

RANSOMES PLC

**FINANCIAL STATEMENTS
31ST DECEMBER 2002**

ENGLISH COMPANY REGISTRATION NO. 19802



RANSOMES PLC

Company Registration No. 19802

DIRECTORS

S H Chicken
B W George
E K Hayes
P A McGartoll
D P Withers

SECRETARY

Eversecretary (No.2) Limited

AUDITORS

Ernst & Young LLP
Compass House
80 Newmarket Road
Cambridge
CB5 8DZ

BANKERS

HSBC Bank plc
168 High Street
Guildford
Surrey
GU1 3YU

SOLICITORS

Eversheds
Kett House
1 Station Road
Cambridge
CB1 2JY

REGISTERED OFFICE

12 Central Avenue
Ransomes Europark
Ipswich
England
IP3 9QG
Tel: 01473 270000
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RANSOMES PLC

DIRECTORS' REPORT

The directors present their report and the financial statements of the company for the year ended 31st December 2002.

PRINCIPAL ACTIVITY

The principal activity of the company is a holding company (formerly the ultimate holding company of the "Ransomes Group").

REVIEW OF OPERATIONS

Profit before tax decreased by £69.9 million to a loss of £47.8 million (2001 : profit £22.1 million). On 20th December 2002, the directors approved a write down of the value of the loan note held from Textron Fluid and Power Systems Holdings Limited by £52.8 million. This followed a revaluation of Textron Fluid and Power Systems Holdings Limited's main asset, shares in the David Brown Group PLC. In 2001, a £14.0 million profit resulted from the sale of the 'Cushman' and 'Ryan' trademarks to Cushman Inc.

RESULTS AND DIVIDEND

The company's loss after taxation for the year was £47,550,000 (2001 : profit £21,957,000). No interim dividend was paid in respect of the current year (2001 : £2,773,000). No final ordinary dividend is proposed in respect of the current year (2001 : £Nil). There was no convertible preference dividend during the year (2001 : £Nil). After deducting the preference dividend of £5,000 (2001 : £5,000) the loss of £47,555,000 for the year has been transferred to reserves (2001 : profit £19,179,000).

DIRECTORS' AND OFFICERS' LIABILITY INSURANCE

Insurance has been taken out by the company (as permitted by Section 310(3) of the Companies Act 1985) for its directors and officers against liabilities in relation to the company.

INCOME AND CORPORATION TAXES ACT 1988

The close company provisions of this Act do not apply to the company.

EMPLOYMENT POLICIES

It is the policy of the company that there should be no unfair discrimination in considering applications for employment, including those from disabled persons. Should any employee become disabled every practical effort is made to provide continued employment.

The directors are committed to maintain and develop communication and consultation procedures with employees, who in turn are encouraged to become aware of and involve themselves in the performance of the company and of Textron as a whole.

RANSOMES PLC

DIRECTORS' REPORT Continued

SUPPLIER PAYMENT POLICY

The company's policy is to pay in accordance with the agreed supplier terms, provided that the relevant invoice is presented in a timely fashion and is complete. Trade creditor days for the year ended 31st December 2002 were 51 days (2001 : 174 days), based on the ratio of trade creditors at the year end to the amounts invoiced during the year by trade creditors. The high level of activity just prior to the previous year end distorted the 2001 calculation. The comparative figure at November 2001 was 36 days.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year to 31st December 2002 were:

Mr P A McGartoll

Miss E K Hayes

Mr P R Bell (resigned 30th April 2002)

Mr S H Chicken (appointed 30th April 2002)

Mr I P Campbell (resigned 31st October 2002)

Mr G Patrick (resigned 2nd September 2002)

Mr B W George (appointed 31st October 2002)

Mr D P Withers was appointed on 6th June 2003.

No director has a service contract with the company.

No director had any interest in the shares of the company.

COMPANY SECRETARY

Mr C P Wolf resigned as Company Secretary on 11th January 2002. Eversecretary (No.2) Limited was appointed as Company Secretary on 11th January 2002.

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 these 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.

RANSOMES PLC

DIRECTORS' REPORT Continued

AUDITORS

A resolution to re-appoint Ernst & Young LLP as the Company's auditor will be proposed at the Annual General Meeting.

By Order of the Board



B W George

Director

8th October 2003

2000-2001

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RANSOMES PLC

We have audited the company's financial statements for the year ended 31st December 2002 which comprise the Profit and Loss Account, Balance Sheet, Note of Historical Cost Profits and Losses as modified by the revaluation of property available for disposal, and the related notes 1 to 15. 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31st December 2002 and of its loss 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
Cambridge
8th October 2003

RANSOMES PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2002 CONTINUING OPERATIONS

	Notes	2002 £'000	2001 £'000
Administrative expenses - exceptional	1	(52,828)	-
- non-exceptional		(686)	(107)
Other operating income		365	1,451
Income from investments		1	674
		<hr/>	<hr/>
Operating (loss)/profit	1	(53,148)	2,018
Profit on sale of intangible assets		-	14,027
Interest receivable	2	7,407	9,379
Interest payable	2	(2,066)	(3,330)
		<hr/>	<hr/>
(Loss)/profit on ordinary activities before taxation		(47,807)	22,094
Taxation on ordinary activities	3	257	(137)
		<hr/>	<hr/>
(Loss)/profit for the financial year		(47,550)	21,957
Non-equity dividends	4	(5)	(5)
Equity dividends	4	-	(2,773)
		<hr/>	<hr/>
Retained (loss)/profit for the financial year	11	(47,555)	19,179
		<hr/>	<hr/>

The reconciliation of movements in shareholders' funds and a reserve analysis are given in note 11 on page 18.
All recognised gains and losses for the reported periods are reflected in the profit and loss account.

RANSOMES PLC

**NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 31ST DECEMBER 2002**

	2002 £'000	2001 £'000
Reported (loss)/profit on ordinary activities before taxation	(47,807)	22,094
Realisation of property revaluation surplus	42	44
	<hr/>	<hr/>
Historical cost (loss)/profit on ordinary activities before taxation	(47,765)	22,138
	<hr/>	<hr/>
Historical cost (loss)/profit for the year after taxation and dividends	(47,513)	19,223
	<hr/>	<hr/>

RANSOMES PLC

BALANCE SHEET AS AT 31ST DECEMBER 2002

	Notes	2002 £'000	2001 £'000
Fixed assets			
Tangible assets	5	-	-
Investments	6	21,660	22,050
		<u>21,660</u>	<u>22,050</u>
Current assets			
Property available for disposal	7	6,257	5,075
Debtors	8	140,947	179,896
Cash at bank and in hand		13,058	13,789
		<u>160,262</u>	<u>198,760</u>
Creditors: amounts falling due within one year	9	<u>(72,715)</u>	<u>(64,252)</u>
Net current assets		<u>87,547</u>	<u>134,508</u>
Total assets less current liabilities		109,207	156,558
Provisions for liabilities and charges	3	<u>(533)</u>	<u>(329)</u>
Net assets		<u>108,674</u>	<u>156,229</u>
Capital and reserves			
Called up share capital:			
Equity interests	10	34,663	34,663
Non-equity interests	10	7,277	7,277
		<u>41,940</u>	<u>41,940</u>
Revaluation reserve	11	1,793	1,835
Profit and loss account	11	64,941	112,454
		<u>108,674</u>	<u>156,229</u>
Shareholders' funds	11	<u>108,674</u>	<u>156,229</u>
Equity interests		53,457	101,012
Non-equity interests	12	55,217	55,217

Approved by the directors
and signed on their behalf by



B W George
Director
8th October 2003

RANSOMES PLC

NOTES TO THE FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2002

ACCOUNTING POLICIES

Basis of accounting

The financial statements have been prepared in accordance with applicable accounting standards under the *historical cost convention*, as *modified by the revaluation of land and buildings* and in compliance with the provisions of the Companies Act 1985, except for the inclusion of property available for disposal in current assets at a valuation as referred to below and in note 7.

Adoption of FRS19

In preparing the financial statements for the current year the company has adopted FRS19 "Deferred Tax". This has resulted in a change of accounting policy for deferred tax, but this has not brought about a requirement to adjust prior year deferred tax numbers.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

Fixed assets and depreciation

Fixed assets are depreciated by equal annual instalments over their estimated useful lives. The annual rates of depreciation used vary according to the type of asset and are as follows:

Plant and machinery 10%-33.3%.

Property available for disposal

Property transferred from fixed assets is stated at the lower of book value (latest independent valuation) or net realisable value.

Statement of cash flows

A statement of cash flows has not been presented as the company is a wholly owned subsidiary of Textron Acquisition Limited, a company registered in the United Kingdom.

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more, tax, with the following exception:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

RANSOMES PLC

NOTES TO THE FINANCIAL STATEMENTS Continued AS AT 31ST DECEMBER 2002

Pensions

The regular cost of providing pensions is charged against profits on a systematic basis in the financial statements of subsidiary companies. Surpluses and deficits and other variations over regular cost are allocated over the expected remaining service lives of current employees and charged in the financial statements of RANSOMES plc. Differences between the amounts charged or credited in the profit and loss account and payments made to the schemes are treated as assets or liabilities in the company's balance sheet.

The company's employees are members of the Ransomes plc pension scheme which is financed through separately administered funds. Regular contributions to these funds are charged to the profit and loss account so as to spread the cost of pensions evenly over the estimated remaining service lives of employees in the scheme and are based upon actuarial advice following the most recent valuation of these funds. Information with respect to the Ransomes plc scheme is included in note 15 to these financial statements.

Group Financial Statements

The financial statements present information about the company and not the group. Group financial statements have not been prepared in accordance with section 228 (1) of the Companies Act 1985, as the company is a subsidiary undertaking of Textron Acquisition Limited, a U.K. registered company, which prepares group financial statements.

1 OPERATING (LOSS)/PROFIT IS STATED AFTER CHARGING/(CREDITING):

	2002 £'000	2001 £'000
Wages and salaries	24	257
Social security costs	4	31
Pension credit	(420)	(467)
Depreciation of fixed assets	-	3
Auditors' remuneration	50	47
Directors' remuneration (note 15)	32	166
Impairment of investment in subsidiary undertakings	390	-
Amounts written off receivable from other group undertakings	52,828	-
	<hr/>	<hr/>

The average number of employees during the period was 2 (2001 : 9)

Segmental and Geographical Information – The Company has no turnover. (Loss)/profit before taxation and net assets relates to the principal activity of the company, a holding company operating in the United Kingdom.

RANSOMES PLC

NOTES TO THE FINANCIAL STATEMENTS Continued AS AT 31ST DECEMBER 2002

2 INTEREST	2002 £'000	2001 £'000
Receivable		
Interest receivable on bank deposits	118	245
Interest receivable from subsidiary undertakings	1,092	1,485
Interest receivable from other group undertakings	6,139	7,649
Interest receivable from immediate parent undertaking	58	-
	<u>7,407</u>	<u>9,379</u>
Payable		
Interest payable to subsidiary undertakings	(789)	(1,064)
Interest payable on bank loans and overdrafts	(70)	(11)
Interest payable to other group undertakings	(1,158)	(1,720)
Interest payable to immediate parent undertaking	(49)	(535)
	<u>(2,066)</u>	<u>(3,330)</u>
 3 TAX		
	2002 £'000	2001 £'000
(a) Tax on (loss)/profit on ordinary activities		
The tax charge/(credit) is made up as follows:		
Current Tax:		
UK Corporation tax at 30%	-	-
Adjustment for prior years	(461)	200
Total current tax (note 3(b))	<u>(461)</u>	<u>200</u>
Deferred Tax:		
Origination and reversal of timing differences (note 3(c))	204	(63)
Tax on profit on ordinary activities	<u>(257)</u>	<u>137</u>

There is no current year credit for corporation tax as losses arising will not be effective for tax purposes. Taxable profits will be covered by the surrender of losses by group companies for nil consideration.

RANSOMES PLC

NOTES TO THE FINANCIAL STATEMENTS Continued AS AT 31ST DECEMBER 2002

3 TAX Continued	2002 £'000	2001 £'000
(b) Factors affecting current tax charge		
The differences are reconciled below:		
(Loss)/profit on ordinary activities before taxation	(47,807)	22,094
	=====	=====
Tax at 30%	(14,342)	6,628
Actual corporation tax	-	-
	-----	-----
Difference	14,342	(6,628)
	=====	=====
Permanent differences:		
Sundry items	(109)	(163)
Disposal of trade marks	-	(4,208)
Loan and Investment impairments	15,965	-
Group relief from Textron companies	(1,066)	(2,431)
Timing differences:		
Depreciation v capital allowances	-	-
Other timing differences	(448)	174
	-----	-----
Difference	14,342	(6,628)
	=====	=====
Prior year adjustment:		
Reversal of Group payments on account due to reduced group profits	(461)	-
Group payments on account	-	200
	-----	-----
	(461)	200
	=====	=====
(c) Deferred tax		
<u>Provided</u>		
Accelerated capital allowances	(5)	-
Revaluation of surplus properties	538	551
Other timing differences	-	435
	-----	-----
	533	986
Less: Advance corporation tax	-	(657)
	-----	-----
	533	329
	=====	=====
<u>Full Potential</u>		
Accelerated capital allowances	(5)	-
Revaluation of surplus properties	538	551
Other timing differences	-	435
	-----	-----
	533	986
Less: Advance corporation tax	-	(657)
	-----	-----
	533	329
	=====	=====

RANSOMES PLC

NOTES TO THE FINANCIAL STATEMENTS Continued AS AT 31ST DECEMBER 2002

3 TAX Continued

£'000

(c) Deferred tax Continued

Analysis of movement in deferred tax:

Provision at 1st January 2002

329

Profit and Loss Account movement arising during the year

204

Provision at 31st December 2002

533

4 DIVIDENDS

2002
£'000

2001
£'000

Non-equity shares

5.5% Preference

5

5

Equity shares

Interim – Nil (2001 – 2.0p per share)

-

2,773

5

2,778

Textron Acquisition Limited, the majority 5.5% preference shareholder has waived its rights to these dividends.

5 FIXED ASSETS – TANGIBLE ASSETS

Plant and Machinery
£'000

Total
£'000

Cost

At 1st January 2002 and 31st December 2002

3

3

Depreciation

At 1st January 2002 and 31st December 2002

3

3

Net book amount at 31st December 2002

-

-

Net book amount at 31st December 2001

-

-

RANSOMES PLC

NOTES TO THE FINANCIAL STATEMENTS Continued AS AT 31ST DECEMBER 2002

6 FIXED ASSETS - INVESTMENTS

	Shares in subsidiary undertakings £'000
Cost:	
At 1 st January 2002 and 31 st December 2002	25,371
	<hr/>
Amounts provided:	
At 1 st January 2002	3,321
Impairment in the year	390
	<hr/>
At 31 st December 2002	3,711
	<hr/>
Net book value at 31 st December 2002	21,660
	<hr/>
Net book value at 31 st December 2001	22,050
	<hr/>

Details of principal subsidiaries which are wholly owned and, unless indicated, are direct subsidiaries of RANSOMES plc:

Name of company	Country of incorporation and principal operation	Nature of business
Ransomes Jacobsen Limited	England	Manufacture and sale of machinery
* Ransomes Jacobsen SA	France	Sale of machinery
* Granja SA	France	Manufacture and sale of machinery
Ransomes Property Developments Limited	England	Property development
Ransomes Park Limited	England	Property investment
Ransomes Overseas Services Limited	England	Holding company

* Indirect holding

The directors are of the opinion that the value of these investments are not materially different from the amount at which they are stated in the financial statements.

RANSOMES PLC

NOTES TO THE FINANCIAL STATEMENTS Continued AS AT 31ST DECEMBER 2002

7 PROPERTY AVAILABLE FOR DISPOSAL

	2002 £'000	2001 £'000
Surplus land and buildings:		
At start of the year	5,075	5,608
Disposals	(470)	(920)
Additions	477	387
Transfers from subsidiary undertakings	1,175	-
At end of the year	<u>6,257</u>	<u>5,075</u>

Surplus land and buildings, primarily the Ransomes Europark, are classified as current assets and are stated at their latest independent valuation or net realisable value. At the 30th September 1996 Conway Relf, an external firm of property surveyors, revalued the surplus property on the Ransomes Europark on an open market value basis, which reflected the planning status. As a result of this valuation no adjustment to property values was required. The Companies Act requires that current assets be stated at the lower of cost or net realisable value and not valuation as used in the preparation of these financial statements. The Directors have invoked the true and fair override as permitted under the Companies Act as in their opinion to write down these assets to original cost because of a balance sheet reclassification in 1994 would be misleading particularly given the significant fluctuations in shareholders' funds that would arise from any subsequent disposals. The historical net book amount of the surplus land and buildings is £3,853,000 (2001 : £2,284,000).

8 DEBTORS

	2002 £'000	2001 £'000
Amounts owed by immediate parent undertaking	59,082	-
Amounts owed by subsidiary undertakings	31,418	37,460
Amounts owed by other group undertakings	46,561	139,359
Other debtors	4	63
Prepayments and accrued income	2	6
Pension prepayments	3,163	2,743
Current corporation tax	717	265
	<u>140,947</u>	<u>179,896</u>

9 CREDITORS: amounts falling due within one year

	2002 £'000	2001 £'000
Bank loans and overdrafts	-	50
Trade creditors	127	482
Amounts owed to immediate parent undertaking	812	2,831
Amounts owed to subsidiary undertakings	26,233	25,723
Amounts owed to other group undertakings	45,366	34,963
Other creditors including social security	23	-
Accruals and deferred income	154	203
	<u>72,715</u>	<u>64,252</u>

RANSOMES PLC

NOTES TO THE FINANCIAL STATEMENTS Continued AS AT 31ST DECEMBER 2002

10 CALLED UP SHARE CAPITAL

	2002		2001	
	No.'000	£'000	No.'000	£'000
Equity				
<i>Ordinary shares of 25p each:</i>				
Authorised	190,020	47,505	190,020	47,505
Issued and fully paid	138,652	34,663	138,652	34,663
	2002		2001	
	No.'000	£'000	No.'000	£'000
Non-Equity				
<i>8.25p cumulative convertible preference shares of 12.5p each:</i>				
Authorised, issued and fully paid	56,607	7,076	56,607	7,076
<i>5.5% cumulative preference shares of £1 each:</i>				
Authorised, issued and fully paid	200	200	200	200
<i>14 (2001 : 14) special shares of varying nominal values each:</i>				
Authorised, issued and fully paid	-	1	-	1
		7,277		7,277

8.25p cumulative convertible preference shares of 12.5p each

The 8.25p (net) cumulative convertible preference shares of 12.5p each are convertible into ordinary shares on the basis of 0.43 ordinary shares for each convertible preference share. The shares are convertible on 1st July each year up to and including 2005. The 8.25p cumulative convertible preference shares are not redeemable at any time. Holders of the 8.25p convertible preference shares are not entitled to attend or vote at a general meeting, unless (i) at the date of the notice convening the meeting the fixed cumulative preference dividend is six months or more in arrears from the date fixed for the payment; (ii) the business of the meeting includes the consideration of a resolution to wind up the Company or (iii) a resolution is to be proposed which alters or abrogates any of the rights attaching to the convertible preference shares as a class; in the case of (ii) and (iii), the holders of the convertible preference shares will only be entitled to vote on the resolution in question. As regards both income and capital, the 8.25p cumulative convertible preference shares rank after the 5.5% preference shares but otherwise in priority to any other class of shares or stock. On a return of capital each convertible preference share carries the right to an amount of 100 pence together with any arrears and accruals of the fixed dividend. The holders of the convertible preference shares are not entitled to any further or other right to participate in the assets of the Company.

RANSOMES PLC

NOTES TO THE FINANCIAL STATEMENTS Continued **AS AT 31ST DECEMBER 2002**

10 CALLED UP SHARE CAPITAL Continued

5.5% cumulative preference shares of £1 each

Holders of the 5.5% preference shares are not entitled to attend or vote at a general meeting, unless the meeting is convened for reducing the capital or winding up or sanctioning a sale of undertaking or altering the regulations of the Company or unless the proposition to be submitted to the meeting directly affects the rights and privileges of the holders of the 5.5% preference shares or unless the dividend on such shares is in arrears for more than three months. In a winding up, the 5.5% cumulative preference shares rank both as regards capital and dividend in priority to the other shares of the Company but do not confer any further right to participate in profits or surplus assets. The 5.5% cumulative preference shares are not redeemable at any time.

Dividends are payable on 19th March and 19th September each year.

Special shares

The special shares, which are of varying nominal amounts, have arisen as a result of 8.25p cumulative convertible preference shares of 12.5p each being converted into ordinary shares of 25p each. During the period, there were no conversions. A special share is liable to be created whenever such a conversion is effected by a member, representing any difference between the aggregate nominal value of the preference shares converted by that member and the aggregate nominal amount of the resulting ordinary shares. Special shares are held in the name of an officer of the Company; they are not transferable by the holder and do not entitle the holder to any dividend or to any repayment of capital (except for the sum of 1p) or to receive notice of or attend and vote at any general meeting of the company. They may be cancelled by the Company without making any payment to, or obtaining any sanction of the holder. On a winding up, the special shares rank with the ordinary shares but subject to the maximum amount of 1p per share.

RANSOMES PLC

NOTES TO THE FINANCIAL STATEMENTS Continued AS AT 31ST DECEMBER 2002

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2002 £'000	2001 £'000
(Loss)/profit for the financial year	(47,550)	21,957
Non-equity preference dividends	(5)	(5)
Equity dividends - interim	-	(2,773)
	<hr/>	<hr/>
Net (decrease)/increase in shareholders' funds	(47,555)	19,179
Opening shareholders' funds	156,229	137,050
Closing shareholders' funds	<hr/> 108,674 <hr/>	<hr/> 156,229 <hr/>

RESERVES

	Revaluation reserve £'000	Profit and loss account £'000
At 1st January 2002	1,835	112,454
Retained loss	-	(47,555)
Realised on disposals	(42)	42
At 31 st December 2002	<hr/> 1,793 <hr/>	<hr/> 64,941 <hr/>

The retained profit and loss account of the company includes £11,039,000 (2001 : £12,151,000) of undistributable reserves.

12 NON-EQUITY INTERESTS

	2002 £'000	2001 £'000
Special shares of varying nominal values		
Called up share capital	1	1
5.5% cumulative preference shares		
Called up share capital	200	200
8.25p cumulative convertible preference shares		
Called up share capital	7,076	7,076
Premium arising on the issue of 8.25p preference shares	47,940	47,940
	<hr/> 55,016 <hr/>	<hr/> 55,016 <hr/>
	=====	=====
	55,217	55,217
	=====	=====

RANSOMES PLC

NOTES TO THE FINANCIAL STATEMENTS Continued AS AT 31ST DECEMBER 2002

13 PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate parent undertaking is *Textron Acquisition Limited*. Copies of *Textron Acquisition Limited* group financial statements are available from its registered office: 23 Bedford Row, London, WC1R 4EB. The company's ultimate parent undertaking and controlling party is *Textron Inc.*, which is incorporated in the United States of America. Copies of its group financial statements are available from *Textron Inc.*, 40 Westminster Street, Providence, Rhode Island, 02903, USA.

In accordance with FRS8 related party disclosures are not required as the company is a 100% owned subsidiary undertaking.

14 DIRECTORS' EMOLUMENTS AND INTERESTS

Included in the amounts shown in note 1 on page 10 are the following emoluments paid to the directors:

	Twelve months to 31 December 2002 £'000	Twelve months to 31 December 2001 £'000
Emoluments	32	166
	<hr/> 32	<hr/> 166
	=====	=====

Emoluments in respect of the highest paid director were:

	£'000	£'000
Emoluments	32	152
	<hr/> 32	<hr/> 152
	=====	=====

RANSOMES PLC

NOTES TO THE FINANCIAL STATEMENTS Continued AS AT 31ST DECEMBER 2002

15 PENSIONS

SSAP 24

The company's employees are members of the Ransomes plc pension scheme which is of the defined benefit type with assets held in separate trustee administered funds. Contributions to these funds are based upon the advice of a professionally qualified actuary following the most recent valuation of these funds.

The Ransomes plc pension scheme was last actuarially assessed, using the attained age method, at 31st December 2000 by qualified independent actuaries.

The principal actuarial assumptions adopted in the valuation were that, over the long term, investment return would be at the rate of 6.0% p.a., that this would exceed the rate of salary increase by 2.0% p.a., and the rate of pensions increase by 3.5% p.a. The market value of assets on the date of the latest actuarial valuation at 31st December 2000 was £70.4 million. The scheme remains in a healthy financial position with the actuarial value of assets sufficient to cover 127% of the benefits that had accrued to members, after allowing for expected future increases in earnings. This is being utilised over the average remaining service lives of the membership. Pension prepayment at 31st December 2002 amounted to £3,163,000 (31st December 2001 : £2,743,000).

The surplus has resulted in a reduction in the cost of the scheme for the period of £1,065,600 (2001 : reduction of £1,065,600).

FRS17

Over the year 1st January 2002 to 31st December 2002, the Company operated the following pension schemes in the United Kingdom:

Ransomes plc Pension Scheme (Defined Benefit Section)

The Defined Benefit Section of the Scheme is open to new entrants. The liabilities as at 31st December 2002 were calculated by a qualified independent actuary.

The major financial assumptions used by the actuary were:

	At 31 December 2002	At 31 December 2001
Discount rate	5.6%	5.8%
Rate of increase in salaries	3.5%	3.5%
Rate of increase in pensions in payment	2.5%	2.5%
Inflation assumption	2.5%	2.7%

The assets in the Scheme and the expected rate of return as at 31st December 2002 were:

	Long-term rate of return expected at: 31st December 2002	Value at: 31st December 2002 £'000	Long-term rate of return expected at: 31st December 2001	Value at: 31st December 2001 £'000
Equities	8.0%	32,047	7.3%	38,043
Government Stock	4.5%	-	5.0%	5,329
Corporate Bonds	5.6%	22,215	5.8%	18,318
Cash	4.0%	27	4.0%	1,155

RANSOMES PLC

NOTES TO THE FINANCIAL STATEMENTS Continued AS AT 31ST DECEMBER 2002

15 PENSIONS Continued

	At 31 December 2002 £'000	At 31 December 2001 £'000
Total market value of assets	54,289	62,845
Present value of Scheme liabilities	(43,657)	(42,764)
Surplus in Scheme	10,632	20,081
Related deferred tax liability	(3,190)	(6,024)
Net pension asset	7,442	14,057

An analysis of the defined benefit cost for the year ended 31st December 2002 is as follows:

	2002 £'000
Current service cost	581
Past service cost	-
Total operating charge	581

	2002 £'000
Expected return on pension scheme assets	4,082
Interest on pension scheme liabilities	(2,455)
Total other finance income	1,627

	2002 £'000
Actual return less expected return on pension scheme assets	(10,393)
Experience gains arising on scheme liabilities	983
Changes in assumptions underlying the present value of the scheme liabilities	(1,085)
Actuarial (loss)/gain recognised in the statement of total recognised gains and losses	(10,495)

Analysis of movements in surplus during the year:

	£'000
At 1 st January 2002	20,081
Total operating charge	(581)
Total other finance income	1,627
Actuarial (loss)/gain	(10,495)
Contributions	-
At 31 st December 2002	10,632

Actuarial calculations as at 31st December 2002 showed a reduction in the Scheme's surplus from £20.1 million to £10.6 million. Certain improvements to benefits were granted over the year. Company contributions were nil. It has been agreed with the Trustees, that Company contributions will be nil until the results of the next formal actuarial review are known.

RANSOMES PLC

NOTES TO THE FINANCIAL STATEMENTS Continued AS AT 31ST DECEMBER 2002

15 PENSIONS Continued

History of experience gains and losses:

	2002
<i>Difference between the expected and actual return on scheme assets:</i>	
- amount (£000's)	(10,393)
- % of scheme assets	(19.1)
<i>Experience (losses)/gains arising on scheme liabilities:</i>	
- amount (£000's)	983
- % of the present value of scheme liabilities	2.3
<i>Total actuarial (loss)/gain recognised in the statement of total recognised gains and losses:</i>	
- amount (£000's)	(10,495)
- % of the present value of scheme liabilities	-24.0

Scheme members may pay Additional Voluntary Contributions. These operate on a defined contribution basis. The figures above exclude funds arising from members' individual Additional Voluntary Contribution accounts.

	2002 £'000	2001 £'000
Net Assets		
Net assets as stated in the balance sheet	108,674	156,229
SSAP 24 balance	(3,163)	(2,743)
Net assets excluding defined benefit assets	105,511	153,486
FRS 17 Pension asset	7,442	14,057
Net assets including defined benefit assets	112,953	167,543

	2002 £'000	2001 £'000
Reserves		
Profit & Loss reserve as stated in the balance sheet	64,941	112,454
SSAP 24 balance	(3,163)	(2,743)
Profit & Loss reserve excluding defined benefit assets	61,778	109,711
FRS 17 Pension asset	7,442	14,057
Profit & Loss reserve including defined benefit assets	69,220	123,768

Ransomes plc Pension Scheme (Defined Contribution Section)

The Scheme also has a Defined Contribution Section. This is a Contracted Out Money Purchase arrangement administered by Friends Provident. Over the year contributions were paid to members' individual accounts in accordance with the Rules of the Plan.