ARTHUR ANDERSEN

ITW Holdings UK

Consolidated accounts 30 November 1999
together with directors' and auditors' reports

Registered number: 3281710

Directors' report
For the year ended 30 November 1999

The directors present their annual report on the affairs of the group and company, together with the accounts and auditors' report, for the year ended 30 November 1999.

Principal activities and business review

The group manufactures and distributes a wide range of components to a wide range of industries. These industries include the steel and plastic strapping, packaging, motor, consumer durables, canned drinks, construction, electronics, industrial re-finish, and non-destructible testing equipment and materials industries.

The directors expect the general level of activity to increase over the next three years because of the group's product development policy.

Results and dividends

Group results were as follows:

	£'000
Retained profit at the beginning of the year	75,917
Group profit for the year after taxation and minority interests	17,738
Dividends paid	(37,406)
Retained profit at the end of the year	56,249

The directors do not recommend the payment of a final dividend

Directors and their interests

The directors who served during the year were as follows:

P.L. Gillingham	
J.C. O'Donnell	(resigned 30 June 1999)
C.M.D. Probert	(appointed 24 June 1999)

None of the directors had any interests in shares that require disclosure under Schedule 7 of the Companies Act 1985.

Directors' responsibilities

Company law requires the directors to prepare accounts 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 of the group for that period. In preparing those accounts, 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 accounts; and
- prepare the accounts 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 group and enable them to ensure that the accounts comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disabled employees

Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the group continues and that appropriate training is arranged. It is the policy of the group that the training, career development and promotion of disabled persons should, as far as possible, be identical to that of a person who is fortunate enough not to suffer from a disability.

Employee consultation

The group places considerable value on the involvement of its employees and has continued its previous practice of keeping them informed on matters affecting them as employees and on the various factors affecting the performance of the group. This is achieved through formal and informal meetings and the group magazine. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Donations

The group made charitable donations amounting to £8,132 (1998: £7,422).

Auditors

The directors will place a resolution before the annual general meeting to re-appoint Arthur Andersen as auditors for the ensuing year.

PO Box 87
Queensway
Fforestfach
Swansea
SA5 4YE

By order of the Board,

C. M. D. Probert
Director

28 September 2000

ARTHUR ANDERSEN

To the shareholders of ITW Holdings UK:

We have audited the accounts on pages 5 to 22 which have been prepared under the historical cost convention, and the accounting policies set out on pages 8 to 10.

Respective responsibilities of directors and auditors

As described on page 2, the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts 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 accounts. It also includes an assessment of any significant estimates and judgements made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company and the group, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of the affairs of the company and of the group at 30 November 1999 and of the group's profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen

Arthur Andersen
Chartered Accountants and Registered Auditors

Abbots House
Abbey Street
Reading
Berkshire
RG1 3BD

28 September 2000

Consolidated profit and loss account

For the year ended 30 November 1999

	Notes	1999 £'000	1998 £'000
Turnover	2	236,000	203,899
Cost of sales		(174,468)	(149,198)
Gross profit		61,532	54,701
Other operating expenses	3	(36,801)	(32,493)
Operating profit		24,731	22,208
Investment income	4	227	25
Interest payable and similar charges		(1,692)	(528)
Profit on ordinary activities before taxation	5	23,266	21,705
Tax on profit on ordinary activities	8	(5,649)	(6,454)
Profit on ordinary activities after taxation		17,617	15,251
Minority interests	19	121	(239)
Profit on ordinary activities attributable to members, being the profit for the financial year		17,738	15,012
Dividends paid and proposed	9	(37,406)	-
Retained (loss) profit for the financial year	19	(19,668)	15,012

There were no recognised gains or losses other than the profit for the year as shown above.

The accompanying notes are an integral part of this consolidated profit and loss account.

All operations of the group continued through both years and no material operations were acquired or discontinued.

Consolidated balance sheet

30 November 1999

	Notes	1999 £'000	1998 £'000
Fixed assets			
Intangible assets	10	51,751	27,529
Tangible assets	11	43,206	35,080
		94,957	62,609
Current assets			
Stocks	13	22,382	21,035
Debtors	14	118,415	101,814
Cash at bank and in hand		35,215	7,338
		176,012	130,187
Creditors: Amounts falling due within one year	15	(117,904)	(55,248)
Net current assets		58,108	74,939
		153,065	137,548
Creditors: Amounts falling due after more than one year	16	(247)	(256)
Provisions for liabilities and charges	17	(5,303)	(4,988)
Net assets		147,515	132,304
Capital and reserves			
Called-up share capital	18	-	-
Share premium account	19	3,474	3,474
Capital contribution	19	82,362	47,362
Reserve arising on consolidation	19	5,080	5,080
Profit and loss account	19	56,249	75,917
Equity shareholders' funds	20	147,165	131,833
Minority interests	19	350	471
		147,515	132,304

Signed on behalf of the Board on 28 September 2000

C. Probert

Director

The accompanying notes are an integral part of this consolidated balance sheet.

Company balance sheet

30 November 1999

	Notes	1999 £'000	1998 £'000
Fixed assets			
Investments	12	12,269	11,918
Current assets			
Debtors: Amounts falling due within one year	14	20,783	8,033
Debtors: Amounts falling due after one year	14	40,000	40,000
		60,783	48,033
Creditors: Amounts falling due within one year	15	(16,180)	(6,288)
Net current assets		44,603	41,745
Net assets		56,872	53,663
Capital and reserves			
Called-up share capital	18	-	-
Share premium account	19	3,474	3,474
Capital contribution	19	47,713	47,362
Profit and loss account	19	5,685	2,827
Equity shareholders' funds	20	56,872	53,663

Signed on behalf of the Board on 28 September 2000

C.M. D. Probert

Director

The accompanying notes are an integral part of this balance sheet.

Notes to the accounts

1 Accounting policies

A summary of the principal group accounting policies, all of which have been applied consistently throughout the year and the preceding year, is set out below.

a) Basis of accounting

The accounts are prepared under the historical cost convention, and in accordance with applicable accounting standards.

b) Basis of consolidation

The group accounts consolidate the accounts of ITW Holdings UK and all of its subsidiary undertakings made up to 30 November 1999. Unless otherwise stated, the acquisition method of accounting has been adopted. Under this method, the results of subsidiary undertakings acquired or disposed of during the year are included in the consolidated profit and loss account from the date of acquisition or up to the date of disposal.

The acquisition of ITW Limited and its subsidiaries was accounted for as a group reconstruction in accordance with Financial Reporting Standard No 6 using the principles of merger accounting as if the transaction had been effected on 1 December 1995.

No profit and loss account is presented for ITW Holdings UK, as provided by Section 230 of the Companies Act 1985. The company's profit for the financial year, determined in accordance with the Act, was profit £2,857,000 (1998: profit £2,827,000).

c) Stocks

Stocks are stated at the lower of cost and net realisable value.

The cost incurred in bringing each product to its present location and condition is based on:

Raw materials	-	purchase cost on a first-in, first-out basis, including transportation
Work-in-progress and finished goods	-	cost of direct materials and labour plus a reasonable proportion of manufacturing overheads based on normal levels of activity.

Net realisable value is based on estimated normal selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete, slow-moving or defective items where appropriate.

1 Accounting policies (continued)

d) Tangible fixed assets

Tangible fixed assets are stated at cost less accumulated depreciation and any provision for impairment. Any related government grants are reported as deferred income and amortised over the expected useful life of the assets concerned. The following annual depreciation rates have been applied on a straight-line basis to write off the cost, less estimated residual value, of the assets over their estimated useful lives:

Freehold buildings	1% - 4%	
Short leasehold land and buildings, and improvements	2% - 10%	(minimum rates commensurate with remaining lives of leases)
Plant and equipment	10% - 33 1/3%	
Motor vehicles	20% - 25%	

e) Intangible fixed assets

Intangible fixed assets represent:

(1) Goodwill, both purchased and that 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 capitalised and amortised over a period of twenty years from the date of the acquisition; and

(2) Capitalised licenses which are being amortised at 20% per annum on a straight-line basis to reflect the minimum estimated life of the related technology.

f) Taxation

Corporation tax payable is provided on taxable profits at the current rate for the year.

Advance corporation tax payable on dividends paid or proposed in the year is written off except when recoverability against corporation tax is considered to be reasonably assured.

Deferred taxation has been calculated on the liability method. Deferred taxation is provided on all timing differences which will probably reverse, at the rates of tax likely to be in force at the time of reversal. Deferred taxation is not provided on timing differences which, in the opinion of the directors, will probably not reverse.

g) Turnover

Turnover represents:

(1) Sales which are recorded at invoice value and are stated net of all credit notes, trade discounts, allowances and value added tax.

(2) Rental income which is recognised over the period of applicable rental agreements. Amounts received in advance are carried forward as deferred income.

1 Accounting policies (continued)

h) Fixed asset investments

Fixed asset investments are shown at cost, less any provision for impairment. Current asset investments are stated at the lower of cost and net realisable value.

i) Foreign currencies

Monetary assets and liabilities at the balance sheet date, arising in currencies other than sterling, have been translated at year-end exchange rates. Profit and loss transactions have been translated at the rates of exchange prevailing during the year. Differences on translation have been charged or credited to the profit and loss account.

j) Pension costs

It is the policy of the group to fund pension liabilities, on the advice of external actuaries, by payments to independent fund managers. Payments made to the funds and charged in the profit and loss account comprise current and past service contributions. Independent actuarial valuations, on a going concern basis, are carried out every three years. For further details see Note 23.

k) Leases

Assets held under finance leases are initially reported at the present value of the minimum lease payments at the inception of the lease with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of the lease term and its useful economic life. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of return on the outstanding balance. Payments are apportioned between finance charges and reduction of the liability, and allocated to cost of sales and other operating expenses as appropriate. Hire purchase transactions are dealt with similarly, except that assets are depreciated over their useful lives. The group enters into operating leases as described in Note 22. Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Further information on charges in the year and future commitments is given in Note 22.

l) Cashflow statement

As described in Note 24, the results of the company are included in the consolidated accounts of Illinois Tool Works Inc., and these accounts include a consolidated cashflow statement and are available to the public. The directors have chosen to take advantage of the exemption set out in Financial Reporting Standard 1 (Revised) and have not presented a cashflow statement for the company.

2 Segment information

The analysis of turnover and profit on ordinary activities before taxation by geographical market and by activity has been omitted.

3 Other operating expenses

	1999 £'000	1998 £'000
Selling, distribution and marketing costs	23,355	19,185
Product engineering	486	688
Administrative expenses	12,960	12,620
	36,801	32,493

4 Investment income

	1999 £'000	1998 £'000
Interest receivable and similar income	227	25

5 Profit on ordinary activities before taxation

Profit on ordinary activities before taxation is stated after charging (crediting):

	1999 £'000	1998 £'000
Rental income (Note 1g (2))	(4,882)	(3,880)
Depreciation on tangible fixed assets	10,586	6,354
Amortisation of goodwill and intangible assets	2,248	766
(Profit) loss on disposal of tangible fixed assets	246	(30)
Hire of plant and machinery	1,107	929
Auditors' remuneration	148	101

In addition to the above auditors' remuneration, Arthur Andersen received £76,000 (1998: £48,000) in respect of fees for non-audit services during the period ended 30 November 1999.

6 Staff costs

Particulars of employee costs (including executive directors) are as shown below:

	1999 £'000	1998 £'000
Employee costs during the year amounted to:		
Wages and salaries	37,063	36,717
Social security costs	3,225	3,133
Other pension costs (see Note 23)	3,261	1,570
	43,549	41,420

The average monthly number of persons employed by the group during the year was as follows:

	1999 Number	1998 Number
Production and distribution	1,179	1,153
Sales and administration	651	578
	1,830	1,731

7 Directors' emoluments

The directors of the company received the following remuneration from subsidiary undertakings for the year ended 30 November 1999:

	1999 £'000	1998 £'000
Directors' emoluments	196	202
The emoluments of the highest paid director were	146	138

Two of the directors were members of the company's defined benefit pension schemes in both years.

The accrued pension entitlement under the group's defined benefits schemes of the highest paid director at 30 November 1999 was £44,000 (1998: £37,000).

8 Tax on profit on ordinary activities

The corporation tax charge comprises:

	1999 £'000	1998 £'000
Corporation tax	6,386	6,554
Deferred taxation	315	(100)
Adjustment to prior year corporation tax	(1,052)	-
	5,649	6,454

9 Dividends paid and proposed

	1999 £'000	1998 £'000
Interim dividend of £366,725 (1998: £Nil) per share	37,406	-

10 Intangible fixed assets

The movement in the year was as follows:

Group	Goodwill arising on consolidation £'000	Purchased goodwill £'000	Total £'000
Cost			
Beginning of year	23,230	7,765	30,995
Additions	26,355	115	26,470
End of year	49,585	7,880	57,465
Amounts written off			
Beginning of year	2,892	574	3,466
Amortisation for year	1,895	353	2,248
End of year	4,787	927	5,714
Net book value			
Beginning of year	20,338	7,191	27,529
End of year	44,798	6,953	51,751

During the year the trade and assets of Poet Plastics Limited were acquired by the group for a total consideration of £400,000. The net assets of Poet Plastics Limited at the date of acquisition were £285,000.

11 Tangible fixed assets

The movement on tangible fixed assets was as follows:

Cost	Freehold land and buildings £'000	Short leasehold land £'000	Plant and equipment £'000	Total £'000
Beginning of year	13,627	2,667	67,772	84,066
Additions	3,552	841	15,488	19,881
Disposals	-	(204)	(6,977)	(7,181)
End of year	17,179	3,304	76,283	96,766
Depreciation				
Beginning of year	3,489	1,351	44,146	48,986
Charge for the year	997	220	9,369	10,586
Disposals	-	(204)	(5,808)	(6,012)
	4,486	1,367	47,707	53,560
Net book value				
Beginning of year	10,138	1,316	23,626	35,080
End of year	12,693	1,937	28,576	43,206

12 Fixed asset investments

a) Investments in subsidiary undertakings:

Company	1999 £'000	1998 £'000
Beginning of year	11,918	3,474
Additions in year	-	8,444
Adjustments to cost of prior year acquisition	351	-
End of year	12,269	11,918

During the year the cost of the prior year acquisition of Binks Limited, previously estimated at £8,444,000 was agreed at £8,795,000.

12 Fixed asset investments (continued)

b) Current year acquisitions

During the year, the group acquired the entire share capital of the following companies. The book values of the assets and liabilities acquired, which the directors believe to be fair values, were as follows:

	Rocol Group Limited and subsidiaries	Malborough Liners Limited	Clomarc Investment Corporation Limited and subsidiary	Modern Maintenance Products
	£'000	£'000	£'000	£'000
Tangible fixed assets	7,529	75	91	408
Stock	1,320	58	224	117
Debtors	4,527	166	718	459
Cash	3,534	20	-	-
Creditors	(7,849)	(254)	(552)	(586)
Net (liabilities)/assets acquired	9,061	65	481	398
Goodwill	22,297	685	1,929	1,093
Fair value of consideration	31,358	750	2,410	1,491

c) Principal subsidiaries

The group owns 100% of the issued share capital of the following subsidiary undertakings, all of which are registered in England and Wales (with the exception of Orgapack Limited, which is registered in Scotland):

ITW Limited
Magnaflux Holding Co (UK) Ltd (a)
Magnaflux Limited (a)
Magnaglobe Limited (a)
Magnamat Limited (a)
Magnaflux ETS Limited (a)
Signode Limited (a)
Spit Fixings Limited (a)
Irathane International Limited (a)
Phillips Drill Company (UK) Limited (a)
DeVilbiss Holdings Company Limited (a)
The DeVilbiss Company Limited (a)
Sprayfine Limited (a)
Chevron Engineering Limited (a)
Modern Maintenance Products Limited (a)
Clomarc Investment Corporation Limited (a)
ERG Limited
Marlborough Liners Limited
Rocol Group Limited
Rocol Korea Limited
Rocol GmbH
Rocol (Far East) Limited
Rocol France SA

12 Fixed asset investments (continued)

c) Principal subsidiaries (continued)

The Aerograph Company Limited	(a)
The Aerograph-DeVilbiss Company Limited	(a)
Volstatic Limited	(a)
Ransburg – Gema UK Limited	(a)
Industra Products (UK) Limited	(a)
Scanray (Scandanavian X-Ray) UK Limited	(a)
Developline Limited	(a)
Volstatic International Limited	(a)
S.F. Proffitt & Co Limited	(a)
Impex Suprafast Limited	(a)
Eurofoil Limited	(a)
The Miller Group (UK) Limited	(a)
Miller Thermal (Europe) Limited	(a)
Beauproducts Limited	(a)
AXRCO (UK) Limited	(a)
Newtec UK Limited	(a)
Inpac Automation Limited	(a)
Newtec Automation Limited	(a)
Padlocker Limited	(a)
Hofmann Industrial (UK) Limited	(b)
Orgapack Limited	(a)
Flo-Mech Packaging Machinery Limited	(a)
Edgepack Limited	(c)
Lombard Pressings Limited	
Binks Limited	
Mazel (1980) Limited	(a)
Unipac Limited	(a)

All of the above subsidiary undertakings were dormant during the year, except Modern Maintenance Products Limited, Clomarc Investment Corporation Limited, ERG Limited and the Rocol group companies, which were acquired during the year, and Lombard Pressings Limited, Mazel (1980) Limited and ITW Limited. Lombard Pressings Limited's principal activity is the licence of intangible assets used in the production and sale of products and components and ITW Limited manufactures and distributes a wide range of components. In addition, the group owns 50% of Signode Ireland Limited.

(a) The company's ownership of these subsidiary undertakings is effected through ITW Limited.

(b) The group's ownership of Hofmann Industrial (UK) Limited is effected through a nominee, who is an employee of ITW Limited, and a minority shareholder exists who owns 2 of the 100,000 ordinary shares of the subsidiary

(c) The company's ownership of this subsidiary undertaking is effected through Lombard Pressings Limited.

13 Stocks

	Group	
	1999	1998
	£'000	£'000
Raw materials and consumables	5,556	4,495
Work-in-progress	1,538	1,541
Finished goods and goods for resale	15,288	14,999
	22,382	21,035

14 Debtors

	Group		Company	
	1999	1998	1999	1998
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Trade debtors	54,497	47,131	-	-
Amounts owed by group undertakings	20,881	13,642	20,783	8,033
Advance corporation tax recoverable	13,778	5,141	-	-
VAT	661	-		
Other debtors	4,068	102	-	-
Prepayments and accrued income	10,790	15,188	-	-
	104,675	81,204	20,783	8,033
Amounts falling due after more than one year:				
Amounts owed by group undertakings	-	-	40,000	40,000
Prepayments and accrued income	13,740	20,610	-	-
	118,415	101,814	60,783	48,033

Amounts owed by group undertakings falling due after one year comprise £40,000,000 10% subordinated unsecured convertible loan notes 2095 issued by a subsidiary undertaking by way of settlement of the debt created on an interim dividend proposed during the prior year. The loan notes are repayable at the earlier of the issuer's option and 30 November 2095, unless the issuing subsidiary undertaking defaults on certain obligations to the company whereupon the loan notes are repayable without demand. The loan notes may be converted into Ordinary shares of the issuing subsidiary undertaking at the option of the company.

15 Creditors: Amounts falling due within one year

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Bank loans and overdrafts (unsecured)	37,080	6,261	8,254	5,195
Trade creditors	16,647	11,122	-	-
Amounts owed to group undertakings	48,680	23,469	6,344	-
Other creditors				
- UK corporation tax payable	5,918	3,190	1,582	1,093
- social security and PAYE	1,083	1,026	-	-
- VAT payable	-	33	-	-
- pension contributions payable	1,143	881	-	-
Accruals and deferred income	7,353	9,266	-	-
	117,904	55,248	16,180	6,288

16 Creditors: Amounts falling due after more than one year

	Group	
	1999 £'000	1998 £'000
Deferred income on Government grants	247	256

17 Provisions for liabilities and charges

Provisions for liabilities and charges comprise deferred taxation balances arising as follows:

	Group	
	1999 £'000	1998 £'000
Capital allowances in excess of depreciation	2,738	2,432
Short-term timing differences	2,565	2,556
	5,303	4,988

The movement in deferred tax comprises the following:

	1999 £'000	1998 £'000
Beginning of year	4,988	5,088
Charged to the profit and loss account	315	(100)
End of year	5,303	4,988

18 Called-up share capital

	1999 £'000	1998 £'000
Authorised		
100,000,000 ordinary shares of £1 each	100,000	100,000
Allotted, called-up and fully paid		
102 (1998: 102) ordinary shares of £1 each	-	-

19 Movements in reserves

The movement on reserves during the period was as follows:

Group	Share premium account £'000	Capital contribution £'000	Reserve arising on consolidation £'000	Profit and loss account £'000	Minority interests £'000
Beginning of year	3,474	47,362	5,080	75,917	471
Returned loss for the financial year	-	-	-	(19,668)	-
Capital contribution received	-	35,000	-	-	-
Profit attributable to minority interests	-	-	-	-	170
Dividends attributable to minority interests	-	-	-		(291)
End of year	3,474	82,362	5,080	56,249	350

Company	Share premium account £'000	Capital contribution £'000	Profit and loss account £'000
Beginning of year	3,474	47,362	2,827
Capital contribution received	-	351	-
Profit for the year	-	-	2,858
End of year	3,474	47,713	5,685

20 Reconciliation of movements in shareholders' funds

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Profit for the financial year	17,738	15,012	40,264	2,827
Dividends paid and proposed	(37,406)	-	(37,406)	-
Capital contribution received	35,000	8,444	351	8,444
Net additions to shareholders' funds	15,332	23,456	3,209	11,271
Opening shareholders' funds	131,833	108,377	53,663	42,392
Closing shareholders' funds	147,165	131,833	56,872	53,663

21 Capital commitments

There were the following capital commitments at the end of the year:

	Group		Company	
	1999 £'000	1998 £'000	1999 £'000	1998 £'000
Contracted for but not provided for	800	2,000	-	-

22 Lease commitments

The minimum annual rental payments under operating leases are as follows:

Group	Land and buildings £'000	Plant and machinery £'000	Total £'000
1999			
Leases expiring			
- within 1 year	93	398	491
- within 2-5 years	324	665	989
- after 5 years	1,476	-	1,476
	1,893	1,063	2,956

22 Lease commitments (continued)

Group

	Land and buildings £'000	Plant and machinery £'000	Total £'000
1998			
Leases expiring			
- within 1 year	109	390	499
- within 2-5 years	133	654	787
- after 5 years	1,522	14	1,536
	1,764	1,058	2,822

23 Pension scheme

The company operates defined benefit pension arrangements under trust. The pension assets of the schemes are therefore held separately from those of the company.

The pension cost charged to the profit and loss account is calculated by an actuary so as to spread the cost of pensions over the employees' working lives with the company. The pension costs are based on the most recently completed actuarial valuations. For the two main schemes, the Signode Pension Fund and the ITW Pension Fund, these were made as at 31 December 1996 and 5 April 1997, respectively. The valuations allow for the removal of the tax credit on dividends from UK equities, which applied from 2 July 1997.

The actuarial method used in the valuations was the projected unit method. The most significant assumptions for their overall effect on pension cost were:

Investment return	8.25% per annum
Salary increases	6.0% per annum
LPI pension increases (where relevant)	3.5% per annum
Equity dividend increases	4.0% per annum

Actuarial valuations of each of the arrangements take place at least once every three years. The market value of the assets at the most recent valuation dates was £18,860,000 for the Signode Fund and £30,150,000 for the ITW Fund. The funding levels of the schemes were 108% and 109% respectively, based on projected liabilities and an actuarial value of assets calculated in line with the assumptions above. The total surplus in the schemes was £3,300,000 in actuarial value terms. The total pension charge for the year was £1,636,000 (1998: £1,475,000).

24 Ultimate parent company

The company is a wholly-owned subsidiary undertaking of Illinois Tool Works Inc. (the ultimate parent company), incorporated in the State of Delaware, United States of America.

The largest and smallest group in which the results of ITW Holdings UK are consolidated are that headed by Illinois Tool Works Inc. The consolidated accounts of this group are available to the public and may be obtained from Illinois Tool Works Inc., 3600 West Lake Avenue, Glenview, Illinois 60025, United States of America.

The company has taken advantage of the exemptions for disclosures of related party transactions available in Financial Reporting Standard No. 8 to wholly owned subsidiaries of companies with publicly available accounts.