

Whipp & Bourne Limited

Report and Financial Statements

31 March 2004

2641487-



Whipp & Bourne Limited

Registered No. 2641487

Directors

J A Biles (Chairman) *(resigned 17 June 2004)*
N Bamford *(appointed 17 June 2004)*
M J R Porter

Secretary

M J R Porter

Auditors

Ernst & Young LLP
1 More London Place
London SE1 2AF

Registered Office

15-19 New Fetter Lane
London EC4A 1LY

Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2004.

Results and dividends

The audited financial statements for the year ended 31 March 2004 are set out on pages 7 to 12. The company has not traded in either 2004 or 2003, and so no profit and loss account has been prepared.

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.

Directors and their interests

The directors who served during the year ended 31 March 2004 are as listed on page 1.

No director had any interests in the shares of the company at 31 March 2004.

J A Biles 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>		<i>2004</i>	<i>2003</i>		
		<i>No.</i>	<i>No.</i>		
M J R Porter		66,003	417		
		<u> </u>	<u> </u>		
<i>Executive share option scheme</i>		<i>31 March</i>			
	<i>1 April</i>	<i>Granted</i>	<i>Exercised</i>	<i>Lapsed</i>	<i>2004</i>
	<i>2003</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>
	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>
M J R Porter	74,621	123,214	–	–	197,835
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

All options granted in the year were at an option price of 77 pence per share.

<i>SAYE share option scheme</i>		<i>31 March</i>			
	<i>1 April</i>	<i>Granted</i>	<i>Exercised</i>	<i>Lapsed</i>	<i>2004</i>
	<i>2003</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>
	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>
M J R Porter	5,152	15,416	–	5,152	15,416
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Options in existence at 31 March 2004 are exercisable between 2004 and 2013 at prices of 186.75 pence, 188 pence, 127.5 pence, 140 pence, 77 pence and 60 pence per share.

The market price of the ordinary shares of FKI plc at 31 March 2004 was 111 pence (2003: 64 pence) and the range during the year was 126 pence to 60 pence (2003: 192.5 pence to 57 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 LTIP which was approved by its shareholders in 2001 and under which participants receive annual conditional awards of shares in FKI plc of a value equal to up to 70% of basic salary per annum, which may vest only after the achievement of certain long-term performance conditions. 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 awards vest for below median performance and 50% of an award will vest for median performance. Full vesting occurs only at upper quartile performance, and 75% of an award will vest for performance above the median but below upper quartile. 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 director could receive under the LTIP is detailed below:

<i>Shares allocated at 1 April 2003</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 of grant</i>	<i>Shares allocated at 31 March 2004</i>	<i>Earliest date for transfer</i>	<i>Value of shares vested*</i>	<i>Market value**</i>
					<i>£</i>				
M J R Porter									
28,716	–	–	–	28,716	42,500	–	n/a	–	n/a
29,037	–	–	–	29,037	46,750	–	n/a	–	n/a
7,833	–	–	–	7,833	36,384	–	n/a	–	n/a
22,345	–	–	22,345	–	54,075	–	n/a	–	n/a
21,740	–	–	–	–	40,600	21,740	04/12/04	–	24,131
30,500	–	–	–	–	42,700	30,500	08/07/05	–	33,855
–	57,500	–	–	–	48,156	57,500	09/06/06	–	63,825

*There were no shares that vested in the year.

**Market value of LTIP shares as yet unvested at 111 pence (2003: 64 pence), the closing mid-market price on 31 March 2004.

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

Directors' report *(continued)*

Auditors

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

By order of the Board

A handwritten signature in black ink, appearing to be 'N Bamford', written over a horizontal line.

N Bamford

Director

29 July 2004

Statement of directors' responsibilities in respect of the financial statements

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

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

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

Independent auditors' report

to the members of Whipp & Bourne Limited

We have audited the company's financial statements for the year ended 31 March 2004 which comprise the Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 11. These financial statements have been prepared on the basis of the accounting policies set out therein.

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

Respective responsibilities of directors and auditors

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2004 and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP
Registered Auditor
London

29 July 2004

Statement of total recognised gains and losses

for the year ended 31 March 2004

	<i>2004</i>	<i>2003</i>
	<i>£000</i>	<i>£000</i>
Profit on ordinary activities after taxation	-	-
Foreign currency translation differences on investments net of translation differences on loans	(2,404)	(17,192)
<i>Total recognised losses relating to the year</i>	<u>(2,404)</u>	<u>(17,192)</u>

Balance sheet

at 31 March 2004

	Notes	2004 £000	2003 £000
Fixed assets			
Investments	4	1,236,272	1,250,049
Current assets			
Debtors	5	6,699	46,585
Creditors: amounts falling due within one year	6	(1,044,679)	(1,095,938)
Net current liabilities		(1,037,980)	(1,049,353)
Net assets		198,292	200,696
Capital and reserves			
Called up share capital	7	-	-
Share premium	8	196,288	196,288
Profit and loss account	8	2,004	4,408
Equity shareholders' funds	8	198,292	200,696

Approved by the Board
and signed on its behalf by:



N Bamford

Director

29 July 2004

Notes to the financial statements

at 31 March 2004

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable 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 substantial 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' remuneration, employees and audit fee

The directors received no remuneration for their services to the company during the year (2003: £nil). There were no staff employed other than directors (2003: none). The audit fee in 2003 and 2004 was borne by the parent undertaking.

Notes to the financial statements

at 31 March 2004

3. Tax on profit on ordinary activities

The tax assessed for the year is as explained below.

	2004 £000	2003 £000
Profit on ordinary activities before taxation	—	—
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2003 – 30%)	—	—
Effects of:		
Unmatched exchange gains	394	(2,098)
Group relief (received)/surrendered for nil consideration	(394)	2,098
Current tax charge for the year	—	—

4. Investments

	£000
Cost:	
At 1 April 2003	1,250,049
Exchange loss on foreign currency net investments	(13,777)
At 31 March 2004	1,236,272

Details of the subsidiaries at 31 March 2004 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
Fisher Karpark Industries (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.

5. Debtors

	2004 £000	2003 £000
Amounts owed by parent undertaking due within one year	6,699	46,585

Notes to the financial statements

at 31 March 2004

6. Creditors: amounts falling due within one year

	2004 £000	2003 £000
Amounts owed to subsidiary undertakings	-	335,211
Amounts owed to ultimate parent undertaking	1,044,679	760,727
	<u>1,044,679</u>	<u>1,095,938</u>

7. Share capital

	2004 No.	2004 £000
<i>Authorised</i>		
Ordinary shares of £1 each 1 April 2003 and 31 March 2004	2	2
	<u>2</u>	<u>2</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each 1 April 2003 and 31 March 2004	2	2
	<u>2</u>	<u>2</u>

8. Reconciliation of movement in shareholders' funds

	Share capital £000	Share premium account £000	Profit and loss account £000	Total share- holders' funds £000
At 1 April 2003	-	196,288	4,408	200,696
Exchange loss on foreign currency investments and loans	-	-	(2,404)	(2,404)
At 31 March 2004	<u>-</u>	<u>196,288</u>	<u>2,004</u>	<u>198,292</u>

9. 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 £1.4 m (2003: £1.1m).

Notes to the financial statements

at 31 March 2004

10. Related party transactions

The company is exempt from the requirements of Financial Reporting Standard 8 "Related Party Disclosures" to include details of transactions with related parties who are fellow group undertakings.

11. 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.

FKI plc is the parent undertaking of the smallest and largest group of which Whipp & Bourne Limited is a member and for which group financial statements are drawn up. Copies of the financial statements of FKI plc are available from the Company Secretary, FKI plc, 15-19 New Fetter Lane, London EC4A 1LY.