

# **Whipp & Bourne Limited**

## **Report and Financial Statements**

31 March 2003



# Whipp & Bourne Limited

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Registered No. 2641487

## **Directors**

J A Biles (Chairman)

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 2003.

### Results and dividends

The audited financial statements for the year ended 31 March 2003 are set out on pages 8 to 14. The result for the year after taxation amounted to £nil (2002: profit of £740,000).

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 2003 and thereafter were as listed on page 1.

No directors had any interests in the shares of the company at 31 March 2003.

J A Biles is 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 in the shares of the ultimate parent undertaking are set out below:

<i>Ordinary 10p shares</i>	<i>2003</i>	<i>2002</i>
	<i>No.</i>	<i>No.</i>
M J R Porter	417	417

<i>Executive share option scheme</i>	<i>1 April</i>				<i>31 March</i>
	<i>2002</i>	<i>Granted</i>	<i>Exercised</i>	<i>Lapsed</i>	<i>2003</i>
	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>
M J R Porter	31,000	43,571	–	–	74,571

All options granted in the year were at an option price of 140 pence per share.

<i>SAYE share option scheme</i>	<i>1 April</i>				<i>31 March</i>
	<i>2002</i>	<i>Granted</i>	<i>Exercised</i>	<i>Lapsed</i>	<i>2003</i>
	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>
M J R Porter	5,152	–	–	–	5,152

## Directors' report (continued)

### Directors and their interests (continued)

Options in existence at 31 March 2003 are exercisable between 2003 and 2012 at prices of 186.75 pence, 188 pence and 140 pence per share.

The market price of the ordinary shares of FKI plc at 31 March 2003 was 64 pence (2002: 192.5 pence) and the range during the year was 192.5 pence to 57 pence (2002: 288.25 pence to 122 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, excluding those not listed at the end of a three year performance period. 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.

During the year ended 31 March 2003, the performance period relating to the 1999 award expired. The Remuneration Committee exercised its discretion, in accordance with the rules of the scheme, to include in the final peer group two companies which had been previously omitted, both having been put into receivership during the three-year performance period. The Remuneration Committee considered the change to be fair and reasonable such that, were an adjustment not made, the terms of the scheme would cease to be a fair measure of performance. As a consequence of this adjustment, 30% of the award became exercisable. As required under the rules of the scheme, Ernst & Young LLP confirmed that the adjustment was considered fair and reasonable.

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

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

<i>Shares allocated at 1 April 2002</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 2003</i>	<i>Earliest date for transfer</i>	<i>Value of shares vested*</i>	<i>Market value**</i>
<b>M J R Porter</b>									
28,716	-	-	-	-	42,500	28,716	n/a	-	n/a
29,037	-	29,037	-	-	45,589	29,037	28/07/02	28,747	n/a
26,110	-	-	18,277	-	59,139	7,833	12/08/03	-	5,013
22,345	-	-	-	-	54,075	22,345	13/06/04	-	14,301
21,740	-	-	-	-	42,610	21,740	04/12/04	-	13,914
-	30,500	-	-	-	43,615	30,500	08/07/05	-	19,520

\*The value of the shares that vested during the year is calculated at 99 pence (2002: 197 pence), the market value on the date on which the shares were first transferable to the directors.

\*\*Market value of LTIP shares as yet unvested at 64 pence (2002: 192.5 pence), the closing mid-market price on 31 March 2003.

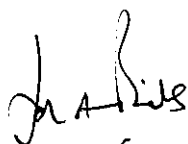
There are no other interests required to be disclosed under section 234 of the Companies Act 1985.

**Auditors**

Arthur Andersen resigned as auditors on 31 July 2002 and Ernst & Young LLP were appointed in their place.

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



J A Biles  
Director  
2 October 2003

## **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 2003 which comprise the Profit and Loss Account, Statement of Total Recognised Gains and Losses, Balance Sheet and the related notes 1 to 12. 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 Whipp & Bourne 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 2003 and of its result for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP  
Registered Auditor  
London  
2 October 2003



## Profit and loss account

for the year ended 31 March 2003

	Notes	2003 £000	2002 £000 <i>As restated</i>
Administrative expenses		-	-
Operating profit		-	-
<b>Profit on ordinary activities before and after taxation retained for the financial year</b>	2	-	-

All results relate to continuing operations.

## Statement of total recognised gains and losses

for the year ended 31 March 2003

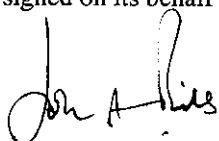
	2003 £000	2002 £000 <i>As restated</i>
Profit on ordinary activities after taxation	-	-
Foreign currency translation differences on investments net of translation differences on loans	(17,192)	740
<b>Total recognised (losses)/gains relating to the year</b>	<b>(17,192)</b>	<b>740</b>

## Balance sheet

at 31 March 2003

	Notes	2003 £000	2002 £000
<b>Fixed assets</b>			
Investments	5	1,250,049	1,278,051
<b>Current assets</b>			
Debtors	6	46,585	6,796
<b>Creditors: amounts falling due within one year</b>	7	(1,095,938)	(1,066,959)
<b>Net current liabilities</b>		(1,049,353)	(1,060,163)
<b>Net assets</b>		200,696	217,888
<b>Capital and reserves</b>			
Called up share capital	8	-	-
Share premium	9	196,288	196,288
Profit and loss account	9	4,408	21,600
<b>Equity shareholders' funds</b>	9	200,696	217,888

Approved by the Board  
and signed on its behalf by:



J A Biles  
Director

## Notes to the financial statements

at 31 March 2003

### 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. Profit on ordinary activities before taxation

This is stated after crediting:

	2003	2002
	£000	£000
		<i>As restated</i>
Foreign exchange gains	-	-

### 3. Directors' remuneration, employees and audit fee

The directors received no remuneration for their services to the company during the year (2002: £nil). There were no staff employed other than directors (2002: none). The audit fee in 2002 and 2003 was borne by the parent undertaking.

## Notes to the financial statements

at 31 March 2003

### 4. Tax on profit on ordinary activities

The tax assessed for the year is as explained below.

	2003 £000	2002 £000 <i>As restated</i>
Profit on ordinary activities before taxation	-	-
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 30% (2002 - 30%)	-	-
Effects of:		
Unmatched exchange (loss)/profit	(2,098)	222
Group relief surrendered/(received) for nil consideration	2,098	(222)
Current tax charge for the year	-	-

### 5. Investments

	£000
Cost:	
At 1 April 2002	1,278,051
Exchange loss on foreign currency net investments	(28,002)
At 31 March 2003	1,250,049

Details of the subsidiaries at 31 March 2003 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	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.

## Notes to the financial statements

at 31 March 2003

### 6. Debtors

	2003 £000	2002 £000
Amounts owed by parent undertaking due within one year	46,585	6,793
Other debtors	-	3
	<u>46,585</u>	<u>6,796</u>

### 7. Creditors: amounts falling due within one year

	2003 £000	2002 £000
Amounts owed to subsidiary undertakings	335,211	290,352
Amounts owed to ultimate parent undertaking	760,727	776,604
Other creditors	-	3
	<u>1,095,938</u>	<u>1,066,959</u>

### 8. Share capital

	2003 No.	2002 £000
<i>Authorised</i>		
Ordinary shares of £1 each 1 April 2002 and 31 March 2003	2	-
	<u>2</u>	<u>-</u>
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each 1 April 2002 and 31 March 2003	2	-
	<u>2</u>	<u>-</u>

### 9. 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 2002	-	196,288	21,600	217,888
Exchange loss on foreign currency investments and loans	-	-	(17,192)	(17,192)
At 31 March 2003	<u>-</u>	<u>196,288</u>	<u>4,408</u>	<u>200,696</u>

## Notes to the financial statements

at 31 March 2003

Foreign exchange losses of £740,000 were incorrectly classified as administrative expenses in the prior year.

### 10. 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. Outstanding bonds and guarantees at the year ended amounted to £1.1m (2002: £3.8m).

### 11. Related party transactions

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

### 12. 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 these financial statements of FKI plc are available from the Company Secretary, FKI plc, 15-19 New Fetter Lane, London EC4A 1LY.