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## **Hamsard 2291 Limited**

### **Report and Financial Statements**

31 March 2004



**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 8 to 13. The loss for the year after taxation amounted to \$172,000 (2003: \$167,000) and has been transferred to the profit and loss account reserve.

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

### Principal activity

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 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 that 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
<i>Executive share option scheme</i>		<i>1 April</i>			<i>31 March</i>
	<i>2003</i>	<i>Granted</i>	<i>Exercised</i>	<i>Lapsed</i>	<i>2004</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

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

<i>SAYE share option scheme</i>		<i>1 April</i>			<i>31 March</i>
	<i>2003</i>	<i>Granted</i>	<i>Exercised</i>	<i>Lapsed</i>	<i>2004</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

## **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)

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	–	–	–	–	40,500	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.

**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 Hamsard 2291 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 13. 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 Hamsard 2291 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 loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young LLP  
Registered Auditor  
London

7 July 2004



## Profit and loss account

for the year ended 31 March 2004

	Notes	2004 US\$000	2003 US\$000
Interest payable	3	(172)	(167)
<b>Loss on ordinary activities before taxation</b>		<u>(172)</u>	<u>(167)</u>
Tax on loss on ordinary activities	4	—	—
<b>Retained loss for the financial year</b>	9	<u>(172)</u>	<u>(167)</u>

All results related to continuing operations.

There were no recognised gains or losses other than the loss for the financial year and consequently no statement of total recognised gains and losses has been prepared.

## Balance sheet

at 31 March 2004

	Notes	2004 US\$000	2003 US\$000
<b>Fixed assets</b>			
Investments	5	822,999	822,999
<b>Current assets</b>			
Debtors	6	49,407	53,842
<b>Creditors:</b> amounts falling due within one year	7	–	(4,263)
<b>Net current assets</b>		49,407	49,579
<b>Net assets</b>		872,406	872,578
<b>Capital and reserves</b>			
Called up share capital	8	863,999	863,999
Profit and loss account	9	8,407	8,579
<b>Equity shareholders' funds</b>	10	872,406	872,578

Approved by the Board  
and signed on its behalf by:



N Bamford

Director

7 July 2004

## 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.

#### 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 undertaking, FKI plc, has prepared consolidated financial statements which include the financial statements of the company and which contain a statement of cash flows.

#### Investments

Investments are stated at cost less provision for impairment.

#### 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 by the balance sheet date.

#### Foreign currencies

*The company's functional currency is the US dollar. Transactions denominated in other currencies are translated into dollars at the rate of exchange ruling on the date of the transaction. Balances denominated in other currencies are translated into dollars at the exchange rate ruling on the balance sheet date. The resulting exchange differences are included in the profit and loss account for the year.*

### 2. Directors remuneration, staff costs and audit fee

The directors received no remuneration for their services to the company during the year. There were no staff employed other than directors. The audit fee in the year was borne by the ultimate parent undertaking.

### 3. Interest payable

	2004 US\$000	2003 US\$000
To fellow subsidiary undertakings	(172)	(167)

## Notes to the financial statements

at 31 March 2004

### 4. Tax on loss on ordinary activities

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

	2004 US\$000	2003 US\$000
Loss on ordinary activities before taxation	(172)	(167)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2003 : 30%)	(52)	(50)
Effects of: Group relief to parent for nil consideration	52	50
Current tax charge for the year	-	-

### 5. Fixed asset investments

Investment in subsidiary undertakings

	2004 US\$000
Cost and net book value: At 1 April 2003 and 31 March 2004	822,999

Details of the subsidiaries at 31 March 2004 are as follows:

<i>Name of company</i>	<i>Class of shares</i>	<i>Country of registration</i>	<i>Proportion of voting rights and share held</i>	<i>Nature of business</i>
Hamsard 2364 Limited	Ordinary	England and Wales	100%	Non-trading
Hamsard 2386 Limited	Ordinary	England and Wales	100%	Non-trading

### 6. Debtors

	2004 US\$000	2003 US\$000
Amounts owed by fellow group undertakings	49,407	53,842

## Notes to the financial statements

at 31 March 2004

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

	2004 US\$000	2003 US\$000
Amounts owed to subsidiary undertakings	—	4,263

### 8. Share capital

	2004 US\$000	2003 US\$000
<i>Authorised</i>		
Ordinary shares of US\$1 each	1,500,000	1,500,000
	2004 US\$000	2004 US\$000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of US\$1 each	863,999	863,999

### 9. Reserves

	<i>Profit and loss account US\$000</i>
At 1 April 2003	8,579
Loss for the year	(172)
At 31 March 2004	8,407

### 10. Reconciliation of movements in shareholders' funds

	2004 US\$000	2003 US\$000
Opening shareholders' funds	872,578	872,745
Retained loss for the financial year	(172)	(167)
Closing shareholders' funds	872,406	872,578

### 11. Contingent liabilities

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

## **Notes to the financial statements**

at 31 March 2004

### **12. 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.

### **13. Ultimate parent undertaking**

In the directors' opinion, the company's ultimate parent undertaking and controlling party is FKI plc, a company incorporated in Great Britain and registered in England and Wales.

FKI plc is the parent undertaking of the largest group of which Hamsard 2291 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.