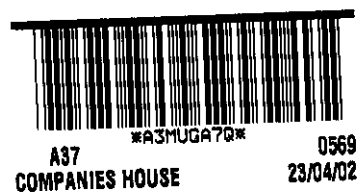


Fenner Drives Limited
Annual report and accounts
for the year ended 31 August 2001

Registered Number 465606



Fenner Drives Limited
Annual report and accounts
for the year ended 31 August 2001
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Fenner Drives Limited

Directors' report for the year ended 31 August 2001

The directors present their report and the audited financial statements of the company for the year ended 31 August 2001.

Principal activity

The principal activity of the Company is the manufacture and sale of transmission link belting.

Review of business and future developments

Turnover during the financial year increased by 23%, mainly due to the absorption of the European sales of the Company's US sister division, Fenner Drives, in October 2000. The formal integration of these products into the portfolio of Fenner Drives Limited has raised operational costs but brought significant benefit through their cross-selling potential. Specific commercial emphasis was placed on the broadening of the Company's European distributor base and engaging directly in end user and OEM markets. Whilst turnover of product manufactured in Leeds declined by 1%, the Company grew its customer base by 12%, creating a basis for growth in the coming year.

Profits are expected to revert to historical levels in 2001/02 as major restructuring costs come to an end and the benefit of investment in the sales and administrative infrastructures becomes clear. The Company will continue its policy of aggressive development of European distribution infrastructures and of direct involvement in end user and OEM markets.

Results and dividends

Profit for the year was £133. An interim dividend of £32,000 was paid during the year and the directors do not propose a final dividend, resulting in a deficit for the year of £31,867 being deducted from reserves.

Directors and their interests

The table below shows the persons who were directors of the Company at 31 August 2001 and their interests in the shares of Fenner PLC (the Company's parent undertaking which is registered in England & Wales) including those of their families at that date.

	31 August 2001	31 August 2001	31 August 2000	31 August 2000
	Shares	Options	Shares	Options
M S Abrahams) Directors of				
R J Perry) Fenner PLC				
J V Bigden	36,292	124,787	36,292	124,787
M Halford	-	20,000	-	20,000

R L Galloway retired as a director of the Company on 28 February 2001.

The options shown above arise under the J H Fenner Executive Share Option Schemes 1986 and the Fenner PLC 1996 Executive Share Option Scheme. Details of these Schemes are included in the notes to the accounts of Fenner PLC.

Fenner Drives Limited

Directors' report for the year ended 31 August 2001 (continued)

The directors' interests in the Fenner Long Term Share Incentive Plan consisted of provisional allocations of ordinary 25p shares. At the discretion of the Trustees of the Fenner PLC 1992 Employee Share Ownership Plan Trust, some or all of these shares may be awarded, three years after the provisional allocation, if demanding performance targets are met by Fenner PLC. At 31 August 2001 the following shares had been provisionally allocated:

Date provisionally allocated	J V Bigden
11 November 1998	106,784
9 November 1999	129,342
8 November 2000	153,772
	389,898

No shares were eligible for award to the directors during the year.

The interests of Messrs M S Abrahams and R J Perry are disclosed in the directors' report of Fenner PLC, the ultimate parent undertaking.

Apart from the interests stated above and in the Directors' Report of Fenner PLC, none of the directors or their families has interests in the shares in any companies in the Group.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that 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. The directors are required to prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that suitable accounting policies have been used and applied consistently. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 August 2001 and that applicable accounting standards have been followed.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and 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.

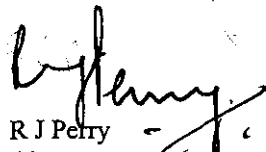
Fenner Drives Limited

Directors' report for the year ended 31 August 2001 (continued)

Auditors

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

On behalf of the Board


R J Perry
Director

7 November 2001

Registered office

Hesslewood Country Office Park
Ferriby Road
Hessle
East Yorkshire
HU13 0PW

Fenner Drives Limited

Independent auditors' report to the members of Fenner Drives Limited

We have audited the financial statements which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the directors' report.

Basis of audit opinion

We conducted our audit in accordance with 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 the company's affairs at 31 August 2001 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers

Chartered Accountants and Registered Auditors
Hull

7 November 2001

Fenner Drives Limited

Profit and loss account for the year ended 31 August 2001

	Note	2001 £	2000 £
Turnover	2	2,972,030	2,413,324
Cost of sales		(1,939,926)	(1,309,261)
Gross profit		1,032,104	1,104,063
Distribution costs		(660,017)	(539,648)
Administrative expenses		(420,210)	(400,897)
Operating (loss)/profit	3	(48,123)	163,518
Interest receivable	4	32,313	78,553
(Loss)/profit on ordinary activities before taxation		(15,810)	242,071
Taxation	5	15,943	(67,097)
Profit for the financial year		133	174,974
Dividends	6	(32,000)	(572,000)
Deficit for the financial year	13	(31,867)	(397,026)

All of the Company's activities are continuing.

The Company has no recognised gains and losses other than those included in the profit and loss account above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the (loss)/profit on ordinary activities before taxation and the deficit for the financial year stated above and their historical cost equivalents.

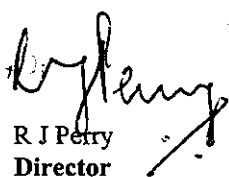
The notes on pages 7 to 14 form part of these accounts.

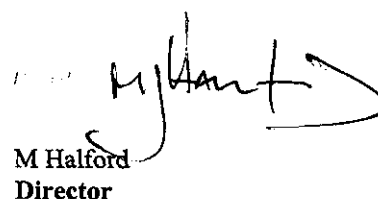
Fenner Drives Limited

Balance sheet as at 31 August 2001

	Note	2001 £	2001 £	2000 £	2000 £
Fixed assets					
Tangible assets	7		295,890		210,693
Current assets					
Stocks	8	491,378		406,920	
Debtors	9	801,662		416,166	
Cash at bank and in hand		316,555		965,175	
		1,609,595		1,788,261	
Creditors: amounts falling due within one year	10	(303,918)		(365,520)	
Net current assets			1,305,677		1,422,741
Total assets less current liabilities and net assets			1,601,567		1,633,434
Capital and reserves					
Called up share capital	12		60,000		60,000
Share premium account	13		394,035		394,035
Profit and loss account	13		1,147,532		1,179,399
Equity shareholders' funds	14		1,601,567		1,633,434

The financial statements on pages 5 to 14 were approved by the board of directors on 7 November 2001 and were signed on its behalf by:


R J Perry
Director


M Halford
Director

Fenner Drives Limited

Notes to the financial statements for the year ended 31 August 2001

1 Accounting policies

Basis of accounting

The accounts have been prepared in accordance with applicable accounting standards under the historical cost convention.

Depreciation

Depreciation has been provided by reference to cost at rates estimated to write off the relevant assets by equal instalments over their estimated useful lives as follows:

Plant and equipment	3 to 10 years
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Stocks

Stocks and work in progress have been valued at the lower of cost, including an addition for overheads where appropriate, and net realisable value.

Foreign currencies

Transactions denominated in foreign currencies are translated at the rate of exchange on the day the transaction occurs or at the contracted rate if the transaction is covered by a forward exchange contract. Assets and liabilities denominated in foreign currencies are translated at the exchange rate ruling at the balance sheet date or if appropriate at the forward contract rate. Exchange differences arising are included in the profit and loss account.

Leased assets

Operating lease rentals are charged to the profit and loss account when incurred.

Deferred taxation

Provision for deferred taxation is made using the liability method in respect of the taxation effect of all timing differences except where it can be demonstrated, with reasonable probability, that the tax deferral will continue for the foreseeable future.

Pensions

Employees are provided with retirement and death benefits under a UK Group pension scheme. The scheme is subject to actuarial review and costs are charged to the profit and loss account so as to spread the cost of pensions over the employees' working lives.

Fenner Drives Limited

Notes to the financial statements for the year ended 31 August 2001 (continued)

2 Segmental reporting by geographical destination

	2001	2000
	£	£
Turnover		
United Kingdom	1,298,325	1,106,151
Africa	24,056	33,327
Continental Europe	1,182,814	787,331
North America	152,243	183,951
Rest of world	314,592	302,564
	2,972,030	2,413,324

In the directors' opinion the Company has only one class of business. All of the Company's turnover originates from the United Kingdom.

3 Operating (loss)/profit

	2001	2000
	£	£
Operating (loss)/profit is stated after charging		
Depreciation – owned assets	54,903	59,215
Operating lease rentals		
- plant and machinery	3,418	3,290
- other	57,718	49,999
Auditors' remuneration - audit fees	7,000	6,000
Exceptional item - redundancy costs	57,250	38,950

Fenner Drives Limited

Notes to the financial statements for the year ended 31 August 2001 (continued)

3 Operating (loss)/profit (continued)

Directors' emoluments	2001 £	2000 £
Aggregate emoluments	60,171	49,541

Pension contributions of £8,654 (2000 £6,250) were paid to the Fenner mixed benefit pension scheme (note 15) during the year in respect of one director.

Staff costs

The average number of employees and their total employment costs during the year were:

By activity	2001 Number	2000 Number
Production	34	30
Selling and distribution	11	10
Administration	7	6
Total number of employees	52	46

	2001 £	2000 £
Wages and salaries	909,779	772,747
Social security costs	72,141	59,922
Other pension costs	62,454	58,947
	1,044,374	891,616

4 Interest receivable

	2001 £	2000 £
Short term deposits	32,313	78,553

Fenner Drives Limited

Notes to the financial statements for the year ended 31 August 2001 (continued)

5 Taxation

The credit/(charge) based on the (loss)/profit for the year at a rate of 30% (2000 30%) comprises	2001 £	2000 £
Group relief	15,943	(67,097)

6 Dividends

	2001 £	2000 £
Ordinary shares		
Paid	32,000	530,000
Proposed	-	42,000
53 pence per share (2000 £9.53 per share)	32,000	572,000

7 Tangible fixed assets

	Plant, machinery, equipment and vehicles £
Cost or valuation	
1 September 2000	798,403
Additions	140,100
31 August 2001	938,503
Depreciation	
1 September 2000	587,710
Charge for year	54,903
31 August 2001	642,613
Net book value	
31 August 2001	295,890
31 August 2000	210,693

Fenner Drives Limited

Notes to the financial statements for the year ended 31 August 2001 (continued)

8 Stocks

	2001 £	2000 £
Raw materials	126,885	150,324
Work in progress	68,811	97,419
Finished goods	295,682	159,177
	491,378	406,920

9 Debtors

	2001 £	2000 £
Trade debtors	694,682	323,594
Group relief	15,943	-
Prepayments and accrued income	91,037	92,572
	801,662	416,166

10 Creditors – Amounts falling due within one year

	2001 £	2000 £
Trade creditors	96,207	114,565
Amounts owed to group undertakings	149,393	96,218
Group relief	-	67,097
Other taxes and social security	21,119	15,848
Accruals and deferred income	37,199	29,792
Proposed dividend	-	42,000
	303,918	365,520

Fenner Drives Limited

Notes to the financial statements for the year ended 31 August 2001 (continued)

11 Deferred taxation

	2001	2001	2000	2000
	Provision made	Full potential liability/(asset)	Provision made	Full potential liability/(asset)
	£	£	£	£
Corporation tax based on a rate of 30% (2000 30%)				
Accelerated capital allowances	-	(7,377)	-	20,761

12 Called up share capital

	2001	2000
	£	£
Authorised, allotted, called up and fully paid		
60,000 ordinary shares of £1 each	60,000	60,000

13 Reserves

	Share premium account	Profit and loss account	Total
	£	£	£
1 September 2000	394,035	1,179,399	1,573,434
Deficit for the year	-	(31,867)	(31,867)
31 August 2001	394,035	1,147,532	1,541,567

Fenner Drives Limited

Notes to the financial statements for the year ended 31 August 2001 (continued)

14 Reconciliation of movements in shareholders' funds

	2001 £	2000 £
1 September 2000	1,633,434	2,030,460
Profit for the year	133	174,974
Dividends	(32,000)	(572,000)
31 August 2001	1,601,567	1,633,434

15 Contingent liabilities

In the normal course of business the Company has given cross-guarantees in respect of the borrowings of certain fellow subsidiary undertakings, which at 31 August 2001 amounted to £87,215,160 (2000 £87,939,000). The Company has also given guarantees and counter indemnities in respect of commercial transactions.

16 Pensions

The Company participates in a UK group mixed benefit pension scheme, operated by a fellow subsidiary of Fenner PLC. Details relating to the scheme are disclosed in the accounts of Fenner PLC, the Company's ultimate parent undertaking.

17 Financial commitments

At 31 August 2001 the company had annual commitments under non-cancellable operating leases in respect of plant, machinery and equipment:

	2001 £	2000 £
Expiring within one year	8,163	3,770
Expiring between one and two years	9,997	19,237
Expiring between two and five years	25,269	20,334
	43,429	43,341

Fenner Drives Limited

Notes to the financial statements for the year ended 31 August 2001 (continued)

18 Parent undertaking

The Company's parent undertaking and controlling party is Fenner PLC, a company registered in England and Wales. Copies of the financial statements of Fenner PLC can be obtained from the Company's registered office address noted on page 3.

The Company has taken advantage of the exemptions provided by Financial Reporting Standard No 8 - Related Party Disclosures not to disclose transactions with other Fenner Group companies that qualify as related parties.