

**Hamsard 2291 Limited**

Annual report and financial statements  
for the period ended 31 March 2002

Registered number: 04179373



## Directors' report

For the period ended 31 March 2002

The directors present their first report on the affairs of the company, together with the financial statements and auditors' report, for the period ended 31 March 2002.

### Principal activities

The company was incorporated on 14 March 2001.

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

### Results and dividends

The profit for the period after taxation amounted to US\$10,346,000.

The company paid a dividend of US\$1,600,157 to its parent company FKI plc on 19 July 2001.

### Directors and their interests

The directors during the period were as follows:

HSE Directors Limited	(appointed 14 March 2001, resigned 15 March 2001)
JA Biles	(appointed 15 March 2001)
MJR Porter	(appointed 15 March 2001)

No directors had any interests in the shares of the company at 31 March 2002 or 14 March 2001.

JA Biles is also a director of the ultimate parent company, and his interests in the shares of that company are disclosed in that company's financial statements.

The interests of MJR Porter in the share capital of the ultimate parent company, were as follows:

### Ordinary 10p shares

	Number	
	2002	On appointment
MJR Porter	417	7,283

### Executive share option scheme

	Number				31 March 2002
	On appointment	Granted	Exercised	Lapsed	
MJR Porter	-	31,050	-	-	31,050

## Directors' report (continued)

### Directors and their interests (continued)

All the options granted in the period were at an option price of 186.75 pence per share.

Options in existence at 31 March 2002 are exercisable between 2004 and 2011 at an option price of 186.75 pence per share.

### SAYE share option scheme

	Number				31 March 2002
	On appointment	Granted	Exercised	Lapsed	
MJR Porter	5,152	-	-	-	5,152

Options in existence at 31 March 2002 are exercisable between 2003 and 2004 at an option price of 188 pence per share.

The market price of the shares of FKI plc at 31 March 2002 was 192.5 pence and the range during the period was 122 pence to 288.25 pence.

All interests shown above are beneficial.

### Long term incentive plan (LTIP)

The ultimate parent company, FKI plc, operates a LTIP under which participants receive provisional awards of shares in FKI plc of up to 70% of basic salary per annum, which may vest only after the achievement of certain performance conditions. Participants may receive up to the maximum number of shares, three years after the award, provided performance criteria 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 ("TSR") against a comparator group of other companies within the engineering sector. 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 the level of vesting for above median performance is determined by a sliding scale based upon the quartile within which TSR performance falls.

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

## Directors' report (continued)

### Long term incentive plan (LTIP) (continued)

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

	Shares allocated on appoint- ment	Shares allocated during period	Shares vested during period	Shares lapsed during period	Shares transferred during period	Value of award at date of grant £	Shares allocated at 31 March 2002	Earliest date for transfer	Value of shares vested*	Market Value**
M J R Porter	28,716	-	-	-	28,716	42,500	-	n/a	-	n/a
	29,037	-	29,037	-	-	46,750	29,037	28/7/02	57,203	n/a
	26,110	-	-	-	-	50,000	26,110	12/8/03	-	50,784
	22,345	-	-	-	-	54,075	22,345	13/6/04	-	43,461
	-	21,740	-	-	-	40,600	21,740	4/12/04	-	42,284

\* The value of the shares that vested during the year is calculated at 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 192.5 pence, the closing mid-market price on 31 March 2002.

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

### Auditors

Arthur Andersen have indicated their intention not to seek reappointment at the forthcoming annual general meeting on July 24 2002. A resolution will be proposed at the annual general meeting for the appointment of Ernst & Young LLP as the company's auditors and a separate resolution will be proposed seeking shareholders' authority for Ernst & Young LLP's remuneration to be determined by the directors.

15-19 New Fetter Lane  
London  
EC4A 1LY

By order of the Board



MJR Porter  
Secretary

18 June 2002

## Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period 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.

**To the Shareholders of Hamsard 2291 Limited:**

We have audited the financial statements of Hamsard 2291 Limited for the period ended 31 March 2002 which comprise the Profit and loss account, Balance sheet and the related notes numbered 1 to 11. These financial statements have been prepared under the accounting policies set out in the Statement of accounting policies.

**Respective responsibilities of directors and auditors**

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of directors' responsibilities. 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 circumstances of the company, 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 affairs of the company at 31 March 2002 and of the company's profit for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

**Arthur Andersen**

**Chartered Accountants and Registered Auditors**

1 City Square  
Leeds  
LS1 2AL

18 June 2002

## Profit and loss account

For the period ended 31 March 2002

	Notes	Period ended 31 March 2002 US\$'000
Interest receivable and similar income (net)	1	10,346
<b>Profit on ordinary activities before taxation</b>	2	10,346
Tax on profit on ordinary activities	3	-
<b>Profit on ordinary activities after taxation</b>		10,346
Dividends payable		(1,600)
<b>Retained profit for the financial period</b>	8	8,746

All results relate to continuing operations.

There are no recognised gains or losses other than the retained profit for the financial period.

The accompanying notes are an integral part of this profit and loss account.

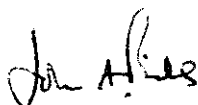


## Balance sheet

31 March 2002

	Notes	31 March 2002 US\$'000
<b>Fixed assets</b>		
Investments	4	822,999
<b>Current assets</b>		
Debtors	5	53,842
<b>Creditors:</b> Amounts falling due within one year	6	(4,096)
<b>Net current assets</b>		49,746
<b>Net assets</b>		872,745
<b>Capital and reserves</b>		
Called-up share capital	7	863,999
Profit and loss account	8	8,746
<b>Equity shareholders' funds</b>	9	872,745

The financial statements on pages 7 to 12 were approved by the board of directors on 18 June 2002 and signed on its behalf by:



JA Biles

Director

The accompanying notes are an integral part of this balance sheet.

## Statement of accounting policies

31 March 2002

A summary of the principal accounting policies, all of which have been applied consistently throughout the period, is set out below:

### **Basis of accounting**

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.

### **Cash flow statement**

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

### **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 or substantially enacted by the balance sheet date.

## Notes to the financial statements

31 March 2002

### 1 Interest receivable and similar income

	Period ended 31 March 2002 US\$'000
From ultimate parent company and fellow subsidiary undertakings	10,442
From subsidiary undertakings	(96)
	<u>10,346</u>

### 2 Directors, employees and audit fee

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

### 3 Tax on profit on ordinary activities

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

	2002 US\$'000
Profit on ordinary activities before taxation	10,346
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30%	3,104
Effects of:	
Group relief from parent for nil consideration	(3,104)
Current tax charge for the period	<u>-</u>

### 4 Fixed asset investments

Investment in subsidiary undertakings

	2002 US\$'000
<b>Cost and net book value</b>	
At 14 March 2001	-
Additions	822,999
<b>At 31 March 2002</b>	<u>822,999</u>

## Notes to the financial statements (continued)

### 4 Fixed asset investments (continued)

Details of the subsidiaries at 31 March 2002 are as follows:

Name	Nature of business	Country of registration	Class of shares	%
Hamsard 2364 Limited	Non-trading	England and Wales	Ordinary	100
Hamsard 2386 Limited	Non-trading	England and Wales	Ordinary	100

### 5 Debtors

	31 March 2002 US\$'000
Amounts owed by ultimate parent company	<u>53,842</u>

### 6 Creditors: Amounts falling due within one year

	31 March 2002 US\$'000
Amounts owed to subsidiary undertakings	<u>4,096</u>

### 7 Called up share capital

	Number	US\$'000
<i>Authorised</i>		
\$1 Ordinary shares		
<b>31 March 2002</b>	<u>1,500,000,000</u>	<u>1,500,000</u>
<i>Allotted, called-up and fully paid</i>		
\$1 Ordinary shares		
<b>31 March 2002</b>	<u>863,999,000</u>	<u>863,999</u>

During the period, the company issued 863,999,000 \$1 ordinary shares at par.

### 8 Reserves

	Profit and loss account US\$'000
At 14 March 2001	-
Retained profit for the financial period	<u>8,746</u>
<b>At 31 March 2002</b>	<u>8,746</u>

## Notes to the financial statements (continued)

### 9 Reconciliation of movements in shareholders' funds

	Period ended 31 March 2002 US\$'000
Share issues	863,999
Retained profit for the financial period	8,746
<b>Closing shareholders' funds</b>	<b>872,745</b>

### 10 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.

### 11 Ultimate parent company

The directors regard FKI plc, a company incorporated in Great Britain and registered in England and Wales, as the company's ultimate parent company.

FKI plc is the parent undertaking of the only group of which Hamsard 2291 Limited is a member and for which group financial statements are drawn up. Copies of these financial statements are available to the public from the Company Secretary, FKI plc, 15-19 New Fetter Lane, London EC4A 1LY.