b>	419,913	—	—
Work in progress	<b>66,474</b>	42,836	—	—
Finished goods and goods for resale	<b>1,221,691</b>	1,478,604	—	—
	<b><u>1,545,015</u></b>	<b><u>1,941,353</u></b>	<b><u>—</u></b>	<b><u>—</u></b>

**AL-KO KOBER HOLDINGS LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2003**

**13. Debtors**

	<b>Group</b>		<b>Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Trade debtors	<b>4,336,839</b>	3,933,333	—	—
Amounts owed by group undertakings	<b>12,615</b>	21,534	—	—
Prepayments and accrued income	<b>600,641</b>	591,385	—	—
	<b><u>4,950,095</u></b>	<b><u>4,546,252</u></b>	<b><u>—</u></b>	<b><u>—</u></b>

Included within prepayments is an amount of £342,697 due in greater than one year (2002: £503,604).

**14. Creditors: Amounts falling due within one year**

	<b>Group</b>		<b>Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Bank loans and overdrafts	<b>8,507</b>	847,461	—	—
Trade creditors	<b>470,496</b>	525,779	—	—
Amounts owed to group undertakings	<b>799,228</b>	1,315,732	—	—
Corporation tax	<b>371,921</b>	247,608	—	—
Other taxation and social security	<b>471,416</b>	425,096	—	—
Accruals and deferred income	<b>365,548</b>	385,033	—	—
	<b><u>2,487,116</u></b>	<b><u>3,746,709</u></b>	<b><u>—</u></b>	<b><u>—</u></b>

**15. Pensions**

The company operates two defined benefit pension schemes, the contributions payable to which are determined by a qualified actuary using the attained age method.

**Al-Ko Kober Limited Pension and Assurance Scheme**

The most recent actuarial valuation of the Al-Ko Kober Limited Pension and Assurance Scheme was at 1st July 2002. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments and the rates of increase in salaries. It was assumed that the investment returns would exceed salary increases by 1.5% per annum.

The assumptions made are as follows: Inflation 5.00%; salary increases 5.00%; rate of discount 5.40%; pension payment increases; GMP 3.00%; pension payment increases pre 6/4/97 excess 5.00%; pension payment increases post 6/4/97 excess 5.00%.

The actuarial valuation indicated that the market value of the schemes' assets are £1,960,700 and that the actuarial value of these assets represent 79% of the benefits that have accrued to members, after allowing for expected future increases in earnings. The company and its employees contribute to the scheme at the rates recommended by the actuary.

# AL-KO KOBER HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

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### 15. Pensions *(continued)*

The contributions made to the scheme over the year have been £176,400 (2002: £288,644) equivalent to 30% of pensionable salary. Future contribution rates will be as follows:

24.1% of pensionable salaries from 1 July 2003 until the date of the next triennial valuation on 30 June 2005. Contributions from employees are at 5% of current pensionable earnings.

A pension prepayment for the scheme of £444,885 (2002: £485,718) exists at 31 December 2003.

In accordance with the requirements of Financial Reporting Standard 17, Retirement Benefits, the 1 July 2002 actuarial valuation of this scheme has been updated to 31 December 2003 by a qualified actuary.

For the purposes of these financial statements, these figures are illustrative only and do not impact on the actual balance sheet. The assets of the scheme are taken at market value as estimated by the actuary and the liabilities are calculated in accordance with the requirements of FRS 17 using the following principal actuarial assumptions: inflation at 2.80% (2002: 2.25%; 2001: 2.5%), salary increases at 4.30% (2002: 3.75%; 2001: 4.00%), a rate of discount of 5.40% (2002: 5.50%; 2001: 6.00%), and pensions payment increases of 2.50% (2002: 2.25%; 2001: 2.50%).

On this basis, the illustrative balance sheet figures are set out below. Since the principal asset of the scheme is an insurance policy, it is not possible to break down this single investment into the categories of equities, bonds and other investments. The expected long term rate of return over the following year is 5.40% per annum, which cannot be broken down between asset categories.

The total market value of assets is £1,795,000 (2002: £2,060,000; 2001: £1,784,000). The present value of liabilities is £2,900,000 (2002: 2,300,000; 2001: 1,950,000). The resultant deficit in the scheme is £1,105,000 (2002: 240,000; 2001: 166,000).

The amount charged to operating profit is a current service cost and total operating charge of £66,000 (2002: £98,000).

The amount credited to other finance income is an expected return on pension scheme assets of £106,000 (2002: £115,000) and the interest on pension scheme liabilities is £118,000 (2002: £119,000) giving a net return of a loss of £12,000 (2002: £4,000).

The amount recognised in the statement of the total recognised gains and losses includes the actual return less expected return on pension scheme assets, which is a loss of £98,000 (2002: £101,000), the experience losses arising on scheme liabilities of £437,000 (2002: £nil), and the changes in assumptions underlying the present value of scheme liabilities resulting in a loss of £370,000 (2002: £155,000). The total actuarial loss recognised in statement of the above losses is £905,000 (2002: £256,000).

The movement in deficit during 2003 is as follows. The deficit in the scheme at the beginning of the year is £240,000 (2002: £166,000). The current service cost is £66,000 (2002: £98,000). Contributions total £118,000 (2002: £284,000). Other finance costs total £12,000 (2002: £4,000). The actuarial loss for the year is £905,000 (2002: £256,000). The deficit in the scheme at the end of the year is £1,105,000 (2002: £240,000).

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**15. Pensions** *(continued)*

History and experience gains and losses are as follows. The difference between the expected and actual return on scheme assets is a loss of £98,000 (2002: £101,000). This is a loss of 5% (2002: 5%). Experience losses on scheme liabilities are £437,000 (2002: £nil). This is a loss of 15% (2002: nil). The total amount recognised in statement of total recognised losses is £905,000 (2002: £256,000). This is a total recognised loss of 31% (2002: 11%).

**Al-Ko Kober Limited Retirement and Death Benefit Plan For Hourly Paid Employees**

The most recent actuarial valuation of the Al-Ko Kober Limited Retirement and Death Benefit Plan For Hourly Paid Employees was at 1st July 2000. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return of investments and the rates of increases in salaries. It is assumed that the investment returns will exceed salary increases by 1.5% per annum.

The assumptions made are as follows: Inflation 2.80%; Salary increases 4.30%; Rate of discount 5.40%.

The actuarial valuation indicated that the market value of the schemes' assets was £485,400 and that the actuarial value of these assets represents 103% of the benefits that have accrued to members, after allowing for expected future increases in earnings. On advice of the actuaries, the surplus is being addressed by a decrease in contribution levels of 1.6% per annum.

The contributions made to the scheme over the year have been £41,804 (2002: £17,666) equivalent to 2.7% of pensionable salary. This contribution rate is to continue until reviewed following the triennial valuation of the scheme due as at 1 July 2003. The results of this valuation are still awaited.

A pension prepayment for the scheme of £21,261 (2002: £17,886) exists at 31 December 2002.

In accordance with the requirements of Financial Reporting Standard 17, Retirement Benefits, the 1 July 2000 actuarial valuation of this scheme has been updated to 31 December 2003 by a qualified actuary.

The transitional arrangements of the new accounting standard FRS17 require disclosure of assets and liabilities as at 31 December 2003 calculated in accordance with the requirements of FRS17. For the purposes of these financial statements, these figures are illustrative only and do not impact on the actual balance sheet. The assets of the scheme are taken at market value and the liabilities have been calculated in accordance with the requirements of FRS 17 using the following principal actuarial assumptions: inflation at 2.80% (2002: 2.25%; 2001: 2.5%), salary increases at 4.30% (2002: 3.75%; 2001: 4.00%), and a rate of discount of 5.40% (2002: 5.50%; 2001: 6.00%).

On this basis, the illustrative balance sheet figures are set out below. Since the principal asset of the scheme is an insurance policy, it is not possible to break down this single investment into the categories of equities, bonds and other investments. The expected long term rate of return over the following year is 5.40% per annum, which cannot be broken down between asset categories.

# AL-KO KOBER HOLDINGS LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2003

### 15. Pensions *(continued)*

The total market value of assets is £552,000 (2002: £534,000; 2001: £560,000). The present value of liabilities is £600,000 (2002: 510,000; 2001: 490,000). The resultant deficit in the scheme is £48,000 (2002: a surplus of £24,000; 2001: a surplus of £70,000).

The amount charged to operating profit is current service income, and total operating charge, of £25,000 (2002: £23,000).

The amount credited to other finance income is an expected return on pension scheme assets of £30,000 (2002: £33,000) and interest on pension scheme liabilities is £28,000 (2002: £29,000) giving a net return of a gain of £2,000 (2002: £4,000).

The amount recognised in the statement of the total recognised gains and losses is the actual return less expected return on pension scheme assets, being a loss of £29,000 (2002: £28,000), and the changes in assumptions underlying the present value of scheme liabilities, resulting in a loss of £46,000 (2002: £13,000). The total actuarial loss recognised is £75,000 (2002: £41,000).

The movement in the surplus/deficit during 2003 is as follows. The surplus in the scheme at the beginning of the year is £24,000 (2002: £70,000). The current service cost is £25,000 (2002: £23,000). Contributions total £26,000 (2002: £14,000). Other finance income totals £2,000 (2002: £4,000). The actuarial loss for the year is £75,000 (2002: £41,000). The deficit in the scheme at the end of the year is £48,000 (2002: a surplus of £24,000).

History and experience gains and losses are as follows. The difference between the expected and actual return on scheme assets is a loss of £29,000 (2002: £28,000). That is a loss of 5% (2002: 5%). The total amount recognised in statement of total recognised losses is £75,000 (2002: £41,000). That is a total recognised loss of 13% (2002: 8%).

### Reconciliation of net assets and reserves as at 31 December 2003 under FRS17

The net assets of £8,177,000 (2002: £6,862,000) are reduced by the net liability of £1,153,000 (2002: £216,000) to give net assets including the defined benefit liability of £7,024,000 (2002: £6,646,000). The profit and loss reserve as stated in the balance sheet of £7,267,000 (2002: £5,952,00) has been reduced by the same net liability to £6,111,000 (2002: £5,736,000).

### 16. Deferred taxation

	Group		Company	
	2003	2002	2003	2002
	£	£	£	£
Provision brought forward	302,000	243,000	—	—
Movement in provision	21,000	59,000	—	—
Provision carried forward	<u>323,000</u>	<u>302,000</u>	<u>—</u>	<u>—</u>

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**17. Other provisions**

	<b>Group</b>		<b>Company</b>	
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Warranty provision	<u>181,500</u>	<u>219,750</u>	<u>-</u>	<u>-</u>

A provision has been recognised for expected claims against product guarantees. It is expected that most of this expenditure will be incurred in the next two financial years. The provision has not been discounted since the effect of discounting is not material.

**18. Commitments under operating leases**

At 31 December 2003 the group had annual commitments under non-cancellable operating leases as set out below.

<b>Group</b>	<b>2003</b>		<b>2002</b>	
	<b>Land and buildings</b>	<b>Other items</b>	<b>Land and buildings</b>	<b>Other items</b>
	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Operating leases which expire:				
Within two to five years	<u>87,000</u>	<u>22,425</u>	<u>87,000</u>	<u>22,425</u>

**19. Related party transactions and controlling party**

The company has taken advantage of the exemption afforded by Financial Reporting Standard 8 from disclosing transactions with related parties which are part of the group AL-KO Kober A.G., a company incorporated in Germany. Copies of the group financial statements are available as disclosed in note 23.

The directors regard the Kober family as the ultimate controlling party. The directors regard AL-KO Kober A.G. as being the immediate controlling party.

**20. Share capital**

	<b>2003</b>		<b>2002</b>	
	<b>Number</b>	<b>£</b>	<b>Number</b>	<b>£</b>
<b>Authorised share capital:</b>				
Ordinary shares of £1 each	<u>2,300,000</u>	<u>2,300,000</u>	<u>2,300,000</u>	<u>2,300,000</u>
<b>Called up, allotted and fully paid:</b>				
Ordinary shares of £1 each	<u>2,300,000</u>	<u>2,300,000</u>	<u>2,300,000</u>	<u>2,300,000</u>

**AL-KO KOBER HOLDINGS LIMITED**  
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**21. Reserves**

<b>Group</b>	<b>Share premium account £</b>	<b>Profit and loss account £</b>
Balance brought forward	327,103	4,235,158
Profit for the year	—	1,312,054
Balance carried forward	<u>327,103</u>	<u>5,547,212</u>

<b>Company</b>	<b>Share premium account £</b>	<b>Profit and loss account £</b>
Balance brought forward	327,103	(1,600,000)
Balance carried forward	<u>327,103</u>	<u>(1,600,000)</u>

**22. Reconciliation of movements in group shareholders' funds**

	<b>2003 £</b>	<b>2002 £</b>
Profit for the financial year	1,312,054	1,115,949
Dividends	—	(700,000)
	<u>1,312,054</u>	<u>415,949</u>
Opening shareholders' funds	6,862,261	6,446,312
Closing shareholders' funds	<u>8,174,315</u>	<u>6,862,261</u>

**23. Ultimate parent company**

The immediate parent undertaking is Alois Kober GmbH, a company incorporated in Germany.

The parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the company is a member is AL-KO Kober A.G., a company incorporated in Germany. The directors regard this company as being the ultimate holding company. Copies of these group financial statements are available to the public from Handelsgericht Ref B19438940 Memmingen Germany.