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Whipp & Bourne Limited

Report and Financial Statements

31 March 2006



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Whipp & Bourne Limited

Registered No. 2641487

Directors

N Bamford
A Ventrella

Secretary

A Ventrella

Auditors

Ernst & Young LLP
City Gate West
Toll House Hill
Nottingham
NG1 5FY

Registered Office

Falcon Works,
PO Box 7713,
Meadow Lane,
Loughborough,
LE11 1ZF

Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2006.

Results and dividends

The audited financial statements for the year ended 31 March 2006 are set out on pages 8 to 14. The retained loss for the year after taxation amounted to £251,986,000 (2005: £53,411,000) and has been transferred to the profit and loss account reserve.

The directors do not recommend the payment of a dividend for the year.

Principal activity and review of the business

The company's principal activity is that of an intermediate holding company.

The company has not traded during the year, but has suffered a loss due to the impairment of a subsidiary undertaking and interest payments on group loans. The directors do not expect the company to commence trading in the foreseeable future.

Directors and their interests

The directors who served during the year ended 31 March 2006 are as listed on page 1. No director had any interests in the shares of the company at 31 March 2006.

N Bamford was also a director of the ultimate parent undertaking, and his interests in the shares of that company are disclosed in that company's financial statements. The interests of the remaining director who served in the year, in the shares of the ultimate parent undertaking are set out below:

<i>Ordinary 10p shares</i>				2006 No.	2005 No.
A Ventrella				-	-
				<u> </u>	<u> </u>
<i>Executive share option scheme</i>	<i>1 April</i>				<i>31 March</i>
	2005	<i>Granted</i>	<i>Exercised</i>	<i>Lapsed</i>	2006
	No.	No.	No.	No.	No.
A Ventrella	135,000	42,574	-	-	177,574
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

All options granted in the year were at an option price of 103.35 pence per share.

<i>SAYE share option scheme</i>	<i>1 April</i>				<i>31 March</i>
	2005	<i>Granted</i>	<i>Exercised</i>	<i>Lapsed</i>	2006
	No.	No.	No.	No.	No.
A Ventrella	26,541	-	-	-	26,541
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Options in existence at 31 March 2006 are exercisable between 2006 and 2015 at prices of 140 pence per share, 77 pence and 60 pence per share. The market price of the ordinary shares of FKI plc at 31 March 2006 was 126 pence (2005: 106.25 pence) and the range during the year was 90.25 pence to 127.25 pence (2005: 105 pence to 137.5 pence).

All interests shown above are beneficial.

Directors' report (continued)**Directors and their interests** (continued)**Long term incentive plan (LTIP)**

The ultimate parent company operates a new LTIP scheme which was approved by its shareholders in 2005 under which participants receive annual conditional awards of shares in FKI plc which may vest only after the achievement of certain long-term performance conditions. In the first year of the new arrangements, long-term incentives were provided through a combination of executive share options and performance shares. Each element of the long-term incentive may vest independently of the other. Participants may receive up to the maximum number of shares, three years after the award, provided the performance conditions are met. Until then, the shares are held in a trust, which is administered by a trustee company.

The level of vesting of awards under the LTIP is determined by the performance of FKI plc's total shareholder return against a comparator group of all companies which on the date of grant are constituent companies of the Engineering and Machinery Index as determined by the FTSE Actuaries Industry Classification Committee. No performance shares vest for below median performance and 30% of an award will vest for median performance. Full vesting occurs only at a level equal or greater than 80th percentile performance. Accrued dividends on vested awards are paid to the executives pending transfer of the shares into the name of the respective participant.

The performance condition is based upon total shareholder return as this is considered to be the best means of aligning the interests of directors with shareholders by requiring superior total shareholder return performance compared to competitor companies. The assessment as to whether the performance conditions have been met is independently calculated by Mercer Human Resource Consulting in conjunction with Datastream and is ratified by the Remuneration Committee of FKI plc.

The maximum number of ordinary shares that the directors could receive under the LTIP is detailed below:

	<i>Shares allocated at 1 April 2005</i>	<i>Shares allocated during year</i>	<i>Shares vested during year</i>	<i>Shares lapsed during year</i>	<i>Shares transferred during year</i>	<i>Value of award at date of grant</i>	<i>Shares allocated at 31 March 2006</i>	<i>Earliest date for transfer</i>	<i>Value of shares vested*</i>	<i>Market value**</i>
						£				£
A Ventrella	-	26,609	-	-	-	27,939	26,609	26/8/08	n/a	33,527

*There were no shares that vested during the year.

**Market value of LTIP shares as yet uninvested at 126 pence (2005: 106.25 pence), the closing mid-market price on 31 March 2006.

There are no other interests required to be disclosed under section 234 of the Companies Act 1985.

Directors' Liabilities

FKI plc, the ultimate parent undertaking, has indemnified one or more directors of the company against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 1985. Such qualifying third party indemnity provision was in force during the year.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

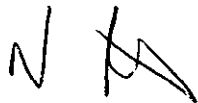
Directors' report (continued)

Directors' statement as to disclosure of information to auditors

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Each of these directors confirms that:

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are unaware; and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information.

By order of the Board



N Bamford
Director

Date: 11 August 2006

Statement of directors' responsibilities in relation to the financial statements

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

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; 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 Whipp & Bourne Ltd

We have audited the company's financial statements for the year ended 31 March 2006 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet, and the related notes 1 to 14. 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

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, are properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with the financial statements.

We also report to you if, in our opinion, 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 other transactions is not disclosed.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments 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.

Independent auditors' report

to the members of Whipp & Bourne Limited

Opinion

In our opinion the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 March 2006 and of its loss for the year then ended; the financial statements have been properly prepared in accordance with the Companies Act 1985; and the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Nottingham

Date: *6th September 2006*

Profit and loss account

for the year ended 31 March 2006

	<i>Notes</i>	<i>2006</i> <i>£000</i>	<i>2005</i> <i>£000</i>
Non-operating exceptional items	3	(195,901)	-
Exchange loss on foreign currency denominated loans		(2,333)	(1,357)
<i>Loss before interest and tax</i>		(198,234)	(1,357)
Net interest payable	4	(53,752)	(52,054)
<i>Loss on ordinary activities before taxation</i>		(251,986)	(53,411)
Tax on loss on ordinary activities	5	-	-
<i>Retained loss for the financial year</i>	11	(251,986)	(53,411)

Statement of total recognised gains and losses

for the year ended 31 March 2006

	2006	2005
	£000	£000
Loss on ordinary activities after taxation	(251,986)	(53,411)
Foreign currency translation gains/(losses) on foreign currency net investments	23,522	(4,428)
Foreign currency translation (losses)/gains on loans due to ultimate parent company	(19,764)	4,481
Total recognised losses relating to the year	(248,228)	(53,358)

Balance sheet

at 31 March 2006

	<i>Notes</i>	<i>2006</i> £000	<i>2005</i> £000
Fixed assets			
Investments	6	1,059,464	1,231,843
Current assets			
Debtors	7	5,107	5,016
Creditors: amounts falling due within one year	8	(1,167,865)	(1,091,925)
Net current liabilities		<u>(1,162,758)</u>	<u>(1,086,909)</u>
Net (liabilities)/assets		<u>(103,294)</u>	<u>144,934</u>
Capital and reserves			
Called up share capital	10	-	-
Share premium	11	196,288	196,288
Profit and loss account	11	(299,582)	(51,354)
Equity shareholders' (deficit)/funds	11	<u>(103,294)</u>	<u>144,934</u>

Approved by the Board and signed on its behalf by:


N Bamford
Director

Date: 11 August 2006

Notes to the financial statements

at 31 March 2006

1. Accounting policies

Basis of preparation

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

The company has taken advantage of the exemption from preparing group financial statements afforded by section 228 of the Companies Act 1985 because it is a wholly owned subsidiary undertaking of FKI plc, which prepares consolidated financial statements which are publicly available.

Statement of cash flows

Under the provision of FRS 1 "Cash Flow Statements" (Revised 1996), the company has not prepared a statement of cash flows because its ultimate parent undertaking, FKI plc, has prepared consolidated financial statements which include the financial statements of the company and which contain a statement of cash flows.

Going concern

The financial statements indicate that the company has net current liabilities. The directors have prepared the financial statements on a going concern basis since the ultimate parent undertaking has indicated that it will continue to give financial support to the company for the foreseeable future, to enable the company to meet its debts as they fall due.

Investments

Equity investments are recorded at cost less provision for impairment in their underlying currency amounts and translated into sterling at each year end. Any exchange gains or losses arising are taken to reserves.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies are re-translated at the rate of exchange ruling at the balance sheet date.

Exchange differences arising on foreign currency borrowings that have been used to finance, or provide a hedge against, foreign equity investments are offset in reserves against the exchange differences arising on the foreign equity investments. Tax charges and credits attributable to exchange differences on such borrowings are also dealt with in reserves. All other exchange differences are dealt with in the determination of the results for the financial year.

2. Directors' emoluments, staff costs and auditors' remuneration

The directors received no remuneration for their services to the company during the year (2005: £nil).

The emoluments of Mr N Bamford and Mr A Ventrella have been borne by FKI plc, the ultimate parent undertaking. The directors of the company are also directors of a number of companies within the FKI group. The directors' services to the company do not occupy a significant amount of their time. As such, the directors do not consider that they have received any remuneration for their incidental services to the company for the year ended 31 March 2006 and 31 March 2005. There were no staff employed other than the directors (2005: none).

The audit fee in year 2005 and 2006 was borne by the parent undertaking.

Notes to the financial statements

at 31 March 2006

3. Non-operating exceptional items

	2006 £000	2005 £000
Impairment of investment in Fisher Karpark Industries Limited	(195,901)	-
	<u> </u>	<u> </u>

The impairment in the investment has arisen following the cessation of trade and deregistration of Fisher-Karpark Industries. The exceptional item has no direct tax consequences.

4. Net interest payable

	2006	2005
Interest payable on:		
Loan from group undertakings	(55,365)	(52,066)
Interest receivable on:		
Other loans	-	12
Loan to group undertakings	1,613	-
	<u> </u>	<u> </u>
	(53,752)	(52,054)
	<u> </u>	<u> </u>

5. Tax on loss on ordinary activities

The tax assessed for the year is as explained below.

	2006 £000	2005 £000
Loss on ordinary activities before taxation	(251,986)	(53,411)
	<u> </u>	<u> </u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2005 – 30%)	(75,596)	(16,023)
Effects of:		
Non-deductible expenses	58,771	(4)
Group relief surrendered for nil consideration	16,825	16,027
	<u> </u>	<u> </u>
Current tax charge for the year	-	-
	<u> </u>	<u> </u>

The tax charge in future periods may be affected by the utilisation of tax capital losses which, in the present period, amounted to an unrecognised deferred tax asset of £8.0m (2005: £8.0m). Based on currently available evidence it is considered unlikely that suitable taxable gains will be generated.

Notes to the financial statements

at 31 March 2006

6. Investments

	<i>£000</i>
Cost:	
At 1 April 2005	1,231,843
Exchange gain on foreign currency net investments	23,522
Impairment of investment in Fisher-Karpark Industries	(195,901)
	<hr/>
At 31 March 2006	1,059,464
	<hr/> <hr/>

Details of the subsidiaries at 31 March 2006 are as follows:

<i>Name</i>	<i>Nature of business</i>	<i>Country of incorporation or registration</i>
Brush Traction (100%)	Holding company	England and Wales
FKI Mondiale Holding BV (100%)	Holding company	The Netherlands

In the opinion of the directors the value of the company's investments in subsidiary undertakings is not less than the amount included in the balance sheet.

7. Debtors

	<i>2006</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>
Amounts owed by parent undertaking due within one year	5,107	5,016
	<hr/>	<hr/>

8. Creditors: amounts falling due within one year

	<i>2006</i>	<i>2005</i>
	<i>£000</i>	<i>£000</i>
Amounts owed to subsidiary undertakings	190,618	182,001
Amounts owed to ultimate parent undertaking	976,999	909,676
Corporation tax	248	248
	<hr/>	<hr/>
	1,167,865	1,091,925
	<hr/> <hr/>	<hr/> <hr/>

9. Deferred taxation

There are no deferred tax liabilities in either 2006 or 2005.

No provision has been made for taxation that arose on the distribution of profits retained by overseas subsidiaries as the group is able to control when such profits will be distributed and it is not anticipated that any such tax will fall due in the foreseeable future. The projected amount of tax that would be payable on distribution of all such profits is £8,048,000 (2005 - £7,955,000).

Notes to the financial statements

at 31 March 2006

10. Share capital

	2006	2005
	£	£
<i>Authorised</i>		
Ordinary shares of £1 each	2	2
	<u>2</u>	<u>2</u>
<i>Allotted, called up and fully paid</i>	£	£
Ordinary shares of £1 each	2	2
	<u>2</u>	<u>2</u>

11. Reconciliation of movement in shareholders' (deficit)/ funds

	<i>Share capital</i>	<i>Share premium account</i>	<i>Profit and loss account</i>	<i>Total share- holders' funds</i>
	£000	£000	£000	£000
At 1 April 2005	-	196,288	(51,354)	144,934
Loss for the year	-	-	(251,986)	(251,986)
Exchange gain on foreign currency investments and loans	-	-	3,758	3,758
	<u>-</u>	<u>196,288</u>	<u>(299,582)</u>	<u>(103,294)</u>
At 31 March 2006	<u>-</u>	<u>196,288</u>	<u>(299,582)</u>	<u>(103,294)</u>

12. Contingent liabilities

As part of a group debt arrangement, the company has entered into a multilateral cross guarantee with certain group undertakings in respect of group borrowings. Other outstanding bonds and guarantees at the year end amounted to £0.2m (2005: £0.6m).

13. Related party transactions

The company is a wholly owned subsidiary of FKI plc, the consolidated accounts of which are publicly available. Accordingly, the company has taken advantage of the exemption in FRS 8 from disclosing transactions with members or investees of the FKI group.

14. Ultimate parent undertaking

The directors regard FKI plc, a company incorporated in Great Britain and registered in England and Wales, as the company's ultimate parent undertaking and controlling party.

FKI plc is the parent undertaking of the smallest and largest group of which the company is a member and for which group financial statements are drawn up. Copies of these financial statements are available from the Company Secretary, Falcon Works, PO Box 7713, Meadow Lane, Loughborough, Leicestershire, LE11 1ZF.