

328871

Danks Holdings Limited

Report and Financial Statements

31 March 2004



Danks Holdings Limited

Registered No. 328871

Directors

J A Biles (Chairman) (resigned 17 June 2004)
N Bamford (appointed 17 June 2004)
P Heiden
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 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 8 to 12. The profit for the year after taxation amounted to £nil (2003: £243,000).

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

Principal activities

The principal activity of the company is to act as an intermediate holding company.

Directors and their interests

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

No directors 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, P Heiden remains a director, and their interests in the shares of that company are disclosed in that company's financial statements.

The interests of the remaining director that served during the year in the shares of the ultimate parent undertaking are set out below:

Ordinary 10p shares

	2004 No.	2003 No.
M J R Porter	66,003	417

Executive share option scheme

	1 April 2003 No.	Granted No.	Exercised No.	Lapsed No.	31 March 2004 No.
M J R Porter	74,621	123,214	–	–	197,835

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

SAYE share option scheme

	1 April 2003 No.	Granted No.	Exercised No.	Lapsed No.	31 March 2004 No.
M J R Porter	5,152	15,416	–	5,152	15,416

Directors' report (continued)

Directors and their interests (continued)

Options in existence at 31 March 2004 are exercisable between 2004 and 2013 at prices of 186.75 pence, 188 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.

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.

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

Those participating in the LTIP are expected to retain part of their vested LTIP awards, so that they build up a minimum shareholding of FKI plc of one times basic salary over five years.

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 at date 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>
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 during 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.

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



N Bamford

Director

7 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 Danks Holdings Limited

We have audited the company's financial statements for the year ended 31 March 2004 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 10. 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.

Independent auditors' report

to the members of Danks Holdings Limited (continued)

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 of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink, appearing to read 'Ernst & Young LLP', is written above the printed name.

Ernst & Young LLP
Registered Auditor
London

7 July 2004

Profit and loss account

for the year ended 31 March 2004

	Notes	2004 £000	2003 £000
Other operating income		—	243
Operating profit		—	243
Profit on ordinary activities before taxation		—	243
Tax on profit on ordinary activities	3	—	—
Retained profit for the financial year		—	243

All results relate to continuing operations.

There are no recognised gains or losses in either year other than the result for the year and, therefore, no separate statement of total recognised gains and losses has been presented.

Balance sheet

at 31 March 2004

	Notes	2004 £000	2003 £000
Current assets			
Debtors	4	3,619	3,904
Creditors: amounts falling due within one year	5	(94)	(379)
Net current assets		3,525	3,525
Net assets		3,525	3,525
Capital and reserves			
Called up share capital	6	410	410
Share premium account	7	1,448	1,448
Profit and loss account	7	1,667	1,667
Equity shareholders' funds		3,525	3,525

The financial statement were approved by the Board
and signed on its behalf by:



N Bamford

Director

Notes to the financial statements

at 31 March 2004

1. Accounting policies

Basis of preparation

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

Group financial statements

The company has not prepared group financial statements as it is exempt from the requirement to do so by section 228 of the Companies Act 1985 as it is a subsidiary undertaking of FKI plc, a company incorporated in Great Britain and registered in England and Wales, and is included in the consolidated financial statements of that company.

Statement of cash flows

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

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid or recovered, using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued asset and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average rates that are expected to apply in the periods in which the timing differences are expected to reverse based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

2. Directors, 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

	2004 £000	2003 £000
UK corporation tax	-	-

The tax assessed for the year is reconciled to the standard rate of corporation tax in the UK as explained below:

	2004 £000	2003 £000
Profit on ordinary activities before taxation	-	243
Tax credit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003 – 30%)	-	73
Permanent differences – write off of inter-company balance	-	(73)
Current tax charge for the year	-	-

4. Debtors

	2004 £000	2003 £000
Amounts owed by fellow subsidiary undertakings	3,619	3,904

5. Creditors: amounts falling due within one year

	2004 £000	2003 £000
Amounts owed to fellow subsidiary undertakings	-	285
Corporation tax	94	94

Notes to the financial statements

at 31 March 2004

6. Share capital

Authorised, allotted, called up and fully paid

	<i>No.</i>	<i>£000</i>
£1 Ordinary shares		
1 April 2003 and 31 March 2004	410,000	410
	<u> </u>	<u> </u>

7. Reserves

	<i>Share premium account £000</i>	<i>Profit and loss account £000</i>	<i>Total £000</i>
At 1 April 2003 and at 31 March 2004	1,448	1,667	3,155
	<u> </u>	<u> </u>	<u> </u>

8. Contingent liabilities

As part of a group debt arrangement, the company has entered into a multilateral cross guarantee in respect of group borrowings.

9. Related party transactions

The company is exempt from the requirement of FRS 8 to include details of transactions with related parties who are fellow group undertakings.

10. 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 only group of which Danks Holdings Limited is a member and for which group financial statements are drawn up. Copies of the group financial statements of FKI plc are available from the Company Secretary, 15-19 New Fetter Lane, London EC4A 1LY.