

490837

# Hamsard 2686

## Report and Financial Statements

31 March 2005



Registered No. 4908777

**Directors**

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

**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,  
Leicestershire  
LE11 1ZF

## Directors' report

The directors present their report and the financial statements for the 6 months ended 31 March 2005.

### Results and dividends

The financial statements for the year ended 31 March 2005 are set out on pages 5 to 9. The profit for the year after taxation amounted to £1,570,000 (2004: £nil).

### Principal activities and review of the business

The company's principal activity remained that of a finance company.

### Directors and their interests

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

No director had any interests 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 director who served in 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>
M J R Porter				–	66,003
				<hr/>	<hr/>
<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>
M J R Porter	197,835	–	–	74,621	123,214
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
<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>
M J R Porter	15,416	–	–	–	15,416
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>

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)

### Directors and their interests (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 during 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.

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

On behalf of the Board



N Bamford  
Director

Date: 26 January 2006

## **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.

**Profit and loss account**

for the year ended 31 March 2005

	<i>Notes</i>	<i>2005</i> <i>£000</i>	<i>2004</i> <i>£000</i>
Interest receivable	3	1,570	-
<b><i>Profit on ordinary activities before taxation</i></b>		<u>1,570</u>	<u>-</u>
Tax on profit on ordinary activities	4	-	-
<b><i>Retained profit for the financial year</i></b>	7	<u>1,570</u>	<u>-</u>

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

**Balance sheet**

at 31 March 2005

	Notes	2005 £000	2004 £000
<b>Current assets</b>			
Debtors	5	28,953	27,383
<b>Net current assets</b>		<u>28,953</u>	<u>27,383</u>
<b>Capital and reserves</b>			
Called up share capital	6	—	—
Profit and loss account	7	1,570	—
Share premium account	7	27,383	27,383
<b>Shareholders' funds</b>	8	<u>28,953</u>	<u>27,383</u>

For the year ended 31 March 2005 the company was entitled to exemption under section 249a(1) of the Companies Act 1985. No members have required the company to obtain an audit of its financial statements for the period in question in accordance with section 249b(2).

The directors' acknowledge their responsibility for:

- (i) ensuring the company keeps accounting records which comply with section 221; and
- (ii) preparing the financial statements which give a true and fair view of the state of affairs of the company as at the end of its financial period, and of its profit and loss for the financial period in accordance with section 226, and which otherwise comply with the requirements of the Companies Act relating to the financial statements, so far as applicable to the company.

The financial statements on page 5 to 9 were approved by the board of directors and signed on its behalf by:



N Bamford  
Director

Date: 26 January 2006

## 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 period. There were no staff employed other than directors. The audit fee in the year was borne by the parent undertaking.

### 3. Interest receivable

	2005 £000	2004 £000
From fellow subsidiary undertakings	1,570	—

### 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 £000	2004 £000
Profit on ordinary activities before taxation	1,570	—
Profit on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2004: 30%)	471	—
Effects of: Group relief from parent for nil consideration	(471)	—
Current tax charge for the year	—	—



## Notes to the financial statements

at 31 March 2005

### 5. Debtors

	2005 £000	2004 £000
Amounts owed by ultimate parent undertaking	28,953	27,383

### 6. Share capital

	2005 £000	2004 £000
<i>Authorised</i>		
100 ordinary shares of £1 each	100	100
<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>No.</i>
4 ordinary shares of £1 each	4	4

### 7. Reserves

	Share Premium account £000	Profit and loss account £000
At 1 April 2004	27,383	–
Profit for the year	–	1,570
At 31 March 2005	27,383	1,570

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

	2005 £000	2004 £000
Opening shareholders' funds	27,383	–
Profit for the year	1,570	–
Shares issued	–	27,383
Closing shareholders' funds	28,953	27,383

### 9. 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.

## Notes to the financial statements

at 31 March 2005

### 10. 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.

FKI plc is the parent undertaking of the largest group of which Hamsard 2686 Limited is a member and for which group financial statements are drawn up. FKI Engineering Limited incorporated in Great Britain and registered in England and Wales is the parent undertaking of the smallest group of which Hamsard 2686 Limited is a member and for which group financial statements are drawn up. Copies of the financial statements of FKI plc are available to the public from the company secretary, Falcon Works, P.O. Box 7713, Meadow Lane, Loughborough LE11 1ZF.