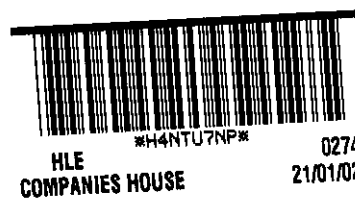


Webster Drives Limited

**Directors' report and financial
statements**

Registered number 553051

31 March 2001



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 March 2001.

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 £234,392 (2000: £181,077).

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 (2000: £50,000).

The directors recommend the payment of a final dividend of £67,196 (2000: £40,539).

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 2001 the number of days purchases outstanding (including amounts owed to group companies) was 70 (2000: 73 days).

Directors

The directors who held office during the year were as follows:

J Dunn (Chairman)	
D Ball	(resigned 31 July 2000)
ML Brown	
KG Hurley	
N Wilkinson	
C Eastham	

Directors' report *(continued)*

Directors' interests

J Dunn is also a director of Syltone Industries plc, the immediate parent company. His interest in the share capital of group undertakings is shown in the financial statements of that company.

C Eastham and N Wilkinson have 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 2001	31 March 2000
M L Brown		2,000	2,000
KG Hurley		7,609	7,609

	At 31 March 2000	Number of options during the year		At 31 March 2001
		Share options granted	Share options lapsed/exercised	
KG Hurley				
Employee sharesave scheme options	1,539	-	-	1,539
N Wilkinson				
Employee sharesave scheme options	1,649	-	(1,649)	-

ML Brown and C Eastham held no share options at any point during the financial year.

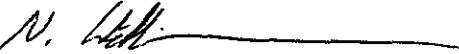
All options are held under Schemes operated by Syltone plc.

Directors' report *(continued)*

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



N Wilkinson
Secretary

13 November 2001

Folds Road
Bolton
Lancashire
BL1 2SE

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 auditors to the members of Webster Drives Limited

We have audited the financial statements on pages 6 to 16.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the directors' report and, as described on page 4, 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. 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 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 2001 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

13 November 2001

Profit and loss account
for the year ended 31 March 2001

	<i>Note</i>	2001 £	2000 £
Turnover	2	3,345,755	3,195,286
Change in stocks of finished goods and work in progress		(44,643)	(45,194)
Raw materials and consumables		(1,018,246)	(1,001,600)
Other external charges		(466,992)	(410,775)
Staff costs	3	(1,376,057)	(1,334,684)
Depreciation	9	(117,227)	(137,688)
Operating profit		322,590	265,345
Interest receivable/(payable)	5	5,894	(20,461)
Profit on ordinary activities before taxation	6	328,484	244,884
Taxation on profit on ordinary activities	7	(94,092)	(63,807)
Profit for the financial year		234,392	181,077
Dividends paid and proposed	8	(117,196)	(90,539)
Retained profit for the financial year	15	117,196	90,538

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

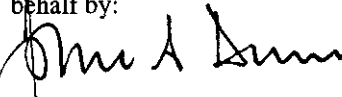
In both the current and preceding year, the company made no material acquisitions and had no discontinued operations.

The financial statements are prepared on an unmodified historical cost basis and there were no recognised gains or losses in the year (2000: £Nil) other than those reflected in the profit and loss account above.

Balance sheet
at 31 March 2001

	Note	2001		2000	
		£	£	£	£
Fixed assets					
Tangible assets	9		481,717		502,863
Current assets					
Stocks	10	422,833		458,026	
Debtors	11	584,584		578,932	
Cash at bank and in hand		223,328		98	
		<u>1,230,745</u>		<u>1,037,056</u>	
Creditors: amounts falling due within one year	12	<u>(817,820)</u>		<u>(761,562)</u>	
Net current assets			<u>412,925</u>		<u>275,494</u>
Total assets less current liabilities			<u>894,642</u>		<u>778,357</u>
Provisions for liabilities and charges	13		<u>(34,433)</u>		<u>(35,344)</u>
Net assets			<u>860,209</u>		<u>743,013</u>
Capital and reserves					
Called up share capital	14		16,950		16,950
Profit and loss account	15		843,259		726,063
Shareholders' funds			<u>860,209</u>		<u>743,013</u>
Shareholders' funds					
Equity			848,909		731,713
Non-equity			11,300		11,300
			<u>860,209</u>		<u>743,013</u>

These financial statements were approved by the board of directors on 13 November 2001 and were signed on its behalf by:


J A Dunn
Chairman

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

No provision is made for deferred taxation unless there is a reasonable probability that a liability will arise in the foreseeable future. Full recognition is made of the deferred tax asset relating to the pension cost provision made in accordance with Statement of Standard Accounting Practice No 24.

Research and development

Expenditure on research and development is written off as incurred.

Notes (continued)

1 Accounting policies (continued)

Pension costs

The expected cost of pensions is charged to the profit and loss account so as to spread the cost of pensions over the service lives of employees. Variations from the regular cost are spread over the expected service lives of current employees in the scheme. Pension costs are assessed in accordance with the advice of an independent, qualified actuary.

Foreign exchange

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.

2 Turnover

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

The geographical analysis of turnover, which arises from the principal activity of the company is as follows:

	2001 £	2000 £
United Kingdom	3,145,574	3,035,641
Other	200,181	159,645
	<hr/> 3,345,755 <hr/>	<hr/> 3,195,286 <hr/>

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 2001	2000
Management and administration	21	20
Manufacturing and development	37	38
	<hr/> 58 <hr/>	<hr/> 58 <hr/>

Notes *(continued)*

3 Staff numbers and costs (continued)

The aggregate payroll costs of these persons were as follows:

	2001 £	2000 £
Wages and salaries	1,201,242	1,164,133
Social security costs	72,077	64,495
Other pension costs (note 17)	102,738	106,056
	<u>1,376,057</u>	<u>1,334,684</u>

4 Remuneration of directors

	2001 £	2000 £
Directors' emoluments:		
Remuneration as executives	200,710	202,045
Pension contributions	26,486	23,858
	<u>227,196</u>	<u>225,903</u>

Retirement benefits are accruing to 4 (2000: 4) directors under defined benefit schemes.

5 Interest receivable/(payable)

	2001 £	2000 £
Bank interest receivable	5,894	-
Interest payable on bank loans and overdrafts and other loans wholly repayable within five years	-	(20,461)
	<u>5,894</u>	<u>(20,461)</u>

Notes (continued)

6 Profit on ordinary activities before taxation

	2001 £	2000 £
<i>Profit on ordinary activities before taxation is stated after charging:</i>		
Payments under operating leases:		
Plant and machinery	5,510	4,453
Other leases	47,500	47,500
Auditors' remuneration:		
Audit	5,000	4,920
Other services	2,050	1,570
Research and development costs	79,568	77,207
	<hr/> <hr/>	<hr/> <hr/>

7 Taxation on profit on ordinary activities

	2001 £	2000 £
UK Corporation tax at 30% (2000: 30%) on the profit for the year on ordinary activities	96,536	72,738
Adjustments relating to earlier years - Corporation	(2,444)	(8,931)
	<hr/> <hr/>	<hr/> <hr/>
	94,092	63,807

8 Dividends

	2001 £	2000 £
Ordinary shares:		
Interim dividend paid	50,000	50,000
Final proposal	67,196	40,539
	<hr/> <hr/>	<hr/> <hr/>
	117,196	90,539

Notes (continued)

9 Tangible fixed assets

	Long leasehold property £	Short leasehold improvements £	Plant, equipment and vehicles £	Total £
Cost				
At beginning of year	198,568	56,757	2,861,996	3,117,321
Additions	-	-	96,081	96,081
Disposals	-	-	(47,766)	(47,766)
At end of year	198,568	56,757	2,910,311	3,165,636
Depreciation				
At beginning of year	42,683	48,944	2,522,831	2,614,458
Charge for year	3,971	927	112,329	117,227
Disposals	-	-	(47,766)	(47,766)
At end of year	46,654	49,871	2,587,394	2,683,919
Net book value				
At 31 March 2001	151,914	6,886	322,917	481,717
At 31 March 2000	155,885	7,813	339,165	502,863

10 Stocks

	2001 £	2000 £
Raw materials and consumables	121,146	111,696
Work in progress	270,392	315,730
Finished goods and goods for resale	31,295	30,600
	422,833	458,026

Notes (continued)

11 Debtors

	2001 £	2000 £
Trade debtors	419,240	458,427
Amounts owed by group undertakings	139,353	92,657
Other debtors	1,564	301
Prepayments and accrued income	24,427	27,547
	<u>584,584</u>	<u>578,932</u>

12 Creditors: amounts falling due within one year

	2001 £	2000 £
Bank overdraft (unsecured)	-	94,380
Trade creditors	358,026	285,823
Amounts owed to group undertakings	106,370	73,716
Other creditors including taxation and social security:		
Corporation tax	63,885	47,045
Other taxes and social security	68,510	85,015
	<u>132,395</u>	<u>132,060</u>
Taxation and social security	10,433	9,774
Other creditors		
	<u>142,828</u>	<u>141,834</u>
Accruals and deferred income	143,400	125,270
Proposed dividend	67,196	40,539
	<u>817,820</u>	<u>761,562</u>

Notes (continued)

13 Provisions for liabilities and charges

	Pension obligations £
At beginning of year	35,344
Credit for the year in the profit and loss account	(911)
	<hr/>
At end of year	34,433
	<hr/>

The amounts provided for deferred taxation at 30% (2000: 30%) represent the full potential liability and are as follows:

	2001 Provided £	2001 Unprovided £	2000 Provided £	2000 Unprovided £
Accelerated capital allowances	-	16,162	-	10,246
Provision for pension obligations	-	(3,279)	-	(10,603)
Other timing differences	-	(10,330)	-	(1,957)
	<hr/>	<hr/>	<hr/>	<hr/>
	-	2,553	-	(2,314)
	<hr/>	<hr/>	<hr/>	<hr/>

14 Called up share capital

	2001 £	2000 £
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
	<hr/>	<hr/>
	20,000	20,000
	<hr/>	<hr/>
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
	<hr/>	<hr/>
	16,950	16,950
	<hr/>	<hr/>

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	726,063
Retained profit for the financial year	117,196
	<hr/>
At end of year	843,259
	<hr/>

16 Reconciliation of movements in shareholders' funds

	2001 £	2000 £
Profit for the financial year	234,392	181,077
Dividends paid and proposed	(117,196)	(90,539)
	<hr/>	<hr/>
Retained profit for the financial year	117,196	90,538
Opening shareholders' funds	743,013	652,475
	<hr/>	<hr/>
Closing shareholders' funds	860,209	743,013
	<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.

18 Operating lease commitments

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

	2001 £	2000 £
Property rentals on leases terminating: In more than five years	47,500	47,500
Equipment rentals on leases terminating: In two to five years	2,970	2,312
In more than five years	2,540	2,540
	<hr/>	<hr/>
	53,010	52,352
	<hr/>	<hr/>

Notes *(continued)*

19 Capital commitments

Capital commitments contracted but not provided for at 31 March 2001 amounted to £82,351 (2000: £Nil).

20 Contingent liabilities

The company has guaranteed the bank borrowings of certain group undertakings which at 31 March 2001 amounted to £17,849,000 (2000: £16,326,000). The company has guaranteed the VAT liability of certain group undertakings which at 31 March 2001 amounted to £257,000 (2000: £111,000).

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 Rawdon Court, 20 Leeds Road, Rawdon, West Yorkshire, LS19 6AX.