

Warman (UK) Limited

Directors' report and consolidated financial statements

30 June 1995

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 1995

The directors present their annual report and the audited financial statements for the year ended 30 June 1995.

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

The profit for the year after taxation amounted to £1,249,000 (1994: £2,284,000 loss). It is recommended that this amount be transferred to reserves.

Significant changes in fixed assets

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

Directors

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

AI Mitton	(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 1995

Directors' interests in shares of North Limited

The non-Australian directors who held office at the end of the financial year had the following interests in the shares of group companies as recorded in the register of directors' share and debenture interests:

	Ordinary shares	
	30 June 1995	30 June 1994
AI Mitton	nil	nil
NH Clarke	<u>2,000</u>	<u>2,000</u>

Except as disclosed above, none of the directors in office at 30 June 1995 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 1995

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

On 6 February 1995 our auditors changed the name under which they practise to KPMG and, accordingly, have signed their report in their new name. 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

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 26.

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 1995 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

21 August 1995



Warman (UK) Limited

Consolidated profit and loss account for the year ended 30 June 1995

	<i>Note</i>	1995 £000	1994 £000
Turnover	2	35,831	28,607
Net operating expenses	3	33,022	29,696
		<hr/>	<hr/>
Operating profit/(loss)	3	2,809	(1,089)
Interest receivable and similar income	6	120	105
Interest payable and similar charges	7	(848)	(872)
		<hr/>	<hr/>
Profit/(loss) on ordinary activities before taxation	2-5	2,081	(1,856)
Tax on profit/(loss) on ordinary activities	8	(832)	(428)
		<hr/>	<hr/>
Retained profit/(loss) for the financial year		1,249	(2,284)
		<hr/>	<hr/>

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 1995

	Note	1995		1994	
		£000	£000	£000	£000
Fixed assets					
Intangible assets	9		2,405		2,721
Tangible assets	10		6,998		6,860
Current assets			9,403		9,581
Stocks	12	5,412		5,739	
Debtors	13	10,462		7,597	
Cash at bank and in hand		5,007		3,680	
		20,881		17,016	
Creditors: amounts falling due within one year	14	(12,706)		(10,767)	
Net current assets			8,175		6,249
Total assets less current liabilities			17,578		15,830
Creditors: amounts falling due after more than one year	15	(9,980)		(9,738)	
Provisions for liabilities and charges	16	(360)		(325)	
Deferred taxation	17	-		(73)	
Net assets			7,238		5,694
Capital and reserves					
Called up share capital	18	2,500		2,500	
Revaluation reserve	19	374		300	
Other reserves	19	729		514	
Profit and loss account	19	3,635		2,380	
Shareholders' funds			7,238		5,694

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

AI Mitton
Director

KPMG

Warman (UK) Limited

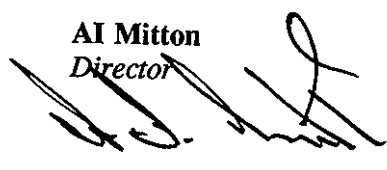
Balance sheet at 30 June 1995

	Note	1995 £000	1994 £000
Fixed assets			
Investments	11	7,748	7,748
Current assets			
Debtors	13	1,609	1,616
Creditors: amounts falling due within one year	14	(1,156)	(721)
Net current assets		453	895
Total assets less current liabilities		8,201	8,643
Creditors: amounts falling due after more than one year	15	(8,850)	(8,850)
Net (liabilities)		(649)	(207)
Capital and reserves			
Called up share capital	18	2,500	2,500
Profit and loss account	19	(3,149)	(2,707)
Shareholders' funds		(649)	(207)

These financial statements were approved by the board of directors on
were signed on its behalf by:

and

AI Mitton
Director

 21/8/95

Warman (UK) Limited

Group statement of total recognised gains and losses for the year ended 30 June 1995

	1995 £000	1994 £000
Profit/(loss) for the financial year	1,249	(2,284)
Exchange adjustments	215	80
Unrealised surplus on revaluation of land	80	-
	<hr/>	<hr/>
Total recognised gains/(losses) relating to the year	1,544	(2,204)
	<hr/>	<hr/>

Group note of historical cost profits and losses

for the year ended 30 June 1995

	1995 £000	1994 £000
Reported profit/(loss) on ordinary activities before taxation	2,081	(1,856)
Difference between a historical cost depreciation charge and the actual depreciation charge of the year on the revalued amount	6	6
	<hr/>	<hr/>
Historical cost profit/(loss) on ordinary activities before taxation	2,087	(1,850)
	<hr/>	<hr/>
Historical cost profit/(loss) for the year retained after taxation	1,255	(2,278)
	<hr/>	<hr/>

Warman (UK) Limited

Consolidated cash flow statement for the year ended 30 June 1995

	Note	1995		1994	
		£000	£000	£000	£000
Net cash inflow from operating activities	23		2,511		3,913
Return on investments and servicing of finance					
Interest received		120		105	
Interest paid		(853)		(1,133)	
Interest element of finance lease rentals payments		(13)		(21)	
Net cash outflow from returns on investments and servicing of finance			(746)		(1,049)
Taxation					
Corporation tax paid		(832)		(897)	
Tax paid			(832)		(897)
Investing activities					
Purchase of tangible fixed assets		(1,041)		(819)	
Sale of tangible fixed assets		45		14	
Net cash outflow from investing activities			(996)		(805)
Net cash (outflow)/inflow before financing			(63)		1,162
Financing					
Net movement	25	233		(430)	
			233		(430)
Increase in cash and cash equivalents	24		170		732

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 1995.

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/(loss) 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/(loss) on ordinary activities before taxation	
	1995 £000	1994 £000	1995 £000	1994 £000
<i>By activity:</i>				
Manufacture of pumps and production of machined and unmachined castings	35,831	28,607	2,081	(1,856)
<i>By geographical market:</i>				
Great Britain	13,632	12,949		
Europe	17,700	12,092		
N America	2,568	2,220		
Other Exports	1,931	1,346		
	35,831	28,607		

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

	1995 £000	1994 £000
Changes in stocks of finished goods and work in progress	912	110
Direct materials	12,524	9,772
Staff costs (see note 5)	8,839	8,054
Depreciation of tangible fixed assets	1,086	1,202
Other operating charges	9,269	7,860
Amortisation of goodwill	392	748
Goodwill written off	-	1,950
	<u>33,022</u>	<u>29,696</u>
<i>Operating profit/(loss) is stated after charging:</i>		
Auditors' remuneration:		
Audit	55	65
Other services	12	34
Hire of plant and machinery - operating leases	<u>113</u>	<u>132</u>

Warman (UK) Limited

Notes (continued)

4 Remuneration of directors

	1995 £000	1994 £000
Directors' emoluments:		
As directors	<u>141</u>	<u>147</u>

The emoluments, including pension contributions, of the chairman were £nil (1994:£nil) and those of the highest paid director were £99,619 (1994: £96,314). Emoluments for the highest paid director excluding pension contributions were £92,574 (1994 : £89,573).

The emoluments, excluding pension contributions, of the directors (including the chairman and highest paid director) were within the following ranges:

	Number of directors	
	1995	1994
£0 - £ 5,000	3	4
£10,001 - £15,000	-	1
£40,001 - £45,000	1	1
£85,001 - £90,000	-	1
£90,001 - £95,000	1	-

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	
	1995	1994
Sales and administration	183	173
Production	179	189
Overseas sales and administration	54	48
	<u>416</u>	<u>410</u>

The aggregate payroll costs of these persons were as follows:

	1995 £000	1994 £000
Wages and salaries	7,694	7,025
Social security costs	794	704
Other pension costs (see note 22)	351	325
	<u>8,839</u>	<u>8,054</u>

Warman (UK) Limited

Notes (continued)

6 Interest receivable and similar income

	1995 £000	1994 £000
Bank interest receivable	<u>120</u>	<u>105</u>

7 Interest payable and similar charges

	1995 £000	1994 £000
External loans	236	218
Loan from parent company	599	633
Finance charges payable in respect of finance leases and hire purchase contracts	<u>13</u>	<u>21</u>
	<u>848</u>	<u>872</u>

8 Taxation

	1995 £000	1994 £000
UK corporation tax at 33 % (1994: 33%) on the profit for the year on ordinary activities	557	106
Deferred taxation	(73)	(48)
Overseas taxation	559	498
Double tax relief	(209)	(106)
Adjustment relating to prior year charge	<u>(2)</u>	<u>(22)</u>
	<u>832</u>	<u>428</u>

Warman (UK) Limited

Notes (continued)

9 Intangible fixed assets

	Goodwill £000
Group	
<i>Cost or valuation</i>	
At beginning of year	4,226
Exchange adjustments	176
	<hr/>
At end of year	4,402
	<hr/>
<i>Amortisation</i>	
At beginning of year	1,505
Charged in year	392
Exchange adjustments	100
	<hr/>
At end of year	1,997
	<hr/>
<i>Net book value</i>	
At 30 June 1995	2,405
	<hr/>
At 30 June 1994	2,721
	<hr/>

Warman (UK) Limited

Notes (continued)

10 Tangible fixed assets

	Land & Buildings Freehold	Long Leasehold	Plant, Machinery & Vehicles	Total
Group	£000	£000	£000	£000
<i>Cost or valuation</i>				
At beginning of year	3,065	1,408	10,534	15,007
Additions	-	43	1,121	1,164
Disposals	-	-	(457)	(457)
Revaluation adjustment	80	-	-	80
At end of year	3,145	1,451	11,198	15,794
<i>Depreciation</i>				
At beginning of year	727	504	6,916	8,147
Charge for year	70	53	963	1,086
On disposals	-	-	(437)	(437)
At end of year	797	557	7,442	8,796
<i>Net book value</i>				
At 30 June 1995	2,348	894	3,756	6,998
At 30 June 1994	2,338	904	3,618	6,860
<i>Cost or valuation at 30 June 1995 is represented by:</i>				
Valuation in 1995	2,572	1,293	-	3,865
Cost	573	158	11,198	11,929
	3,145	1,451	11,198	15,794

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 £32,000. The depreciation charged in the period amounted to £54,000.

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

Warman (UK) Limited

Notes (continued)

11 Fixed asset investments

Company	Shares in subsidiary undertakings £000
<i>Cost or valuation</i>	
At beginning of year	7,748
Diminution in value	-
At end of year	<u>7,748</u>

	Country of registration or incorporation	Principal activity	Percentage of ordinary shares held
<i>Subsidiary undertakings</i>			
Warman International	England	Marketing	100%
Warman International Italiana 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

	1995 £000	Group 1994 £000
Raw materials and consumables	1,949	1,353
Work in progress	914	1,337
Finished goods and goods for resale	2,549	3,049
	<u>5,412</u>	<u>5,739</u>

The company holds no stocks at the year end (1994: 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	
	1995	1994	1994	1993
	£000	£000	£000	£000
Amounts falling due within one year				
Trade debtors	8,967	6,187	-	-
Amounts owned by subsidiary undertakings	-	-	1,609	1,609
Amounts owed by parent and fellow subsidiary undertakings	483	437	-	-
Other debtors	552	544	-	7
Prepayments and accrued income	210	306	-	-
	<u>10,212</u>	<u>7,474</u>	<u>1,609</u>	<u>1,616</u>
Amounts falling due after more than one year				
Other debtors	250	123	-	-
	<u>10,462</u>	<u>7,597</u>	<u>1,609</u>	<u>1,616</u>

14 Creditors: amounts falling due within one year

	Group		Company	
	1995	1994	1995	1994
	£000	£000	£000	£000
Bank loans and overdrafts	3,307	2,150	1,108	612
Obligations under finance leases and hire purchase contracts	36	45	-	-
Trade creditors	4,265	3,651	-	-
Amounts owed to parent and fellow subsidiary undertakings	881	1,283	35	52
Other creditors including taxation and social security:				
Corporation tax	545	472	-	-
Other taxes and social security	578	595	-	-
Other creditors	1,226	1,130	13	57
Accruals and deferred income	583	349	-	-
Pension provisions	1,285	1,092	-	-
	<u>12,706</u>	<u>10,767</u>	<u>1,156</u>	<u>721</u>

Warman (UK) Limited

Notes (continued)

15 Creditors: amounts falling due after more than one year

	Group		Company	
	1995 £000	1994 £000	1995 £000	1994 £000
Obligations under finance leases	4	41	-	-
Amounts owed to parent and fellow subsidiary undertakings (repayable within 5 years)	9,976	9,697	7,250	7,250
Amounts owed to subsidiary company	-	-	1,600	1,600
	<u>9,980</u>	<u>9,738</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	175	325
Charge for the year in the profit and loss account	-	35	35
At end of year	<u>150</u>	<u>210</u>	<u>360</u>

The company has no provisions for liabilities or charges at the beginning and end of the year.

17 Deferred taxation

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

	1995		1994	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Difference between accumulated depreciation and amortisation and capital allowances	536	-	528	-
Other timing differences	(536)	(53)	(455)	-
	<u>-</u>	<u>(53)</u>	<u>73</u>	<u>-</u>

Warman (UK) Limited

Notes (continued)

17 Deferred taxation (continued)

The movement on the provision is as follows:

	£000
At beginning of year	73
Transfer to profit and loss account	(73)
At end of year	-

18 Called up share capital

	1995 £000	1994 £000
<i>Authorised</i>		
Ordinary shares of £1 each	5,000	5,000
<i>Allotted, called up and fully paid</i>		
Ordinary shares of £1 each	2,500	2,500

19 Reserves

	Capital Reserve on consolidation £000	Revaluation reserve £000	Other reserves £000	Profit and loss account £000
Group				
At beginning of year	268	300	246	2,380
Transfers	-	(6)	-	6
Retained profit for year	-	-	-	1,249
Exchange adjustments	-	-	215	-
Revaluation Adjustment	-	80	-	-
At end of year	268	374	461	3,635

Warman (UK) Limited

Notes (continued)

19 Reserves (continued)

	Profit and loss account £000
Company	
At beginning of year	(2,707)
Retained loss for year	(442)
	<hr/>
At end of year	(3,149)
	<hr/>

20 Reconciliation of movements in shareholders' funds statement

	Group		Company	
	1995 £000	1994 £000	1995 £000	1994 £000
(Loss)/profit for the financial year	1,249	(2,284)	(442)	(2,357)
Exchange adjustment	215	80	-	-
Revaluation adjustment	80	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Net (reduction)/addition to shareholders' funds	1,544	(2,204)	(442)	(2,357)
Opening shareholders' funds	5,694	7,898	(207)	2,150
	<hr/>	<hr/>	<hr/>	<hr/>
Closing shareholders' funds	7,238	5,694	(649)	(207)
	<hr/>	<hr/>	<hr/>	<hr/>

21 Commitments

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

	Group		Company	
	1995 £000	1994 £000	1995 £000	1994 £000
Contracted	90	43	-	-
Authorised but not contracted	144	122	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

Warman (UK) Limited

Notes (continued)

21 Commitments (continued)

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

Group	1995		1994	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	8	-	104
In the second to fifth years inclusive	-	105	-	3
Over five years	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	-	113	-	107
	<hr/>	<hr/>	<hr/>	<hr/>

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 £157,000 (1994: £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 (1994: 12%), (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 outstanding or prepaid contributions at either the beginning or end of the financial period. There were outstanding contributions of £26,000 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 1991. 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 £205,000 (1994: £184,000) included £132,000 (1994: £132,000) in respect of the amortisation of surpluses that are being recognised over 16 years, the average remaining service lives of employees.

A provision of £1,285,000 (1994: £1,092,000) 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 £7,769,000 and that the actuarial value of those assets represented 131% 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/(loss) to net cash inflow from operating activities

	1995 £000	1994 £000
Operating profit/(loss)	2,809	(1,089)
Depreciation charge	1,086	1,202
Profit on sale of tangible fixed assets	(25)	(7)
Decrease/(Increase) in stocks	327	(95)
(Increase)/decrease in debtors	(2,877)	2,117
Increase/(decrease) in creditors	625	(1,055)
Amortisation of goodwill	392	748
Goodwill adjustment	-	1,950
Increase in provisions	35	94
Exchange differences	139	48
Net cash inflow from operating activities	<u>2,511</u>	<u>3,913</u>

Warman (UK) Limited

Notes (continued)

24 Analysis of changes in cash and cash equivalents

	Cash £000	Overdraft £000	Net £000
Balance at 1 July 1993	3,468	(2,670)	798
Net cash inflow before adjustments for foreign exchange rate changes	212	520	732
	<hr/>	<hr/>	<hr/>
Balance at 30 June 1994	3,680	(2,150)	1,530
Net cash inflow/(outflow) before adjustments for foreign exchange rate changes	1,327	(1,157)	170
	<hr/>	<hr/>	<hr/>
Balance at 30 June 1995	5,007	(3,307)	1,700
	<hr/>	<hr/>	<hr/>

25 Analysis of changes in financing during the year

	Share capital	Loans and finance lease obligations
Balance at 1 July 1993	2,500	10,213
Cash outflow from financing	-	(352)
Capital element of finance lease contracts	-	(78)
	<hr/>	<hr/>
Balance at 30 June 1994	2,500	9,783
Cash inflow from financing	-	279
Capital element of finance lease contracts	-	(46)
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Balance at 30 June 1995	2,500	10,016
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Warman (UK) Limited

Notes *(continued)*

26 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