

Webster Drives Limited

**Directors' report and financial
statements**

Registered number 553051

31 March 2003



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2003.

Principal activity

The company is principally engaged in the development, manufacture and merchanting of power take-off equipment, ancillary drives and transmissions for commercial vehicles, vehicle hydraulics and hydraulic tipping rams.

Business review

The profit for the financial year was £146,123 (2002: £205,810).

Research and development

Research and development continues to be directed towards the development of new and existing products. Amounts expended are shown in note 6 to the accounts.

Dividends

An interim dividend of £50,000 was paid during the year (2002: £50,000).

The directors recommend the payment of a final dividend of £22,495 (2002: £45,065).

Creditor payments

Terms of payment with principal suppliers are negotiated as part of the continuing trading relationships with those suppliers. Once negotiated it is policy to follow those agreements. In the absence of specific agreement, standard policy is to settle undisputed amounts due on 60 day terms. At 31 March 2003 the number of days purchases outstanding (including amounts owed to group companies) was 71 days (2002: 76 days).

Directors

The directors who held office during the year and up to the date of signing were as follows:

J Dunn	(resigned 31 October 2002)
ML Brown	
KG Hurley	
N Wilkinson	(resigned 31 August 2003)
C Eastham	(resigned 30 June 2002)
A Hartley	(appointed 12 May 2003)

Directors' report *(continued)*

Directors' interests

N Wilkinson has no interest in the share capital of the group.

The interests of the other directors in office at the year end in the share capital of group undertakings were as follows:

	Syltone plc	
	Ordinary shares of 25p each	
	31 March 2003	31 March 2002
M L Brown	2,000	2,000
KG Hurley	7,609	7,609

	Number of options during the year		
	At 31 March 2002	Share options granted	Share options lapsed/exercised
			At 31 March 2003
KG Hurley			
Employee sharesave scheme options	1,539	-	1,539

ML Brown and N Wilkinson held no share options at any point during the financial year.

All options are held under Schemes operated by Syltone plc.


Auditors

Pursuant to section 385 Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors to the company will be proposed at the forthcoming Annual General Meeting.

By order of the board


P Watts
Secretary

Folds Road
Bolton
Lancashire
BL1 2SE

 2003

Statement of 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 profit or loss 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.



KPMG Audit Plc

1 The Embankment
Neville Street
Leeds
LS1 4DW

Report of the independent auditors to the members of Webster Drives Limited

We have audited the financial statements on pages 5 to 15.

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 auditor's 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 preparing the directors' report and, as described on page 3, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

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.

Basis of audit 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 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 the company's affairs as at 31 March 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG Audit Plc

KPMG Audit Plc
Chartered Accountants
Registered Auditor

15 December 2003

Profit and loss account
for the year ended 31 March 2003

	Note	2003 £	2002 £
Turnover	2	3,524,127	3,451,588
Change in stocks of finished goods and work in progress		(23,490)	(14,453)
Raw materials and consumables		(1,044,308)	(941,295)
Other external charges		(650,156)	(560,454)
Staff costs	3	(1,486,306)	(1,521,258)
Depreciation		(125,370)	(128,269)
		<hr/>	<hr/>
Operating profit		194,497	285,859
Interest receivable	5	14,862	11,380
		<hr/>	<hr/>
Profit on ordinary activities before taxation	6	209,359	297,239
Taxation on profit on ordinary activities	7	(63,236)	(91,429)
		<hr/>	<hr/>
Profit for the financial year		146,123	205,810
Dividends paid and proposed	8	(72,495)	(95,065)
		<hr/>	<hr/>
Retained profit for the financial year	15	73,628	110,745
		<hr/>	<hr/>

A reconciliation of movements in shareholders' funds is given in note 16.

All income and expenses arise from continuing activities.

The financial statements are prepared on an unmodified historical cost basis and there were no recognised gains or losses in either the current or preceding year other than those reflected in the profit and loss account above.

Balance sheet
at 31 March 2003

	Note	2003	2002
		£	£
Fixed assets			
Tangible assets	9	452,112	523,060
Current assets			
Stocks	10	327,666	395,079
Debtors	11	687,371	718,455
Cash at bank and in hand		402,025	238,092
		<u>1,417,062</u>	<u>1,351,626</u>
Creditors: amounts falling due within one year	12	<u>(725,385)</u>	<u>(804,525)</u>
Net current assets		691,677	547,101
Total assets less current liabilities		<u>1,143,789</u>	<u>1,070,161</u>
Provisions for liabilities and charges	13	<u>(99,207)</u>	<u>(99,207)</u>
Net assets		<u>1,044,582</u>	<u>970,954</u>
Capital and reserves			
Called up share capital	14	16,950	16,950
Profit and loss account	15	1,027,632	954,004
Shareholders' funds		<u>1,044,582</u>	<u>970,954</u>
Shareholders' funds			
Equity		1,033,282	959,654
Non-equity		11,300	11,300
		<u>1,044,582</u>	<u>970,954</u>

These financial statements were approved by the board of directors on 15 December 2003 and were signed on its behalf by:


A Hartley
Director

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

Basis of preparation

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

Cash flow statement

Under Financial Reporting Standard No 1 (Revised 1996), the company is exempt from the requirement to prepare a cash flow statement on the grounds that it is a wholly owned subsidiary undertaking of a company registered in England and Wales.

Related party transactions

Under Financial Reporting Standard No 8, the company is exempt from the requirement to disclose related party transactions with other group companies, on the grounds that it is a wholly owned subsidiary undertaking of Syltone plc.

Depreciation

Depreciation is provided by the company to write off the cost less estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives, as follows:

Long leasehold property	-	up to 50 years
Short leasehold improvements	-	over the residue of the lease
Plant and equipment	-	4 to 10 years
Motor vehicles	-	4 years

Stocks

Stocks are valued at the lower of cost and net realisable value. Cost includes an appropriate allocation of overheads.

Deferred taxation

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as required by FRS 19.

Research and development

Expenditure on research and development is written off as incurred.

Notes (continued)

1 Accounting policies (continued)

Pension costs

The company participates in a group wide pension scheme providing benefits based upon final pensionable pay. The assets of the scheme are held separately from those of the company. The company is unable to identify its share of the underlying assets liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 'Retirement benefits' accounts for the scheme as if were a defined contribution scheme. As a result, the account charged to the profit and loss account represents the contribution payable to the scheme in respect of the accounting period.

Foreign exchange

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged forward, at the rate of exchange under the related forward currency contract.

Foreign currency assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date. Gains or losses arising in the ordinary course of business are dealt with in arriving at operating profit.

Leased assets

Rentals under operating leases are charged against profits as incurred.

Turnover

Turnover represents the invoiced value of goods sold and services provided in the year, stated exclusive of value added tax.

Turnover is recognised at the point of despatch of goods.

2 Turnover

In the opinion of the directors, the disclosure of geographical analysis of turnover would be prejudicial to the interests of the group. Turnover is recognised at the point of despatch.

Notes (continued)

3 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category was as follows:

	Number of employees	
	2003	2002
Management and administration	21	21
Manufacturing and development	34	34
	<u>55</u>	<u>55</u>

The aggregate payroll costs of these persons were as follows:

	2003	2002
	£	£
Wages and salaries	1,204,243	1,216,607
Social security costs	77,254	83,083
Other pension costs (note 17)	204,809	221,568
	<u>1,486,306</u>	<u>1,521,258</u>

4 Remuneration of directors

	2003	2002
	£	£
Directors' emoluments:		
Remuneration as executives	210,673	230,803
Pension contributions	31,869	28,001
	<u>242,542</u>	<u>258,804</u>

The emoluments of the highest paid director were £70,287 (2002: £53,105).

Pension contributions made by the company on behalf of the highest paid director amounted to £10,524 (2002: £6,539).

Retirement benefits are accruing to 3 (2002: 4) directors under defined benefit schemes.

5 Interest receivable

	2003	2002
	£	£
Bank interest receivable	<u>14,862</u>	<u>11,380</u>

Notes (continued)

6 Profit on ordinary activities before taxation

	2003 £	2002 £
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Payments under operating leases:		
Plant and machinery	12,069	5,510
Other leases	47,500	47,500
Auditors' remuneration:		
Audit	5,200	5,100
Other services	4,000	3,050
Depreciation of fixed assets	125,370	128,269
Research and development costs	109,202	101,471
	<u> </u>	<u> </u>

7 Taxation on profit on ordinary activities

	2003 £	2002 £
UK Corporation tax		
Current tax on income in the period	64,757	104,995
Adjustments in respect of prior periods	35	2,113
	<u> </u>	<u> </u>
Total current tax	64,792	107,108
Deferred tax (see note 13)		
- current year	(1,556)	(15,679)
	<u> </u>	<u> </u>
Tax on profit on ordinary activities	<u>63,236</u>	<u>91,429</u>

Factors affecting the tax charge for the current period

The current tax charge for the period is higher (2002: higher) than the standard rate of corporation tax in the UK (30%, 2002: 30%). The differences are explained below:

	2003 £	2002 £
Profit on ordinary activities before tax	209,359	297,239
	<u> </u>	<u> </u>
Profit on ordinary activities multiplied by standard rate of corporation tax (30% (2002: 30%))	62,808	89,172
<i>Effects of:</i>		
Expenses not deductible for tax purposes	393	144
Deferred tax movement	1,556	15,679
Adjustments to tax charge in respect of previous periods	35	2,113
	<u> </u>	<u> </u>
Current tax charge for year	<u>64,792</u>	<u>107,108</u>

Notes (continued)

8 Dividends

	2003 £	2002 £
Ordinary shares:		
Interim dividend paid	50,000	50,000
Final proposal	22,495	45,065
	<hr/>	<hr/>
	72,495	95,065
	<hr/>	<hr/>

9 Tangible fixed assets

	Long leasehold property £	Short leasehold improvements £	Plant, equipment and vehicles £	Total £
Cost				
At beginning of year	198,568	56,757	3,047,303	3,302,628
Additions	-	4,041	50,381	54,422
Disposals	-	-	(36,669)	(36,669)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	198,568	60,798	3,061,015	3,320,381
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At beginning of year	50,632	50,798	2,678,138	2,779,568
Charge for year	3,974	1,271	120,125	125,370
Disposals	-	-	(36,669)	(36,669)
	<hr/>	<hr/>	<hr/>	<hr/>
At end of year	54,606	52,069	2,761,594	2,868,269
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31 March 2003	143,962	8,729	299,421	452,112
	<hr/>	<hr/>	<hr/>	<hr/>
At 31 March 2002	147,936	5,959	369,165	523,060
	<hr/>	<hr/>	<hr/>	<hr/>

10 Stocks

	2003 £	2002 £
Raw materials and consumables	63,922	107,845
Work in progress	252,539	277,102
Finished goods and goods for resale	11,205	10,132
	<hr/>	<hr/>
	327,666	395,079
	<hr/>	<hr/>

Notes (continued)

11 Debtors

	2003	2002
	£	£
Amounts falling due within one year:		
Trade debtors	552,501	533,801
Amounts owed by group undertakings	69,219	89,896
Other debtors	4,534	3,515
Prepayments and accrued income	43,882	75,564
	<hr/>	<hr/>
	670,136	702,776
Amounts falling due after one year:		
Deferred tax asset (note 13)	17,235	15,679
	<hr/>	<hr/>
	687,371	718,455
	<hr/> <hr/>	<hr/> <hr/>

12 Creditors: amounts falling due within one year

	2003	2002
	£	£
Trade creditors	329,189	367,239
Amounts owed to group undertakings	60,757	72,080
Other creditors including taxation and social security:		
Corporation tax	42,362	66,189
Other taxes and social security	82,760	69,843
	<hr/>	<hr/>
Taxation and social security	125,122	136,032
Other creditors	889	3,231
	<hr/>	<hr/>
	126,011	139,263
Accruals and deferred income	186,933	180,878
Proposed dividend	22,495	45,065
	<hr/>	<hr/>
	725,385	804,525
	<hr/> <hr/>	<hr/> <hr/>

Notes (continued)

13 Provisions for liabilities and charges

	Pension obligations £
At beginning of year	99,207
Charge for the year in the profit and loss account	-
At end of year	99,207

The deferred tax asset calculated at 30% (2002: 30%) represents the full potential asset and are as follows:

	2003 Provided £	2002 Provided £
Accelerated capital allowances	11,030	13,925
Provision for pension obligations	(29,762)	(29,762)
Other timing differences	1,497	158
	<u>(17,235)</u>	<u>(15,679)</u>

14 Called up share capital

	2003 £	2002 £
Authorised		
<i>Equity</i>		
17,400 ordinary shares of 50p each	8,700	8,700
<i>Non-equity</i>		
11,300 deferred shares of £1 each	11,300	11,300
	<u>20,000</u>	<u>20,000</u>
Allotted, called up and fully paid		
<i>Equity</i>		
11,300 ordinary shares of 50p each	5,650	5,650
<i>Non-equity</i>		
11,300 deferred shares of £1 each	11,300	11,300
	<u>16,950</u>	<u>16,950</u>

The deferred shares have no rights to a dividend and have restricted rights in the return of capital. In the event of a poll, each ordinary share represents 5,000 votes to a deferred share's one vote.

Notes (continued)

15 Profit and loss account

	£
At beginning of year	954,004
Retained profit for the financial year	73,628
	<hr/>
At end of year	1,027,632
	<hr/>

16 Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Profit for the financial year	146,123	205,810
Dividends paid and proposed	(72,495)	(95,065)
	<hr/>	<hr/>
Retained profit for the financial year	73,628	110,745
Opening shareholders' funds	970,954	860,209
	<hr/>	<hr/>
Closing shareholders' funds	1,044,582	970,954
	<hr/>	<hr/>

17 Pensions

The company participates in the group funded defined benefit scheme operated by Syltone plc. Contributions to the scheme are based on pension costs across the group as a whole. Particulars of the most recent actuarial valuation of the group's scheme are contained in the financial statements of Syltone plc.

Under FRS 17 (9), the company is exempt from the disclosure requirements for defined benefit schemes. The full disclosure of the group pension scheme can be found in the financial statements of Syltone plc.

18 Operating lease commitments

Annual commitments under non-cancellable operating leases are as follows:

	2003 £	2002 £
Property rentals on leases terminating: In more than five years	47,500	47,500
Equipment rentals on leases terminating: In two to five years	18,978	3,628
In more than five years	148	148
	<hr/>	<hr/>
	66,626	51,276
	<hr/>	<hr/>

Notes *(continued)*

19 Capital commitments

Capital commitments contracted but not provided for at 31 March 2003 amounted to £132,346 (2002: £1,400).

20 Contingent liabilities

The company has guaranteed the bank borrowings of certain group undertakings which at 31 March 2003 amounted to £15,567,024 (2002: £16,121,000). The company has guaranteed the VAT liability of certain group undertakings which at 31 March 2003 amounted to £139,327 (2002: £343,000).

21 Ultimate parent company

The immediate parent undertaking is Syltone Industries plc.

The ultimate parent company is Syltone plc, a company incorporated in Great Britain and registered in England and Wales. Copies of the group financial statements can be obtained from Springmill Street, Bradford, BD5 7HW.