

# **Warman (UK) Limited**

## **Directors' report and consolidated financial statements**

**30 June 1996**

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 1996*

The directors present their annual report and the audited financial statements for the year ended 30 June 1996.

### 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 £763,000 (1995: £1,249,000). 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 1996 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:

Al Mitton	(Managing Director)	(Resigned 18 December 1995)
Dr PJ White	(Managing Director)	(Appointed 18 December 1995)
GW Davies	(Australian)	
MW Broomhead	(Australian)	
RE Harrison	(Chairman) (Australian)	
NH Clarke		

# Warman (UK) Limited

## Directors' report

*For the year ended 30 June 1996*

### 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 1996	30 June 1995 or at date of appointment
Dr PJ White	nil	nil
NH Clarke	nil	2,000
	<u>          </u>	<u>          </u>

Except as disclosed above, none of the directors in office at 30 June 1996 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:

- a) 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;
- b) Where an employee becomes disabled whilst employed by the company, retraining is given to perform a job identified as appropriate for the individual;
- c) 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 1996*

### 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

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 1996 and of the profit of the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

  
Chartered Accountants  
Registered Auditors

15 August 1996



# Warman (UK) Limited

## Consolidated profit and loss account for the year ended 30 June 1996

	<i>Note</i>	<b>1996 £000</b>	<b>1995 £000</b>
<b>Turnover</b>	2	<b>39,206</b>	35,831
Net operating expenses	3	<b>(36,590)</b>	(33,022)
<b>Operating profit</b>	3	<b>2,616</b>	2,809
Interest receivable and similar income	6	<b>164</b>	120
Interest payable and similar charges	7	<b>(971)</b>	(848)
<b>Profit on ordinary activities before taxation</b>	2-5	<b>1,809</b>	2,081
Tax on profit on ordinary activities	8	<b>(1,046)</b>	(832)
<b>Profit for the financial year</b>		<b>763</b>	1,249
<b>Profit for the financial year</b>			
The company		<b>(462)</b>	(442)
Group undertakings		<b>1,225</b>	1,691
		<b>763</b>	1,249

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 1996

	Note	1996 £000	1995 £000
<b>Fixed assets</b>			
Intangible assets	9	1,968	2,405
Tangible assets	10	7,357	6,998
		<u>9,325</u>	<u>9,403</u>
<b>Current assets</b>			
Stocks	12	8,556	5,412
Debtors	13	13,660	10,462
Cash at bank and in hand		3,948	5,007
		<u>26,164</u>	<u>20,881</u>
<b>Creditors: amounts falling due within one year</b>	14	<u>(17,446)</u>	<u>(12,706)</u>
<b>Net current assets</b>		<u>8,718</u>	<u>8,175</u>
<b>Total assets less current liabilities</b>		<u>18,043</u>	<u>17,578</u>
<b>Creditors: amounts falling due after more than one year</b>	15	(9,799)	(9,980)
<b>Provisions for liabilities and charges</b>	16	(364)	(360)
<b>Deferred taxation</b>	17	(2)	-
<b>Net assets</b>		<u><u>7,878</u></u>	<u><u>7,238</u></u>
<b>Capital and reserves</b>			
Called up share capital	18	2,500	2,500
Revaluation reserve	19	368	374
Other reserves	19	606	729
Profit and loss account	19	4,404	3,635
<b>Shareholders' funds</b>	20	<u><u>7,878</u></u>	<u><u>7,238</u></u>

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

15/8/96

and were signed

*NH Clarke*

NH Clarke  
Director

15th August 1996



# Warman (UK) Limited

## Company balance sheet at 30 June 1996

	Note	1996 £000	1995 £000
<b>Fixed assets</b>			
Investments	11	7,748	7,748
<b>Current assets</b>			
Debtors	13	1,609	1,609
<b>Creditors: amounts falling due within one year</b>	14	(1,618)	(1,156)
<b>Net current (liabilities)/assets</b>		(9)	453
<b>Total assets less current liabilities</b>		7,739	8,201
<b>Creditors: amounts falling due after more than one year</b>	15	(8,850)	(8,850)
<b>Net liabilities</b>		(1,111)	(649)
<b>Capital and reserves</b>			
Called up share capital	18	2,500	2,500
Profit and loss account	19	(3,611)	(3,149)
<b>Shareholders' funds</b>	20	(1,111)	(649)

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

15/8/96 and were signed on



NH Clarke  
Director

15th August 1996

# Warman (UK) Limited

## Group statement of total recognised gains and losses for the year ended 30 June 1996

	1996 £000	1995 £000
Profit for the financial year	763	1,249
Exchange adjustments	(123)	215
Unrealised surplus on revaluation of land	-	80
Total recognised gains relating to the year	<u>640</u>	<u>1,544</u>

## Group note of historical cost profits and losses for the year ended 30 June 1996

	1996 £000	1995 £000
Reported profit on ordinary activities before taxation	1,809	2,081
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>1,815</u>	<u>2,087</u>
Historical cost profit for the year retained after taxation	<u>769</u>	<u>1,255</u>

# Warman (UK) Limited

## Consolidated cash flow statement for the year ended 30 June 1996

	Note	1996 £000	1995 £000
Net cash (outflow)/inflow from operating activities	23	(674)	2,511
<b>Return on investments and servicing of finance</b>			
Interest received		164	120
Interest paid		(951)	(853)
Interest element of finance lease rentals payments		(12)	(13)
<b>Net cash outflow from returns on investments and servicing of finance</b>		(799)	(746)
<b>Taxation</b>			
Corporation tax paid		(979)	(832)
<b>Tax paid</b>		(979)	(832)
<b>Investing activities</b>			
Purchase of tangible fixed assets		(1,509)	(1,041)
Sale of tangible fixed assets		49	45
<b>Net cash outflow from investing activities</b>		(1,460)	(996)
<b>Net cash outflow before financing</b>		(3,912)	(63)
<b>Financing</b>			
Net movement	25	(212)	233
<b>Net cash (outflow)/inflow from financing</b>		(212)	233
<b>(Decrease)/increase in cash and cash equivalents</b>	24	(4,124)	170

# 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 1996.

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	
	1996 £000	1995 £000	1996 £000	1995 £000
<b>By activity:</b>				
Manufacture of pumps and production of machined and unmachined castings	<u>39,206</u>	<u>35,831</u>	<u>1,809</u>	<u>2,081</u>
<b>By geographical market:</b>				
Great Britain	14,569	13,632		
Europe	19,307	17,700		
N America	2,138	2,568		
Other Exports	3,192	1,931		
	<u>39,206</u>	<u>35,831</u>		

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

	1996 £000	1995 £000
Changes in stocks	(3,144)	912
Direct materials	16,984	12,524
Staff costs (see note 5)	9,930	8,839
Depreciation of tangible fixed assets	990	1,086
Other operating charges	11,431	9,269
Amortisation of goodwill	399	392
	<u>36,590</u>	<u>33,022</u>

#### *Operating profit is stated after charging:*

Auditors' remuneration:		
Audit	61	55
Other services	19	12
Hire of plant and machinery - operating leases	118	113
	<u>118</u>	<u>113</u>

### 4 Remuneration of directors

	1996 £000	1995 £000
Directors' emoluments:		
As directors	155	152
	<u>155</u>	<u>152</u>

The emoluments, including pension contributions, of the chairman were £nil (1995: £nil) and those of the highest paid director were £67,766 (1995: £105,837). Emoluments for the highest paid director excluding pension contributions were £60,509 (1995 : £98,792).

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

	Number of directors	
	1996	1995
£0 - £ 5,000	3	3
£35,001 - £40,000	1	-
£45,001 - £50,000	1	1
£60,001 - £65,000	1	-
£95,001 - £100,000	-	1

# 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	
	1996	1995
Sales and administration	193	183
Production	202	179
Overseas sales and administration	59	54
	<u>454</u>	<u>416</u>

The aggregate payroll costs of these persons were as follows:

	1996	1995
	£000	£000
Wages and salaries	8,683	7,694
Social security costs	878	794
Other pension costs (see note 22)	369	351
	<u>9,930</u>	<u>8,839</u>

### 6 Interest receivable and similar income

	1996	1995
	£000	£000
Bank interest receivable	<u>164</u>	<u>120</u>

### 7 Interest payable and similar charges

	1996	1995
	£000	£000
On overdrafts wholly repayable within 5 years	353	236
Loan from parent company	606	599
Finance charges payable in respect of finance leases and hire purchase contracts	12	13
	<u>971</u>	<u>848</u>



# Warman (UK) Limited

## Notes (continued)

### 8 Taxation

	1996 £000	1995 £000
UK corporation tax at 33% (1995: 33%) on the profit for the year on ordinary activities	405	557
Deferred taxation	2	(73)
Overseas taxation	725	559
Double tax relief	(95)	(209)
Adjustment relating to prior year charge	9	(2)
	<u>1,046</u>	<u>832</u>

### 9 Intangible fixed assets

	Goodwill £000
<b>Group</b>	
<i>Cost or valuation</i>	
At beginning of year	4,402
Exchange adjustments	(111)
At end of year	<u>4,291</u>
<i>Amortisation</i>	
At beginning of year	1,997
Charged in year	399
Exchange adjustments	(73)
At end of year	<u>2,323</u>
<i>Net book value</i>	
At 30 June 1996	<u>1,968</u>
At 30 June 1995	<u>2,405</u>

# Warman (UK) Limited

## Notes (continued)

### 10 Tangible fixed assets

	Land & Buildings		Plant, Machinery & Vehicles	Total
	Freehold	Long Leasehold		
Group	£000	£000	£000	£000
<b>Cost or valuation</b>				
At beginning of year	3,145	1,451	11,198	15,794
Additions	274	3	1,109	1,386
Disposals	(18)	-	(805)	(823)
At end of year	3,401	1,454	11,502	16,357
<b>Depreciation</b>				
At beginning of year	797	557	7,442	8,796
Charge for year	70	55	865	990
On disposals	(16)	-	(770)	(786)
At end of year	851	612	7,537	9,000
<b>Net book value</b>				
At 30 June 1996	2,550	842	3,965	7,357
At 30 June 1995	2,348	894	3,756	6,998
<b>Cost or valuation at 30 June 1996 is represented by:</b>				
Valuation in 1995	2,572	1,293	-	3,865
Cost	829	161	11,502	12,492
	3,401	1,454	11,502	16,357

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 £5,000. The depreciation charged in the period amounted to £23,000.

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 (1995: 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	
	1996 £000	1995 £000
Raw materials and consumables	1,747	1,949
Work in progress	2,155	914
Finished goods and goods for resale	4,654	2,549
	<u>8,556</u>	<u>5,412</u>

The company holds no stocks at the year end (1995: 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	
	1996	1995	1995	1993
	£000	£000	£000	£000
<b>Amounts falling due within one year</b>				
Trade debtors	11,843	8,967	-	-
Amounts owed by subsidiary undertakings	-	-	1,609	1,609
Amounts owed by parent and fellow subsidiary undertakings	490	483	-	-
Other debtors	769	552	-	-
Prepayments and accrued income	241	210	-	-
	<u>13,343</u>	<u>10,212</u>	<u>1,609</u>	<u>1,609</u>
<b>Amounts falling due after more than one year</b>				
Other debtors	317	250	-	-
	<u>13,660</u>	<u>10,462</u>	<u>1,609</u>	<u>1,609</u>

### 14 Creditors: amounts falling due within one year

	Group		Company	
	1996	1995	1996	1995
	£000	£000	£000	£000
Bank loans and overdrafts	6,372	3,307	1,563	1,108
Obligations under finance leases and hire purchase contracts	5	36	-	-
Trade creditors	5,255	4,265	-	-
Amounts owed to parent and fellow subsidiary undertakings	965	881	43	35
Other creditors including taxation and social security:				
Corporation tax	610	545	-	-
Other taxes and social security	580	578	-	-
Other creditors	1,498	1,226	12	13
Accruals and deferred income	659	583	-	-
Pension provisions (see note 22)	1,502	1,285	-	-
	<u>17,446</u>	<u>12,706</u>	<u>1,618</u>	<u>1,156</u>

# Warman (UK) Limited

## Notes (continued)

### 15 Creditors: amounts falling due after more than one year

	Group		Company	
	1996	1995	1996	1995
	£000	£000	£000	£000
Obligations under finance leases	-	4	-	-
Amounts owed to parent and fellow subsidiary undertakings (repayable within 5 years)	9,799	9,976	7,250	7,250
Amounts owed to subsidiary company	-	-	1,600	1,600
	<u>9,799</u>	<u>9,980</u>	<u>8,850</u>	<u>8,850</u>

### 16 Provisions for liabilities and charges

	Safety and deferred maintenance	Warranty	Total
	£000	£000	£000
<b>Group</b>			
At beginning of year	150	210	360
Charge for the year in the profit and loss account	-	4	4
At end of year	<u>150</u>	<u>214</u>	<u>364</u>

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

### 17 Deferred taxation

The movement on the provision is as follows:

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

	1996		1995	
	Provided £000	Unprovided £000	Provided £000	Unprovided £000
Difference between accumulated depreciation and amortisation and capital allowances	567	-	536	-
Other timing differences	(565)	-	(536)	(53)
	<u>2</u>	<u>-</u>	<u>-</u>	<u>(53)</u>

### 18 Called up share capital

	1996 £000	1995 £000
<i>Authorised</i>		
Ordinary shares of £1 each	<u>5,000</u>	<u>5,000</u>
<i>Allotted, called up and fully paid</i>		
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
<b>Group</b>			
At beginning of year	374	729	3,635
Transfers to profit and loss account	(6)	-	6
Retained profit for year	-	-	763
Exchange adjustments	-	(123)	-
At end of year	<u>368</u>	<u>606</u>	<u>4,404</u>

# Warman (UK) Limited

## Notes (continued)

### 19 Reserves (continued)

	Profit and loss account £000
<b>Company</b>	
At beginning of year	(3,149)
Retained loss for year	(462)
At end of year	<u>(3,611)</u>

### 20 Reconciliation of movements in shareholders' funds

	<b>Group</b>		<b>Company</b>	
	1996 £000	1995 £000	1996 £000	1995 £000
Profit/(loss) for the financial year	763	1,249	(462)	(442)
Exchange adjustment	(123)	215	-	-
Revaluation adjustment	-	80	-	-
Net addition/(reduction) to shareholders' funds	<u>640</u>	<u>1,544</u>	<u>(462)</u>	<u>(442)</u>
Opening shareholders' funds	7,238	5,694	(649)	(207)
Closing shareholders' funds	<u>7,878</u>	<u>7,238</u>	<u>(1,111)</u>	<u>(649)</u>

### 21 Commitments

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

	<b>Group</b>		<b>Company</b>	
	1996 £000	1995 £000	1996 £000	1995 £000
Contracted	314	90	-	-
Authorised but not contracted	<u>265</u>	<u>144</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	1996		1995	
	Land and buildings £000	Other £000	Land and buildings £000	Other £000
Operating leases which expire:				
Within one year	-	6	-	8
In the second to fifth years inclusive	-	108	-	105
Over five years	-	-	-	-
	<u>-</u>	<u>114</u>	<u>-</u>	<u>113</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 £141,000 (1995: £157,000).

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 £5,000 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 £228,000 (1995: £205,000) included £140,000 (1995: £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 £1,502,000 (1995: £1,285,000) 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

	1996 £000	1995 £000
Operating profit	2,616	2,809
Depreciation charge	990	1,086
Profit on sale of tangible fixed assets	(12)	(25)
(Increase)/decrease in stocks	(3,144)	327
(Increase) in debtors	(3,198)	(2,877)
Increase in creditors	1,539	432
Increase in pension provision	217	193
Amortisation of goodwill	399	392
Increase in provisions	4	35
Exchange differences	(85)	139
Net cash (outflow)/inflow from operating activities	(674)	2,511

# Warman (UK) Limited

## Notes (continued)

### 24 Analysis of changes in cash and cash equivalents

	Cash £000	Overdraft £000	Net £000
Balance at 1 July 1994	3,680	(2,150)	1,530
Net cash inflow/(outflow) before adjustments for foreign exchange rate changes	1,327	(1,157)	170
Balance at 30 June 1995	5,007	(3,307)	1,700
Net cash (outflow) before adjustments for foreign exchange rate changes	(1,059)	(3,065)	(4,124)
Balance at 30 June 1996	3,948	(6,372)	(2,424)

### 25 Analysis of changes in financing during the year

	Share capital £000	Loans and finance lease obligations £000
Balance at 1 July 1994	2,500	9,783
Cash inflow from financing	-	279
Capital element of finance lease contracts	-	(46)
Balance at 30 June 1995	2,500	10,016
Exchange differences	-	(177)
Capital element of finance lease contracts	-	(35)
Balance at 30 June 1996	2,500	9,804

# 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