

Warman (UK) Limited

Directors' report and consolidated financial statements

30 June 1997

Registered number 1636530



Warman (UK) Limited

Directors' report and consolidated financial statements

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Warman (UK) Limited

Directors' report

For the year ended 30 June 1997

The directors present their annual report and the audited financial statements for the year ended 30 June 1997.

Principal activities

The principal activities of the group during the year were the manufacture of Warman pumps and the production of machined and unmachined castings.

Business review

The group markets its products both in the UK and overseas with the majority of exports being through the subsidiaries in Italy, Germany, France, Hungary and Finland and through branches in Holland and Belgium.

There are no significant plans to alter the business of the group.

Results and dividends

Profit for the financial year amounted to £993,000 (1996: £763,000). It is recommended that this amount be transferred to reserves with no dividends being declared.

Significant changes in fixed assets

Details of significant changes in fixed assets during the year are given in note 10 to the financial statements.

Market value of land and buildings

In the opinion of the directors, the market value of land and buildings at 30 June 1997 is in excess of the net book value as detailed in note 10.

Directors

The directors who held office during the year were as follows:

Dr PJ White	(Managing Director)
GW Davies	(Australian)
MW Broomhead	(Australian)
RE Harrison	(Chairman) (Australian)
NH Clarke	

Warman (UK) Limited

Directors' report

For the year ended 30 June 1997

Directors' interests in shares of North Limited

Mr MW Broomhead is also a director of the ultimate holding company, North Limited, and Messrs GW Davies and RE Harrison are also directors of Warman Australia Limited. Their interests in the share capital of group companies are shown in the directors' reports of those companies.

The non-Australian directors who held office at the end of the financial year had the following interests in the shares of the ultimate holding company, North Limited:

	Ordinary shares	
	30 June 1997	30 June 1996 or at date of appointment
Dr PJ White	2,000	nil
NH Clarke	nil	nil
	<hr/>	<hr/>

Except as disclosed above, none of the directors in office at 30 June 1997 had any interests in the shares of group companies.

Employment of disabled persons

The company's policy in relation to the employment of disabled persons is:

- For employee recruitment, full consideration is given to job applications received from disabled persons on the basis of their ability to perform the duties of the job. Special training is given where appropriate;
- Where an employee becomes disabled whilst employed by the company, retraining is given to perform a job identified as appropriate for the individual;
- The policy for the training, career development and promotion of the disabled is the same as for other employees.

Employee Relations

Within commercial confidence information continues to be given to employees about the progress of the company and on matters of concern to them as employees. Regular meetings are held to discuss matters affecting employees.

Industrial relations and safety performance during the year continued to be excellent.

Warman (UK) Limited

Directors' report

For the year ended 30 June 1997

Statement of directors' responsibilities

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 group and of the profit or loss for that period. In preparing those financial statements, the directors are required to:

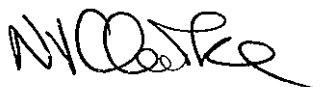
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group 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 have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board



NH Clarke
Secretary

19 August 1997

Halifax Road
Todmorden
Lancashire
OL14 5RT



St James' Square
Manchester M2 6DS

Report of the auditors to the members of Warman (UK) Limited

We have audited the financial statements on pages 5 to 25.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of 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 group'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 and the group at 30 June 1997 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
*Chartered Accountants
Registered Auditors*

19 August 1997



Warman (UK) Limited

Consolidated profit and loss account for the year ended 30 June 1997

	<i>Note</i>	1997 £000	1996 £000
Turnover	2	41,535	39,206
Net operating expenses	3	(39,117)	(36,590)
Operating profit	3	2,418	2,616
Interest receivable and similar income	6	75	164
Interest payable and similar charges	7	(940)	(971)
Profit on ordinary activities before taxation	2-5	1,553	1,809
Tax on profit on ordinary activities	8	(560)	(1,046)
Profit for the financial year		993	763
Profit for the financial year			
The company		(474)	(462)
Group undertakings		1,467	1,225
		993	763

All turnover is derived from continuing activities.

A statement of movements on reserves is given in note 19.

A reconciliation of movements in shareholders' funds is given in note 20.

Warman (UK) Limited

Consolidated balance sheet at 30 June 1997

	Note	1997 £000	1996 £000
Fixed assets			
Intangible assets	9	1,516	1,968
Tangible assets	10	8,183	7,357
		<u>9,699</u>	<u>9,325</u>
Current assets			
Stocks	12	8,082	8,556
Debtors	13	12,627	13,660
Cash at bank and in hand		1,752	3,948
		<u>22,461</u>	<u>26,164</u>
Creditors: amounts falling due within one year	14	(13,852)	(17,446)
Net current assets		<u>8,609</u>	<u>8,718</u>
Total assets less current liabilities		<u>18,308</u>	<u>18,043</u>
Creditors: amounts falling due after more than one year	15	(9,322)	(9,799)
Provisions for liabilities and charges	16	(558)	(364)
Deferred taxation	17	-	(2)
Net assets		<u>8,428</u>	<u>7,878</u>
Capital and reserves			
Called up share capital	18	2,500	2,500
Revaluation reserve	19	362	368
Other reserves	19	163	606
Profit and loss account	19	5,403	4,404
Shareholders' funds	20	<u>8,428</u>	<u>7,878</u>

These financial statements were approved by the board of directors on 19 August 1997 and were signed on its behalf by:




NH Clarke
Director

Warman (UK) Limited

Company balance sheet at 30 June 1997

	Note	1997 £000	1996 £000
Fixed assets			
Investments	11	7,748	7,748
Current assets			
Debtors	13	1,741	1,609
Creditors: amounts falling due within one year	14	<u>(2,224)</u>	<u>(1,618)</u>
Net current liabilities		(483)	(9)
Total assets less current liabilities		<u>7,265</u>	<u>7,739</u>
Creditors: amounts falling due after more than one year	15	<u>(8,850)</u>	<u>(8,850)</u>
Net liabilities		<u><u>(1,585)</u></u>	<u><u>(1,111)</u></u>
Capital and reserves			
Called up share capital	18	2,500	2,500
Profit and loss account	19	(4,085)	(3,611)
Shareholders' funds	20	<u><u>(1,585)</u></u>	<u><u>(1,111)</u></u>

These financial statements were approved by the board of directors on 19 August 1997 and were signed on its behalf by:



NH Clarke
Director

Warman (UK) Limited

Group statement of total recognised gains and losses for the year ended 30 June 1997

	1997 £000	1996 £000
Profit for the financial year	993	763
Exchange adjustments	(443)	(123)
Total recognised gains relating to the year	<u>550</u>	<u>640</u>

Group note of historical cost profits and losses for the year ended 30 June 1997

	1997 £000	1996 £000
Reported profit on ordinary activities before taxation	1,553	1,809
Difference between a historical cost depreciation charge and the actual depreciation charge of the year on the revalued amount	6	6
Historical cost profit on ordinary activities before taxation	<u>1,559</u>	<u>1,815</u>
Historical cost profit for the year retained after taxation	<u>999</u>	<u>769</u>

Warman (UK) Limited

Consolidated cash flow statement for the year ended 30 June 1997

	<i>Note</i>	1997 £000	1996 £000
Net cash inflow/(outflow) from operating activities	23	4,174	(674)
Return on investments and servicing of finance	24	(525)	(799)
Taxation		(1,026)	(979)
Capital expenditure and financial investment	24	(2,145)	(1,460)
		<hr/>	<hr/>
Cash inflow/(outflow) before use of liquid resources and financing		478	(3,912)
Financing - reduction in debt	24	(482)	(212)
		<hr/>	<hr/>
Reduction in cash in the period		<u>(4)</u>	<u>(4,124)</u>

Warman (UK) Limited

Notes

(forming part of the financial statements)

1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the group's financial statements.

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules, modified to include the revaluation of certain assets.

Basis of consolidation

The group accounts consolidate the accounts of Warman (UK) Limited and all its subsidiary undertakings. All these accounts are made up to 30 June 1997.

Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary and associated undertakings acquired or disposed of in the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal. Goodwill arising on consolidation (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) is amortised over a period of 10 years. Any excess of the aggregate of the fair value of the separable net assets acquired over the fair value of the consideration given (negative goodwill) is credited direct to reserves.

In the company's accounts, investments in subsidiary and associated undertakings are stated at cost less amounts written off. Dividends received and receivable are credited to the company's profit and loss account to the extent that they represent a realised profit for the company.

In accordance with Section 230(4) of the Companies Act 1985, Warman (UK) Limited is exempt from the requirement to present its own profit and loss account.

Fixed assets and depreciation

Depreciation is provided by the group to write off the cost or valuation less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

Freehold buildings	-	2 - 10% per annum
Leasehold land		
and buildings	-	2 - 10% per annum
Plant and machinery	-	10% per annum
Fixtures and fittings	-	10% per annum
Motor vehicles	-	25% per annum

No depreciation is provided on freehold land.

Warman (UK) Limited

Notes (continued)

1 Accounting policies (continued)

Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated using the rate of exchange ruling at the balance sheet date and the gains or losses on translation are included in the profit and loss account.

For consolidation purposes, the assets and liabilities of overseas subsidiary undertakings are translated at the closing exchange rates. Profit and loss accounts of such undertakings are translated at the average rates of exchange during the year. Exchange differences arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

Leases

Where the company enters into a lease which entails taking substantially all the risks and rewards of ownership of an asset, the lease is treated as a 'finance lease'. The asset is recorded in the balance sheet as a tangible fixed asset and is depreciated over its estimated useful life or the term of the lease, whichever is shorter. Future instalments under such leases, net of finance charges, are included within creditors. Rentals payable are apportioned between the finance element, which is charged to the profit and loss account, and the capital element which reduces the outstanding obligation for future instalments.

All other leases are accounted for as 'operating leases' and the rental charges are charged to the profit and loss account on a straight line basis over the life of the lease.

Pension costs

The group operates a pension scheme providing benefits based on final pensionable pay. The assets of the scheme are held separately from those of the group in an independently administered fund. Contributions to the scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the group.

Stocks

Stocks are stated at the lower of cost and net realisable value. For work in progress and finished goods manufactured by the group, cost is taken as production cost, which includes an appropriate proportion of attributable overheads.

Taxation

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

Warman (UK) Limited

Notes (continued)

1 Accounting policies (continued)

Turnover

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to third party customers during the year.

2 Turnover and profit on ordinary activities before taxation

The table below sets out information for each of the group's industry segments and geographic areas of operation.

	Turnover		Profit on ordinary activities before taxation	
	1997	1996	1997	1996
	£000	£000	£000	£000
By activity:				
Manufacture of pumps and production of machined and unmachined castings	41,535	39,206	1,553	1,809
By geographical market:				
Great Britain	14,507	14,569		
Europe	18,913	19,307		
N America	2,989	2,138		
Other Exports	5,126	3,192		
	41,535	39,206		

In the opinion of the directors any other analysis would be prejudicial to the interests of the group.

Warman (UK) Limited

Notes (continued)

3 Net operating expenses

	1997 £000	1996 £000
Changes in stocks	474	(3,144)
Direct materials	16,548	16,984
Staff costs (see note 5)	11,113	9,930
Depreciation of tangible fixed assets	914	990
Other operating charges	9,690	11,431
Amortisation of goodwill	378	399
	<u>39,117</u>	<u>36,590</u>

Operating profit is stated after charging:

Auditors' remuneration:		
Audit	53	61
Other services	25	19
Hire of plant and machinery - operating leases	118	118
	<u>118</u>	<u>118</u>

4 Remuneration of directors

	1997 £000	1996 £000
Directors' emoluments:		
As directors	131	155
	<u>131</u>	<u>155</u>

Retirement benefits accrue to the following number of directors::

	Number of directors	
	1997	1996
Defined benefit schemes	2	2
	<u>2</u>	<u>2</u>

Warman (UK) Limited

Notes (continued)

5 Staff numbers and costs

The average number of persons employed by the group (including directors) during the year analysed by category, was as follows:

	Number of employees	
	1997	1996
Sales and administration	204	193
Production	214	202
Overseas sales and administration	62	59
	<u>480</u>	<u>454</u>

The aggregate payroll costs of these persons were as follows:

	1997	1996
	£000	£000
Wages and salaries	9,725	8,683
Social security costs	985	878
Other pension costs (see note 22)	403	369
	<u>11,113</u>	<u>9,930</u>

6 Interest receivable and similar income

	1997	1996
	£000	£000
Bank interest receivable	<u>75</u>	<u>164</u>

7 Interest payable and similar charges

	1997	1996
	£000	£000
On overdrafts wholly repayable within 5 years	396	353
Loan from parent company	541	606
Finance charges payable in respect of finance leases and hire purchase contracts	3	12
	<u>940</u>	<u>971</u>

Warman (UK) Limited

Notes (continued)

8 Taxation

	1997 £000	1996 £000
UK corporation tax at 33% (1996: 33%) on the profit for the year on ordinary activities	358	405
Deferred taxation	(2)	2
Overseas taxation	318	725
Double tax relief	(34)	(95)
Adjustment relating to prior year charge	(80)	9
	<u>560</u>	<u>1,046</u>

9 Intangible fixed assets

	Goodwill £000
Group	
<i>Cost or valuation</i>	
At beginning of year	4,291
Exchange adjustments	(302)
At end of year	<u>3,989</u>
<i>Amortisation</i>	
At beginning of year	2,323
Charged in year	378
Exchange adjustments	(228)
At end of year	<u>2,473</u>
<i>Net book value</i>	
At 30 June 1997	<u>1,516</u>
At 30 June 1996	<u>1,968</u>

Warman (UK) Limited

Notes (continued)

10 Tangible fixed assets

	Land & Buildings		Plant, Machinery & Vehicles	Total
	Freehold	Long Leasehold		
Group	£000	£000	£000	£000
Cost or valuation				
At beginning of year	3,401	1,454	11,502	16,357
Additions	68	-	1,727	1,795
Disposals	-	-	(319)	(319)
At end of year	3,469	1,454	12,910	17,833
Depreciation				
At beginning of year	851	612	7,537	9,000
Charge for year	74	55	785	914
On disposals	-	-	(264)	(264)
At end of year	925	667	8,058	9,650
Net book value				
At 30 June 1997	2,544	787	4,852	8,183
At 30 June 1996	2,550	842	3,965	7,357
Cost or valuation at 30 June 1997 is represented by:				
Valuation in 1995	2,572	1,293	-	3,865
Cost	897	161	12,910	13,968
	3,469	1,454	12,910	17,833

The freehold and long leasehold property was revalued on 30 June 1995 by Chesterton plc, independent quantity surveyors on the basis of market value for existing use. The revaluation indicated a potential surplus on the net book value of freehold buildings of £995,000 which has not been recognised, as a matter of prudence. The revaluation adjustment relates to the valuation of freehold land.

The net book value of assets held under finance leases is £nil. The depreciation charged in the period amounted to £5,000.

No provision for deferred tax has been made following the revaluation as there is no intention to sell the properties in the foreseeable future.

The company holds no fixed assets at the year end (1996: nil).

Warman (UK) Limited

Notes (continued)

11 Fixed asset investments

Company			Shares in subsidiary undertakings £000
<i>Cost or valuation</i>			
At beginning and end of year			7,748
	Country of registration or incorporation	Principal activity	Percentage of ordinary shares held
<i>Subsidiary undertakings</i>			
Warman International	England	Marketing	100%
Warman International SRL	Italy	of	100%
Warman International GmbH	Germany	pumps	100%
Warman International SA	France	and	100%
Warman International OY	Finland	associated	100%
Girdlestone Pumps Limited	England	equipment	100%
Warman International Hungary Kft	Hungary		100%

In the opinion of the directors the investments in and amounts due from the company's subsidiary undertakings are worth at least the amounts at which they are stated in the balance sheet.

12 Stocks

	Group	
	1997	1996
	£000	£000
Raw materials and consumables	1,465	1,747
Work in progress	1,692	2,155
Finished goods and goods for resale	4,925	4,654
	<u>8,082</u>	<u>8,556</u>

The company holds no stocks at the year end (1996: nil).

There is no material difference between the replacement cost of stocks and their balance sheet amounts.

Warman (UK) Limited

Notes (continued)

13 Debtors

	Group		Company	
	1997	1996	1997	1996
	£000	£000	£000	£000
Amounts falling due within one year				
Trade debtors	10,020	11,843	-	-
Amounts owed by subsidiary undertakings	-	-	1,741	1,609
Amounts owed by parent and fellow subsidiary undertakings	1,354	490	-	-
Other debtors	605	769	-	-
Prepayments and accrued income	254	241	-	-
	<u>12,233</u>	<u>13,343</u>	<u>1,741</u>	<u>1,609</u>
Amounts falling due after more than one year				
Other debtors	394	317	-	-
	<u>12,627</u>	<u>13,660</u>	<u>1,741</u>	<u>1,609</u>

14 Creditors: amounts falling due within one year

	Group		Company	
	1997	1996	1997	1996
	£000	£000	£000	£000
Bank loans and overdrafts	4,180	6,372	1,835	1,563
Obligations under finance leases and hire purchase contracts	-	5	-	-
Trade creditors	4,258	5,255	-	-
Amounts owed to parent and fellow subsidiary undertakings	1,247	965	389	43
Other creditors including taxation and social security:				
Corporation tax	144	610	-	-
Other taxes and social security	326	580	-	-
Other creditors	1,278	1,498	-	12
Accruals and deferred income	662	659	-	-
Pension provisions (see note 22)	1,757	1,502	-	-
	<u>13,852</u>	<u>17,446</u>	<u>2,224</u>	<u>1,618</u>

Warman (UK) Limited

Notes (continued)

15 Creditors: amounts falling due after more than one year

	Group		Company	
	1997	1996	1997	1996
	£000	£000	£000	£000
Amounts owed to parent and fellow subsidiary undertakings (repayable within 5 years)	9,322	9,799	7,250	7,250
Amounts owed to subsidiary company	-	-	1,600	1,600
	<u>9,322</u>	<u>9,799</u>	<u>8,850</u>	<u>8,850</u>

16 Provisions for liabilities and charges

	Safety and deferred maintenance	Warranty	Total
	£000	£000	£000
Group			
At beginning of year	150	214	364
Charge for the year in the profit and loss account	39	155	194
At end of year	<u>189</u>	<u>369</u>	<u>558</u>

17 Deferred taxation

The movement on the provision is as follows:

	Group £000
At beginning of year	2
Charge to profit and loss account	(2)
At end of year	<u>-</u>

Warman (UK) Limited

Notes (continued)

17 Deferred taxation (continued)

The amounts provided for deferred taxation and the amounts not provided are set out below:

	1997		1996	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Group				
Difference between accumulated depreciation and amortisation and capital allowances	568	-	567	-
Other timing differences	(568)	(69)	(565)	-
	<u>-</u>	<u>(69)</u>	<u>2</u>	<u>-</u>

18 Called up share capital

	1997 £000	1996 £000
Authorised		
Ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
Allotted, called up and fully paid		
Ordinary shares of £1 each	<u>2,500</u>	<u>2,500</u>

19 Reserves

	Revaluation reserve £000	Other reserves £000	Profit and loss account £000
Group			
At beginning of year	368	606	4,404
Transfers to profit and loss account	(6)	-	6
Retained profit for year	-	-	993
Exchange adjustments	-	(443)	-
At end of year	<u>362</u>	<u>163</u>	<u>5,403</u>

Warman (UK) Limited

Notes (continued)

19 Reserves (continued)

	Profit and loss account £000
Company	
At beginning of year	(3611)
Retained loss for year	(474)
At end of year	<u>(4,085)</u>

20 Reconciliation of movements in shareholders' funds

	Group		Company	
	1997 £000	1996 £000	1997 £000	1996 £000
Profit/(loss) for the financial year	993	763	(474)	(462)
Exchange adjustment	(443)	(123)	-	-
Net addition/(reduction) to shareholders' funds	<u>550</u>	<u>640</u>	<u>(474)</u>	<u>(462)</u>
Opening shareholders' funds	7,878	7,238	(1,111)	(649)
Closing shareholders' funds	<u>8,428</u>	<u>7,878</u>	<u>(1,585)</u>	<u>(1,111)</u>

21 Commitments

- (i) Capital commitments at the end of the financial year for which no provision has been made are as follows:

	Group		Company	
	1997 £000	1996 £000	1997 £000	1996 £000
Contracted	1,003	314	-	-
Authorised but not contracted	<u>725</u>	<u>265</u>	<u>-</u>	<u>-</u>

Warman (UK) Limited

Notes (continued)

21 Commitments (continued)

(ii) Annual commitments under non-cancellable operating leases are as follows:

Group	1997		1996	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	11	-	6
In the second to fifth years inclusive	-	107	-	108
	<u>-</u>	<u>118</u>	<u>-</u>	<u>114</u>

All operating leases are held by subsidiary companies.

22 Pension scheme

i) Girdlestone Pumps Limited

Contributions to the company's defined benefit pension scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 30 June 1994. The assumptions which have the most significant effect on the results of the valuation are those relating to the rate of return on investments (8.5%) and the rate of increase in salaries (5.5%).

The pension charge for the period was £148,000 (1996: £141,000).

The most recent actuarial valuation showed that the market value of the scheme's assets was £1.095m and that the actuarial value of those assets represented 90% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the company remain at the rate of 12% of earnings (9% of eligible employees with appointment letters dated after 7 April 1994) which is targeted at 100% funding over the average future working lifetime of members currently in service.

There were no prepaid contributions at either the beginning or end of the financial period but there were outstanding contributions of £20,000 at the end of it.

Warman (UK) Limited

Notes (continued)

22 Pension scheme (continued)

ii) All other Group companies

Contributions to the group's defined benefit pension scheme are charged to the profit and loss account so as to spread the cost of pensions over employees' working lives with the company. The contributions are determined by a qualified actuary on the basis of triennial valuations using the projected unit method. The most recent valuation was at 5 April 1994. The assumptions which have the most significant effect on the results of the valuations are those relating to the rate of return on investments and the rates of increase in salaries and pensions. It was assumed that investment returns would be 9% per annum, that salary increases would average 7% per annum and that present and future pension would increase at the rate of 4% per annum.

The pension charge for the period of £255,000 (1996: £228,000) included £135,000 (1996: £140,000) in respect of the amortisation of surpluses that are being recognised over 16 years, the average remaining service lives of employees.

A provision of £1,757,000 (1996: £1,502,000) is included in creditors, this being the excess of the accumulated pension cost over the amount funded. A deferred tax asset arises on this provision since by definition, the provision is expected to reverse.

The most recent actuarial valuation showed that the market value of the scheme's assets was £10,606,000 and that the actuarial value of those assets represented 116% of the benefits that had accrued to members, after allowing for expected future increases in earnings. The contributions of the employee will remain at 5% of earnings.

23 Reconciliation of operating profit to net cash (outflow)/inflow from operating activities

	1997 £000	1996 £000
Operating profit	2,418	2,616
Profit on disposal of fixed assets	(37)	(12)
Depreciation	914	990
Decrease/(increase) in stocks	474	(3,144)
Decrease/(increase) in debtors	1,033	(3,198)
(Decrease)/Increase in creditors	(1,085)	1,539
Increase in pension provision	255	217
Amortisation of goodwill	378	399
Increase in provisions	194	4
Exchange differences	(370)	(85)
Net cash inflow/(outflow) from operating activities	4,174	(674)

Warman (UK) Limited

Notes (continued)

24 Gross cash flows

	1997 £000	1996 £000
Returns on investments and servicing of finance		
Interest received	75	164
Interest paid	(597)	(951)
Interest element of finance lease rental payments	(3)	(12)
	<hr/>	<hr/>
Net cash outflow from returns on investments and servicing of finance	<u>(525)</u>	<u>(799)</u>
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(2,238)	(1,509)
Sale of tangible fixed assets	93	49
	<hr/>	<hr/>
Net cash outflow from capital expenditure and financial investment	<u>(2,145)</u>	<u>(1,460)</u>
Financing		
Capital elements of finance lease rental payments	(5)	-
Reduction in long term intercompany loan	(477)	(212)
	<hr/>	<hr/>
Net cash outflow from financing	<u>(482)</u>	<u>(212)</u>

25 Reconciliation of net cash flow to movement in net debt

	1997 £000	1996 £000
Decrease in cash in the period	(4)	(4,124)
Cash outflow/(inflow) from decrease/increase in debt	477	177
Cash outflow from reduction in finance lease	5	35
	<hr/>	<hr/>
Change in net debt resulting from cash flows	478	(3,912)
	<hr/>	<hr/>
Movement in net debt in the period	478	(3,912)
Net debt at 1 July	(12,228)	(8,316)
	<hr/>	<hr/>
Net debt at 30 June	<u>(11,750)</u>	<u>(12,228)</u>

Warman (UK) Limited

Notes (continued)

26 Analysis of net debt

	1 July 1996	Cash flow	Non-cash changes	30 June 1997
	£000	£000	£000	£000
Cash at bank and in hand	3,948	(2,196)	-	1,752
Overdrafts	(6,372)	2,192	-	(4,180)
Debt >1 year	(9,799)	477	-	(9,322)
Finance leases	(5)	5	-	0
	<u>(12,228)</u>	<u>478</u>	<u>-</u>	<u>(11,750)</u>

27 Ultimate parent company and parent undertaking of larger group

The company is a subsidiary undertaking of North Limited which is the ultimate parent company incorporated in Australia. The accounts of North Limited are available to the public and may be obtained from:

North Limited
6th Floor
476 St Kilda Road
Melbourne
Victoria 3004
Australia