

# **Hamsard 2364 Limited**

## **Report and Financial Statements**

31 March 2005



Registered No. 04254554

**Directors**

N Bamford (appointed 17 June 2004)  
M Porter (resigned 13 January 2005)  
J A Biles (resigned 17 June 2004)  
R P Graham-Adriani

**Secretary**

A Ventrella

**Auditors**

Ernst & Young LLP  
City Gate West  
Toll House Hill  
Nottingham  
NG1 5FY

**Registered Office**

Falcon Works,  
PO Box 7713,  
Meadow Lane,  
Loughborough,  
LE11 1ZF

## Directors' report

The directors present their report and the audited financial statements for the year ended 31 March 2005.

### Results and dividends

The audited financial statements for the year ended 31 March 2005 are set out on pages 8 to 12. The profit for the year after taxation amounted to US\$12,070,000 (2004: US\$86,000) 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 activities and review of the business

The principal activity of the company is to act as an intermediate holding company. The trading results for the year are considered satisfactory.

### Directors and their interests

The directors who served during the year ended 31 March 2005 and thereafter were as listed on page 1.

No director had any interest in the shares of the company at 31 March 2005.

N Bamford and J A Biles were also directors of the ultimate parent undertaking, and their interests in the shares of that company are disclosed in that company's financial statements.

The interests of the remaining directors that served during the year in the shares of the ultimate parent undertaking are set out below:

<i>Ordinary 10p shares</i>		<i>2005</i>	<i>2004</i>
		<i>No.</i>	<i>No.</i>

R P Graham-Adriani	-	2,500
M J R Porter	-	66,003

<i>Executive share option scheme</i>	<i>1 April</i>				<i>31 March</i>
	<i>2004</i>	<i>Granted</i>	<i>Exercised</i>	<i>Lapsed</i>	<i>2005</i>
	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>

R P Graham-Adriani	90,000	-	-	-	90,000
M J R Porter	197,835	-	-	74,621	123,214

<i>SAYE share option scheme</i>	<i>1 April</i>				<i>31 March</i>
	<i>2004</i>	<i>Granted</i>	<i>Exercised</i>	<i>Lapsed</i>	<i>2005</i>
	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>	<i>No.</i>

R P Graham-Adriani	26,541	-	-	-	26,541
M J R Porter	15,416	-	-	-	15,416

Options in existence at 31 March 2005 are exercisable between 2006 and 2013 at prices of 140 pence, 77 pence and 60 pence per share.

The market price of the ordinary shares of FKI plc at 31 March 2005 was 106.25 pence (2004: 111 pence) and the range during the year was 105 pence to 137.5 pence (2004: 60 pence to 126 pence).

All interests shown above are beneficial.

## Directors' report (continued)

### 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.

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

	Shares allocated at 1 April 2004	Shares allocated during year	Shares vested during year	Shares lapsed during year	Shares transferred during year	Value of award at date of grant £	Shares allocated at 31 March 2005	Earliest date for transfer	Value of shares vested*	Market value**
M J R Porter										
	21,740	-	-	21,740	-	40,600	-	04/12/04	-	-
	30,500	-	-	-	-	42,700	30,500	08/07/05	-	32,406
	57,500	-	-	-	-	48,156	57,500	09/06/06	-	61,094

\*There were no shares that vested in the year.

\*\*Market value of LTIP shares as yet unvested at 106.25 pence (2004: 111 pence), the closing mid-market price on 31 March 2005.

R P Graham-Adriani is not a participant in the Long Term Incentive Plan at 31 March 2005.

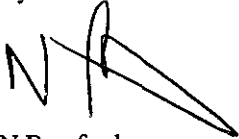
There are no other interests required to be disclosed under section 234 of the Companies Act 1985.

## Directors' report (continued)

### 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

A handwritten signature in black ink, appearing to be 'N Bamford', written over a horizontal line.

N Bamford  
Director

Date: 21 December 2005

## **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 2364 Limited**

We have audited the company's financial statements for the year ended 31 March 2005 which comprise the Profit and Loss Account, Balance Sheet and the related notes 1 to 11. 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 2364 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 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Ernst & Young LLP*

Ernst & Young LLP  
Registered Auditor  
Nottingham

Date: *21<sup>st</sup> December 2005*

**Profit and loss account**

for the year ended 31 March 2005

	<i>Notes</i>	<i>2005 US\$000</i>	<i>2004 US\$000</i>
Interest receivable and similar income	3	12,070	86
<b><i>Profit on ordinary activities before taxation</i></b>		<u>12,070</u>	<u>86</u>
Tax on profit on ordinary activities	4	-	-
<b><i>Retained profit for the financial year</i></b>	7	<u>12,070</u>	<u>86</u>

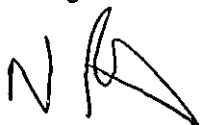
There were no recognised gains or losses other than the profit for the financial year and accordingly no statement of total recognised gains and loss has been prepared.

## Balance sheet

at 31 March 2005

	Notes	2005 US\$000	2004 US\$000
<b>Current assets</b>			
Debtors	5	641,364	78,270
<b>Net assets</b>		641,364	78,270
<b>Capital and reserves</b>			
Called up share capital	6	629,068	78,044
Profit and loss account	7	12,296	226
<b>Shareholders' funds</b>	8	641,364	78,270

Approved by the Board  
and signed on its behalf by:



N Bamford  
Director

Date: 21 December 2005

## Notes to the financial statements

at 31 March 2005

### 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.

#### 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 emoluments, staff costs and auditors' remuneration

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 2005 was borne by the parent undertaking.

### 3. Interest receivable and similar income

	2005 US\$000	2004 US\$000
From fellow subsidiary undertakings	12,070	86

### 4. Tax on profit on ordinary activities

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

	2005 US\$000	2004 US\$000
Profit on ordinary activities before taxation	12,070	86
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004: 30%)	3,621	26
Effects of:		
Group relief from parent for nil consideration	(3,621)	(26)
Current tax charge for the year	-	-

## Notes to the financial statements

at 31 March 2005

### 5. Debtors

	2005 US\$000	2004 US\$000
Amounts owed by ultimate parent undertaking	-	1
Amounts owed by fellow subsidiary undertakings	641,364	78,269
	<u>641,364</u>	<u>78,270</u>

### 6. Share capital

	2005	2004		
<i>Authorised</i>	US\$000	US\$000		
10,000,000 Ordinary shares of US\$100 each	1,000,000	1,000,000		
	2005	2004	2005	2004
<i>Allotted</i>	No.	No.	US\$000	US\$000
Ordinary shares of US\$100 each	6,290,691	6,290,691	629,069	629,069
	No.	No.	US\$000	US\$000
<i>Called up and partially paid</i>				
Ordinary shares of US\$100 each	6,290,691	6,290,691	629,068	78,044

### 7. Reserves

	Profit and loss account US\$000
At 1 April 2004	226
Profit for the year	12,070
At 31 March 2005	<u>12,296</u>

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

	2005 US\$000	2004 US\$000
Opening shareholders' funds	78,270	50,005
Share issues	550,798	28,179
Retained profit for the financial year	12,296	86
Closing shareholders' funds	<u>641,364</u>	<u>78,270</u>

## Notes to the financial statements

at 31 March 2005

### 9. Contingent liabilities

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

### 10. Related party transactions

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

### 11. 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 and controlling party.

The only group into which the results of the company are consolidated is that headed by FKI plc. Copies of the financial statements of FKI plc are available from the Company Secretary, FKI plc, Falcon Works, PO Box 7713, Meadow Lane, Loughborough, Leicestershire, LE11 1ZF.

# **Danks Holdings Limited**

## **Report and Financial Statements**

31 March 2005