

RANSOMES PLC

**FINANCIAL STATEMENTS
31ST DECEMBER 2005**

ENGLISH COMPANY REGISTRATION NO. 19802



RANSOMES PLC

Company Registration No. 19802

DIRECTORS

B W George
E K Hayes
D P Withers
S J Mitchell

SECRETARY

Eversecretary Limited
Eversheds House
70 Great Bridgewater Street
Manchester
M1 5ES

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 LLP
Kett House
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REGISTERED OFFICE

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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 2005.

PRINCIPAL ACTIVITY

The principal activity of the company during the year was that of a holding company.

REVIEW OF OPERATIONS

Profit before tax decreased by £0.1 million to a profit of £4.4 million (2004 restated: profit £4.5 million). The results include a £2.5 million interim dividend received from Ransomes Jacobsen Limited (2004: £2.5 million). Net interest income increased by £0.7 million. Administrative expenses increased by £0.5 million, mainly due to the removal of any pension credit following transfer of the pension prepayment to Ransomes Jacobsen Limited on 1st January 2005. Other income reduced by £0.3 million due to the main surplus land sale profit in 2004.

Future strategy remains to develop the commercial grass care businesses and withdraw from non-core activities, such as 'property'.

RESULTS AND DIVIDEND

The company's profit after taxation for the year was £4,414,000 (2004 restated: £4,992,000). Interim dividends of £3,265,000 were paid in respect of the current year (2004: £Nil). No final ordinary dividend is proposed in respect of the current year (2004: £Nil). There was no 8.25p preference dividend during the year (2004: £Nil). 5.5% preference dividend of £6,000 was accrued during the year (2004: £5,000). Retained profit of £1,149,000 for the year has been transferred to reserves (2004 restated: £4,992,000).

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.

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 2005 were 9 days (2004: 12 days), based on the ratio of trade creditors at the year end to the amounts invoiced during the year by trade creditors.

DIRECTORS AND THEIR INTERESTS

The directors of the company during the year to 31st December 2005 were:

Mr S H Chicken (resigned 13th April 2006)
Mr B W George
Miss E K Hayes
Mr P A McGartoll (resigned 13th April 2006)
Mr D P Withers

Mr S J Mitchell (appointed 13th April 2006)

No director has a service contract with the company.

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

RANSOMES PLC

DIRECTORS' REPORT Continued

INCOME AND CORPORATION TAXES ACT 1988

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were members of the board at the time of approving this report are listed above. Having made enquiries of fellow directors and of the Company's auditors, each of these directors confirms that;

- to the best of his knowledge and belief, there is no information relevant to the preparation of this report of which the Company's auditors are unaware; and
- he has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Company's auditors are aware of that information.

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the financial statements in accordance with applicable United Kingdom law and United Kingdom Generally Accepted Accounting Practice.

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.

AUDITORS

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

POST BALANCE SHEET EVENT

The company sold a subsidiary undertaking, Ransomes Park Limited, on 3rd February 2006 to WinRo Limited. The disposal was made at book value.

By Order of the Board



B W George
Director
17th October 2006

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RANSOMES PLC

We have audited the company's financial statements for the year ended 31st December 2005 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet, and the related notes 1 to 15. These financial statements have been prepared under 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

The directors are responsible for the preparation of the Annual Report and the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities in relation to the financial statements.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 other transactions 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 International Standards on Auditing (UK and Ireland) 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 judgments 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31st December 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
Cambridge
16 October 2006

RANSOMES PLC

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER 2005 CONTINUING OPERATIONS

		2005	As restated*
	Notes	£'000	2004 £'000
Administrative expenses		(202)	262
Other operating income		-	300
Income from investments		2,500	2,500
		<hr/>	<hr/>
Operating profit	1	2,298	3,062
Interest receivable	2	5,202	3,717
Interest payable	2	(3,086)	(2,285)
		<hr/>	<hr/>
Profit on ordinary activities before taxation		4,414	4,494
Taxation on ordinary activities	3	-	498
		<hr/>	<hr/>
Profit for the financial year		4,414	4,992
		<hr/>	<hr/>

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES FOR THE YEAR ENDED 31ST DECEMBER 2005

		2005	As restated*
	Notes	£'000	2004 £'000
Profit for the financial year		4,414	4,992
		<hr/>	<hr/>
Total recognised gains and losses relating to the year		4,414	4,992
Prior year adjustment	15	(7,443)	
		<hr/>	
Total gains and losses recognised since last annual report		(3,029)	
		<hr/>	

The reconciliation of movements in shareholders' funds and a reserve analysis are given in note 11 on page 17.

* Restated on implementation of the presentational requirements of FRS25 'Financial Instruments: Disclosure and Presentation' (see note 15).

RANSOMES PLC

**NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 31ST DECEMBER 2005**

	2005	As restated
	£'000	2004
		£'000
<i>Reported profit on ordinary activities before taxation</i>	4,414	4,494
<i>Realisation of property revaluation surplus</i>	235	1,200
	<hr/>	<hr/>
<i>Historical cost profit on ordinary activities before taxation</i>	4,649	5,694
	<hr/>	<hr/>
<i>Historical cost profit for the year after taxation and equity dividends</i>	1,384	6,192
	<hr/>	<hr/>

RANSOMES PLC

BALANCE SHEET AS AT 31ST DECEMBER 2005

		2005 £'000	As restated* 2004 £'000
	Notes		
Fixed assets			
Investments	5	21,660	21,660
		<hr/>	<hr/>
Current assets			
Property available for disposal	6	276	844
Debtors	7	76,171	76,776
Cash at bank and in hand		45,135	86,021
		<hr/>	<hr/>
		121,582	163,641
		<hr/>	<hr/>
Creditors: amounts falling due within one year	8	(80,215)	(123,696)
		<hr/>	<hr/>
Net current assets		41,367	39,945
		<hr/>	<hr/>
Total assets less current liabilities		63,027	61,605
		<hr/>	<hr/>
Creditors: amounts falling due after more than one year	9	(56,807)	(56,534)
		<hr/>	<hr/>
Net assets		6,220	5,071
		<hr/>	<hr/>
Capital and reserves			
Called up share capital	10	34,664	34,664
Equity element of preferred convertible shares	11	-	6,120
Revaluation reserve	11	242	477
Profit and loss account	11	(28,686)	(36,190)
		<hr/>	<hr/>
Shareholders' funds	11	6,220	5,071
		<hr/>	<hr/>

* Restated on implementation of the presentational requirements of FRS25 'Financial Instruments: Disclosure and Presentation' (see note 15).

Approved by the directors and signed on their behalf by



B W George
Director
17th October 2006

RANSOMES PLC

NOTES TO THE FINANCIAL STATEMENTS AS AT 31ST DECEMBER 2005

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 6.

Changes in accounting policies

FRS25 – With effect from 1st January 2005, the company has adopted the presentational requirements of 'Financial Instruments: disclosure and presentation' in these financial statements. Comparative figures have been restated accordingly. For further details refer to note 15.

FRS17 – The pension prepayment of £4,199,000 was transferred to Ransomes Jacobsen Limited, a wholly owned subsidiary, with effect from 1st January 2005. The effect of this transfer has been to increase undistributable reserves in the company by £4,199,000 and move all accounting relating to the Ransomes plc pension scheme to the entity now employing the scheme's current employees. Ransomes Jacobsen Limited has adopted FRS17 'Retirement benefits' in the 2005 financial statements.

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.

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.

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NOTES TO THE FINANCIAL STATEMENTS Continued AS AT 31ST DECEMBER 2005

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 with effect from 1st January 2005 in the financial statements of Ransomes Jacobsen Limited. 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 balance sheet. The pension prepayment of £4,199,000 was transferred to Ransomes Jacobsen Limited on 1st January 2005.

The Ransomes plc pension scheme 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 14 to these financial statements and in the financial statements of Ransomes Jacobsen Limited.

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.

Financial Liabilities and Equity

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. All charges associated with financial liabilities are classified within finance charges.

Preferred Convertible Shares

Preferred convertible shares are regarded as compound instruments, consisting of a liability component and an equity component. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible debt. The difference between the proceeds of issue of the convertible loan notes and the fair value assigned to the liability component, representing the embedded option to convert the liability into equity of the company, is included in equity.

The interest expense on the liability component is calculated by applying the prevailing market interest rate for similar non-convertible debt to the liability component of the interest. The difference between this amount and the interest paid is added to the carrying amount of the preferred convertible shares and is included within finance charges as accretion of interest.

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

	2005 £'000	2004 £'000
Pension credit	-	(539)
Auditors' remuneration	10	10
Amounts written off receivable from subsidiary undertakings	193	244
	<hr/>	<hr/>

None of the directors were remunerated in respect of services to the company during the year (2004: £Nil).
No staff were employed during the year (2004: Nil).

Segmental and Geographical Information – The Company has no turnover. 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 2005

2 INTEREST

	2005 £'000	As restated 2004 £'000
Receivable		
Interest receivable on bank deposits	1,484	704
Interest receivable from subsidiary undertakings	87	74
Interest receivable from other group undertakings	3,605	2,906
Interest receivable from immediate parent undertaking	26	-
Other interest receivable	-	33
	<u>5,202</u>	<u>3,717</u>
Payable		
Interest payable on bank loans and overdrafts	(6)	(64)
Interest payable to subsidiary undertakings	(82)	(39)
Interest payable to other group undertakings	(2,719)	(1,718)
Interest payable to immediate parent undertaking	-	(6)
Preference dividend – 5.5% cumulative preference shares	(6)	(5)
Accretion of equity option on preferred convertible shares	(180)	(360)
Finance costs of preferred convertible shares	(93)	(93)
	<u>(3,086)</u>	<u>(2,285)</u>

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

3 TAX

	2005 £'000	2004 £'000
(a) Tax on profit on ordinary activities		
The tax charge/(credit) is made up as follows:		
Current Tax:		
UK Corporation tax at 30%	-	-
Adjustment for prior years	-	-
Total current tax (note 3(b))	<u>-</u>	<u>-</u>
Deferred Tax:		
Origination and reversal of timing differences	-	(498)
Taxation on profit on ordinary activities	<u>-</u>	<u>(498)</u>

There is no current year charge for UK corporation tax as profits arising will be covered by use of losses surrendered by other group companies for nil consideration.

RANSOMES PLC

NOTES TO THE FINANCIAL STATEMENTS Continued AS AT 31ST DECEMBER 2005

3 TAX Continued

As restated

2005
£'000

2004
£'000

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is lower than the standard rate of corporation tax in the UK of 30% (2004 : 30%). The differences are reconciled below:

Profit on ordinary activities before taxation	4,414	4,494
	=====	=====
Tax at 30%	1,324	1,348
Actual corporation tax (note 3(a))	-	-
	-----	-----
Difference	(1,324)	(1,348)
	=====	=====
Permanent differences:		
Profit on land disposal	-	368
Loan, Investment and Receivable impairments	58	73
Dividend receivable	(750)	(750)
Group relief from Textron companies	(666)	(1,043)
Timing differences:		
Other timing differences	34	4
	-----	-----
Difference	(1,324)	(1,348)
	=====	=====

(c) Deferred tax

Provided

Accelerated capital allowances	-	-
Other timing differences	-	-
	-----	-----
	-	-
	=====	=====

Full Potential

Accelerated capital allowances	(4)	(5)
Other timing differences	(19)	(12)
	-----	-----
	(23)	(17)
	=====	=====

RANSOMES PLC

NOTES TO THE FINANCIAL STATEMENTS Continued AS AT 31ST DECEMBER 2005

3 TAX Continued

£'000

(c) Deferred tax Continued

Analysis of movement in deferred tax:

Provision at 1 st January 2005	-
Profit and Loss Account movement arising during the year	-
	<hr/>
Provision at 31st December 2005	-
	<hr/> <hr/>

4 DIVIDENDS

2005	2004
£'000	£'000

Equity shares

Interim – 30th March 2005 0.912356p per share (2004- Nil)	1,265	-
Interim – 15th September 2005 1.44246p per share (2004- Nil)	2,000	-
	<hr/>	<hr/>
	3,265	-
	<hr/>	<hr/>

RANSOMES PLC

NOTES TO THE FINANCIAL STATEMENTS Continued AS AT 31ST DECEMBER 2005

5 FIXED ASSETS - INVESTMENTS

	Shares in subsidiary undertakings £'000
Cost:	
At 1 st January 2005 and 31 st December 2005	25,371
	<hr/>
Amounts provided:	
At 1 st January 2005 and 31 st December 2005	3,711
	<hr/>
Net book value at 31 st December 2005	21,660
	<hr/>
Net book value at 31 st December 2004	21,660
	<hr/>

Details of principal subsidiaries at 31st December 2005, which unless indicated, are direct subsidiaries of RANSOMES plc:

Name of company	Country of incorporation & Holding (ordinary shares)	Nature of business
Ransomes Jacobsen Limited	England (100%)	Manufacture and sale of machinery
* Ransomes Jacobsen SA	France (100%)	Sale of machinery
* Granja SA (in liquidation)	France (1%)	Manufacture and sale of machinery
Ransomes Property Developments Limited	England (100%)	Property development
Ransomes Park Limited	England (100%)	Property investment
Ransomes Overseas Services Limited	England (100%)	Holding company

* Indirect holding (Ransomes Overseas Services Limited investments)

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.

Granja SA went into liquidation on 15th March 2005. The 100% holding in Granja SA was diluted during the year following an injection of capital by another group company.

Ransomes Park Limited was sold to WinRo Limited on 3rd February 2006 at book value, crystallising neither a gain or loss on disposal.

RANSOMES PLC

NOTES TO THE FINANCIAL STATEMENTS Continued AS AT 31ST DECEMBER 2005

6 PROPERTY AVAILABLE FOR DISPOSAL

	2005 £'000	2004 £'000
Surplus land and buildings:		
At start of the year	844	4,936
Disposals	(600)	(3,902)
Additions	32	35
Transfer to subsidiary undertakings	-	(225)
At end of the year	<u>276</u>	<u>844</u>

Surplus land and buildings, on Ransomes Europark, in Ipswich, England, 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 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 £34,000 (2004: £367,000).

7 DEBTORS

	2005 £'000	2004 £'000
Amounts owed by subsidiary undertakings	8,636	3,384
Amounts owed by other group undertakings	67,522	68,338
Other debtors	4	697
Prepayments and accrued income	9	158
Pension prepayments	-	4,199
	<u>76,171</u>	<u>76,776</u>

8 CREDITORS: amounts falling due within one year

	2005 £'000	2004 £'000
Trade creditors	50	34
Amounts owed to immediate parent undertaking	1,190	95
Amounts owed to subsidiary undertakings	10,767	3,211
Amounts owed to other group undertakings	67,395	117,652
Other creditors	57	-
Accruals and deferred income	755	2,704
Preference dividend (5.5%)	1	-
	<u>80,215</u>	<u>123,696</u>

RANSOMES PLC

NOTES TO THE FINANCIAL STATEMENTS Continued AS AT 31ST DECEMBER 2005

9 CREDITORS: amounts falling due after more than one year

	2005		As restated 2004	
	No.'000	£'000	No.'000	£'000
<i>8.25p cumulative preference shares of 12.5p each:</i>				
Authorised, issued and fully paid	56,607	56,607	56,607	56,427
less : prepaid finance fees		-		(93)
<i>5.5% cumulative preference shares of £1 each:</i>				
Authorised, issued and fully paid	200	200	200	200
		<hr/>		<hr/>
		56,807		56,534
		<hr/>		<hr/>

8.25p cumulative preference shares of 12.5p each

The 8.25p (net) cumulative preference shares of 12.5p each were convertible into ordinary shares on the basis of 0.43 ordinary shares for each preference share on 1st July each year up to and including 2005. The 8.25p cumulative preference shares are not redeemable at any time. Holders of the 8.25p 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 preference shares as a class; in the case of (ii) and (iii), the holders of the preference shares will only be entitled to vote on the resolution in question. As regards both income and capital, the 8.25p cumulative 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 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 preference shares are not entitled to any further or other right to participate in the assets of the Company.

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.

RANSOMES PLC

NOTES TO THE FINANCIAL STATEMENTS Continued AS AT 31ST DECEMBER 2005

10 CALLED UP SHARE CAPITAL

	2005		As restated 2004	
	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
Non-Equity				
<i>8.25p cumulative preference shares of 12.5p each:</i>				
Authorised, issued and fully paid (note 9)	56,607	7,076	56,607	7,076
<i>5.5% cumulative preference shares of £1 each:</i>				
Authorised, issued and fully paid (note 9)	200	200	200	200
<i>14 (2004 : 14) special shares of varying nominal values each:</i>				
Authorised, issued and fully paid	-	1	-	1
FRS25 reclassification (note 15)		7,277 (7,276)		7,277 (7,276)
		1		1
Called up share capital		34,664		34,664

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.

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NOTES TO THE FINANCIAL STATEMENTS Continued AS AT 31ST DECEMBER 2005

11 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	Share Capital	Equity element of preferred convertible shares	Revalu- ation Reserve	Profit and Loss Account	Total Shareholders' Funds
	£'000	£'000	£'000	£'000	£'000
At 1st January 2004 (as previously reported)	41,940	-	1,677	12,543	56,160
Prior year adjustment – FRS25	(7,276)	6,120	-	(54,925)	(56,081)
At 1st January 2004 (as restated)	34,664	6,120	1,677	(42,382)	79
Profit for the financial year	-	-	-	4,992	4,992
Realised on disposals	-	-	(1,200)	1,200	-
At 31st December 2004 (as restated)	34,664	6,120	477	(36,190)	5,071
Profit for the financial year	-	-	-	4,414	4,414
Equity dividends - interims	-	-	-	(3,265)	(3,265)
Lapse of conversion rights	-	(6,120)	-	6,120	-
Realised on disposals	-	-	(235)	235	-
At 31st December 2005	34,664	-	242	(28,686)	6,220

The retained profit and loss account of the company includes £5,365,000 (2004: £7,907,000) of distributable reserves. Adoption of FRS25, with effect from 1st January 2005, has had no impact on distributable reserves.

The tax effect of the revaluation reserve movement was £Nil.

12 NON-EQUITY INTERESTS

	2005 £'000	As restated 2004 £'000
Called up share capital – special shares of varying nominal values	1	1
Called up share capital – 5.5% preference shares	200	200
Called up share capital – 8.25p preference shares	7,076	7,076
FRS25 reclassification to debt	(7,276)	(7,276)
Premium arising on the issue of 8.25p preference shares	47,940	47,940
FRS25 reclassification of share premium to debt	(47,940)	(47,940)
	=====	=====
	1	1
	=====	=====

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.

RANSOMES PLC

NOTES TO THE FINANCIAL STATEMENTS Continued AS AT 31ST DECEMBER 2005

14 PENSIONS

The company's former employees were 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 pension prepayment at 31st December 2004 of £4,199,000 was transferred to Ransomes Jacobsen Limited, a wholly owned subsidiary, on 1st January 2005. The current group employees of the scheme are now employed by Ransomes Jacobsen Limited. Information with respect to the RANSOMES plc schemes are included within the Ransomes Jacobsen Limited financial statements and as follows:

FRS17

Over the year 1st January 2005 to 31st December 2005, 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. A full actuarial valuation was carried out as at 31st December 2005 by a qualified independent actuary.

The major financial assumptions used by the actuary were:

	At 31 Dec 2005	At 31 Dec 2004	At 31 Dec 2003	At 31 Dec 2002
Discount rate	4.85%	5.25%	5.5%	5.6%
Rate of increase in salaries	3.75%	3.75%	3.5%	3.5%
Rate of increase in pensions in payment	2.75%	2.75%	2.5%	2.5%
Inflation assumption	2.75%	2.75%	2.5%	2.5%

The assets in the Scheme and the expected rate of return as at 31st December 2005 were:

	Long-term rate of return expected at: 31st Dec 2005	Value at: 31st Dec 2005 £'000	Long-term rate of return expected at: 31st Dec 2004	Value at: 31st Dec 2004 £'000	Long-term rate of return expected at: 31st Dec 2003	Value at: 31st Dec 2003 £'000	Long- term rate of return expected at: 31st Dec 2002	Value at: 31st Dec 2002 £'000
Equities	8.3%	45,516	8.0%	39,525	8.1%	35,454	8.0%	32,047
Property	8.3%	3,997	8.0%	-	-	-	-	-
Government Stock	4.1%	-	4.6%	1,826	4.8%	1,730	4.5%	-
Corporate Bonds	4.85%	20,737	5.25%	20,424	5.5%	20,777	5.6%	22,215
Cash	4.5%	161	4.75%	653	3.75%	1,292	4.0%	27

RANSOMES PLC

NOTES TO THE FINANCIAL STATEMENTS Continued AS AT 31ST DECEMBER 2005

14 PENSIONS Continued

	At 31 Dec 2005 £'000	At 31 Dec 2004 £'000	At 31 Dec 2003 £'000	At 31 Dec 2002 £'000
Total market value of assets	70,411	62,428	59,253	54,289
Present value of Scheme liabilities	(51,723)	(48,002)	(44,635)	(43,657)
Surplus in Scheme	18,688	14,426	14,618	10,632

There is no related deferred tax liability, as the surplus will be covered by use of losses surrendered by other group companies for nil consideration.

An analysis of the defined benefit cost for the year ended 31st December 2005 is as follows:

	2005 £'000
Current service cost	711
Past service cost	-
Total operating charge	711

	2005 £'000
Expected return on pension scheme assets	4,260
Interest on pension scheme liabilities	(2,488)
Total other finance income	1,772

	2005 £'000
Actual return less expected return on pension scheme assets	6,363
Experience gains and losses arising on scheme liabilities	(1,374)
Changes in assumptions underlying the present value of the scheme liabilities	(1,788)
Actuarial gain recognised in the statement of total recognised gains and losses	3,201

Analysis of movements in surplus during the year:

	£'000
At 1 st January 2005	14,426
Total operating charge	(711)
Total other finance income	1,772
Actuarial gain	3,201
Contributions	-
At 31 st December 2005	18,688

The full actuarial valuation at 31st December 2005 showed an increase in the Scheme's surplus from £14,426,000 to £18,688,000. No improvements to benefits were made over the year. Company contributions over the year were nil. It has been agreed with the Trustees, that the 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 2005

14 PENSIONS Continued

History of experience gains and losses:

	2005
<i>Difference between the expected and actual return on scheme assets:</i>	
- amount (£000's)	6,363
- % of scheme assets	9.0
<i>Experience gains/(losses) arising on scheme liabilities:</i>	
- amount (£000's)	(1,374)
- % of the present value of scheme liabilities	(2.7)
<i>Total actuarial gain/(loss) recognised in the statement of total recognised gains and losses:</i>	
- amount (£000's)	3,201
- % of the present value of scheme liabilities	6.2

Scheme members may pay Additional Voluntary Contributions (AVCs). These operate on a defined contribution basis. The figures above exclude any assets and liabilities arising from members' individual Additional Voluntary Contribution accounts.

Ransomes plc Pension Scheme (Defined Contribution Section)

The Ransomes plc pension scheme also has a Defined Contribution Section in respect of contracted out benefits. This section of the Scheme was closed to future contributions during 2003.

15 PRIOR YEAR ADJUSTMENT

With effect from 1st January 2005, the company adopted the presentational requirements of FRS25 'Financial Instruments: Disclosure and Presentation', which requires that financial liabilities and equity instruments are classified according to the contractual arrangements entered into. This results in the share capital of the company being classified as either equity share capital or a financial liability. For presentation purposes, the reclassification of certain shares as financial liabilities is shown as a deduction from share capital.

This contrasts with FRS4 'Capital Instruments' whereby all shares considered not to be equity were classified within share capital rather than as a financial liability.

The effect of the change in policy (as detailed below) is to reclassify the preference shares within financial liabilities and preference dividends within interest payable.

	2004 £'000
<i>Balance Sheet</i>	
<u>Creditors: amounts falling due after more than one year</u>	
As previously stated	-
Effect of prior year adjustment	(56,534)
	<hr/>
As restated	(56,534)
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RANSOMES PLC

NOTES TO THE FINANCIAL STATEMENTS Continued AS AT 31ST DECEMBER 2005

15 PRIOR YEAR ADJUSTMENT Continued

2004
£'000

Balance Sheet (continued)

Share capital

As previously stated	41,940
Effect of prior year adjustment	(7,276)

As restated	34,664
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Other reserves

As previously stated	-
Effect of prior year adjustment - Equity element of preferred shares	6,120

As restated	6,120
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Profit and loss account reserve

As previously stated	12,543
Reclassification of share premium on preferred shares to debt	(47,940)
Cumulative accretion of equity option on preferred shares	(5,580)
Prepaid finance fees amortised	(1,405)

As restated	(42,382)
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Profit and loss account

Interest payable

As previously stated	(1,827)
Effect of prior year adjustment - preference dividend	(5)
Effect of prior year adjustment - accretion of equity option on preferred convertible shares	(360)
Effect of prior year adjustment - prepaid finance fees amortised	(93)

As restated	(2,285)
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Non-equity dividends

As previously stated	(5)
Effect of prior year adjustment	5

As restated	-
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Statement of total recognised gains and losses

Effect of prior year adjustment - preference dividend	(5)
Effect of prior year adjustment - accretion of equity option on preferred convertible shares	(5,940)
Effect of prior year adjustment - prepaid finance fees amortised	(1,498)

As restated	(7,443)
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