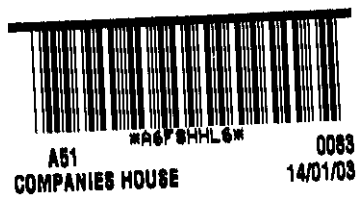


**PALL EUROPE LIMITED**

**FINANCIAL STATEMENTS**

**FOR THE 12 MONTHS ENDED 31 JULY 2002**

**REGISTERED NUMBER : 769075**



# **PALL EUROPE LIMITED**

## **DIRECTORS' REPORT AND FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED 31 JULY 2002**

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# **PALL EUROPE LIMITED**

## **DIRECTORS' REPORT**

The directors present their annual report and the audited financial statements for the year ended 31 July, 2002.

### **Principal activities**

The principal activity of the group is the supply of proprietary fine and ultra fine filters and ancillary equipment.

### **Review of business and future developments**

The level of business in terms of volume is satisfactory and shows growth over the previous year however pricing remains constrained due to the continued weakness of the Euro. The directors expect the unit growth to continue and no changes in the activities of the group are envisaged for the future.

The financial position at the year end was satisfactory.

### **Research and Development**

The company continued to undertake research and development of fluid clarification products for European and Worldwide markets.

### **Results and dividends**

The group profit for the year available to shareholders after tax amounted to £9,489,000 (2001 - £11,314,000). Details are contained in the profit and loss account on page 6 and an analysis of turnover by geographical area is shown in note 2 to the financial statements.

A dividend of £15,000,000 was paid on 1 November 2001.

### **Transfer from reserves**

The retained loss for the year of £ 5,511,000 (2001: £11,314,000 profit) was transferred from reserves.

### **Significant changes in fixed assets**

All changes in tangible fixed assets are shown in note 11 to the financial statements. In the opinion of the directors, the market value of the land and buildings as at 31 July 2002 was in excess of the book value.

# **PALL EUROPE LIMITED**

## **DIRECTORS' REPORT**

### **Directors and directors' interests**

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

E Krasnoff - Chairman  
M A Wilson – Managing Director  
C S Hutchings – resigned 28 June 2002  
N MacDonald  
E J Pearson  
R Perales  
A T Scully

According to the register of directors' interests, no director who held office at the end of the financial year held any beneficial interests in the shares of the company.

### **Employees**

The group recognises the benefits of keeping employees informed of the progress of the business. During the year the employees were regularly provided with information regarding the financial and economic factors affecting the performance of the group and on other matters of concern to them as employees, through the medium of regular employee briefings.

The group's policy with regard to the employment of disabled persons is that equal consideration is given to all applications from both able and disabled persons, subject only to the overriding consideration of safety. The special needs of disabled employees for training and advancement are kept under review.

### **Health and Safety**

The group has continued to follow the requirements of the Health and Safety at Work Act 1974 and its associated provisions.

# PALL EUROPE LIMITED

## DIRECTORS' REPORT

### Charitable contributions

Contributions and donations made by the group during the year for charitable purposes were:

	2002	2001
	£	£
Charitable donations	13,995	13,122

### Auditors

During the last year KPMG have transferred the business to a limited liability partnership, KPMG LLP. Accordingly, KPMG resigned as auditors on 13 June 2002 and the directors thereupon appointed KPMG LLP to fill the vacancy arising.

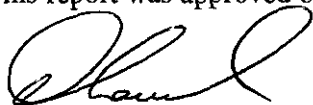
### Statement of directors' responsibilities

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 a 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.

This report was approved by the board of directors on 6 December 2002.



D M Louch  
Secretary  
Europa House  
Portsmouth

# **PALL EUROPE LIMITED**

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PALL EUROPE LIMITED**

We have audited the financial statements on pages 6 to 34.

### **Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 4, the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the group is not disclosed.

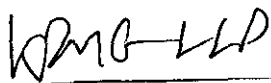
### **Basis of audit opinion**

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the 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 as at 31 July 2002 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 LLP  
Chartered Accountants  
Registered Auditor  
Southampton

Date: 6 December 2002

# PALL EUROPE LIMITED


## CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 JULY 2002

		Continuing Operations	
	Note	2002 £000	2001 £000
Turnover	2	199,227	197,648
Cost of sales		(133,545)	(129,015)
<b>Gross profit</b>		65,682	68,633
Administrative expenses		(50,724)	(50,455)
Other operating income		350	345
<b>Operating profit</b>		15,308	18,523
Net interest payable	3	(1,461)	(2,350)
<b>Profit on ordinary activities before taxation</b>	4	13,847	16,173
Tax on profit on ordinary activities	7	(4,358)	(4,859)
<b>Profit on ordinary activities after taxation</b>	8	9,489	11,314
Dividends paid	9	(15,000)	-
<b>Retained (loss) / profit for the financial year</b>		<u>(5,511)</u>	<u>11,314</u>

The accounts are prepared on an unmodified historical cost basis and therefore the profit on ordinary activities before taxation and retained profit for the financial year reported is based on historical cost. Movements on reserves are shown on page 28, note 19.

**AS AT 31 JULY 2002**

These financial statements were approved by the board of directors on 6 December 2002 and were signed on its behalf by: 

A T Scully

## Directors



# **PALL EUROPE LIMITED**

## **CONSOLIDATED STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES**

**AS AT 31 JULY 2002**

	<b>2002</b>	<b>2001</b>
	<b>£000</b>	<b>£000</b>
Profit for the financial year	9,489	11,314
Exchange differences	12	(6)
	—	—
Total recognised gains and losses	<u>9,501</u>	<u>11,308</u>

**PALL EUROPE LIMITED**

## BALANCE SHEET

**AS AT 31 JULY 2002**

	Note	2002	2001
		£000	£000
<b>Fixed assets</b>			
Intangible fixed assets - goodwill	10	737	827
Tangible fixed assets	11	60,037	60,661
Investments	12	<u>705</u>	<u>455</u>
		61,479	61,943
<b>Current assets</b>			
Stocks	13	25,422	33,172
Debtors	14	39,674	40,212
Cash at bank and in hand		<u>7,365</u>	<u>2,021</u>
		72,461	75,405
<b>Creditors: amounts falling due within one year</b>	15	<u>(34,528)</u>	<u>(46,066)</u>
<b>Net current assets</b>		37,933	29,339
<b>Total assets less current liabilities</b>		99,412	91,282
<b>Creditors: amounts falling due after more than one year</b>	16	(17,167)	(2,233)
<b>Provisions for liabilities and charges</b>	17	<u>(4,769)</u>	<u>(6,022)</u>
<b>Net Assets</b>		<u>77,476</u>	<u>83,027</u>
<b>Capital and reserves</b>			
Called up share capital	18	21,000	21,000
Capital reserve	19	2,469	2,469
Profit and loss account	19	<u>54,007</u>	<u>59,558</u>
<b>Equity shareholders' funds</b>		<u>77,476</u>	<u>83,027</u>

These financial statements were approved by the board of directors on 6 December 2002 and were signed on its behalf by:

M A Wilson

A T Scully

## Directors

# **PALL EUROPE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. Statement of accounting policies**

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's and the group's financial statements. The group has adopted FRS18 "Accounting policies" and FRS19 "Deferred tax" and has followed the transitional arrangements of FRS17 "Retirement benefits" in these financial statements.

#### **Basis of preparation**

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

#### **Basis of consolidation**

The consolidated financial statements incorporate the results of the company and all its subsidiaries for the year ended 31 July 2002.

As permitted by Section 230 of the Companies Act 1985, the profit and loss account of Pall Europe Limited is not separately presented.

Under Financial Reporting Standard 1 (Revised 1996), the company is exempt from the requirement to prepare a cashflow statement on the grounds that a parent undertaking includes the company in its own published accounts.

In addition advantage has been taken of the exception available under Financial Reporting Standard 8 not to disclose details of transactions with Pall Corporation or other group undertakings as the consolidated financial statements of Pall Corporation in which the company is included are publicly available.

#### **Turnover**

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

Revenue is recognised when title and risk of loss have transferred to the customer and when contractual terms have been fulfilled. Long-term contracts are accounted for under the percentage of completion method based upon the ratio of costs incurred to date compared with estimated costs to complete. The cumulative impact of revisions to total estimated costs is reflected in the period of the change.

#### **Stocks and work in progress**

Stocks and work in progress are stated at the lower of cost and net realisable value, except in the case of work in progress in respect of certain long term contracts which are stated at cost together with a proportion of profit appropriate to the stage of completion of each contract. In these cases, full provision is made for anticipated losses. In general, cost is determined on a

# PALL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 1. Statement of accounting policies (continued)

#### Stocks and work in progress (continued)

first in first out basis and includes transport and handling costs. For work in progress and finished goods manufactured by the company, cost includes all direct expenditure and production overheads based on the normal level of activity.

Net realisable value is the price at which stocks can be sold in the normal course of business after allowing for the costs of conversion from the existing state to a finished condition. Provision is made where necessary for obsolete, slow moving and defective stocks.

#### Foreign currencies

Transactions in foreign currencies are recorded using the rate of exchange ruling at the date of the transaction. Results of the foreign subsidiary company are translated at the average rate of exchange for the year. Differences on exchange arising from the re-translation of the opening assets and liabilities are taken to reserves. 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.

#### Fixed assets and depreciation.

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

Freehold buildings	-	50 years	( 2% per annum)
Manufacturing equipment	-	10 years	(10% per annum)
Fixtures, fittings, etc	-	10 years	(10% per annum)
Motor vehicles	-	5 years	(20% per annum)
Computer software and hardware	-	5 years	(20% per annum)

No depreciation is provided on freehold land.

#### Leases

Assets acquired under finance leases are capitalised and the outstanding future lease obligations are shown in creditors. Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

# **PALL EUROPE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. Statement of accounting policies (continued)**

#### **Regional Development grants**

Capital based Regional Development grants are credited to the profit and loss account over the estimated useful economic lives of the assets to which they relate. The grants shown in the balance sheet under 'Creditors: amounts falling due within one year' and 'Creditors: amounts falling due after more than one year' comprise the total grants received and receivable to date less amounts so far credited to the profit and loss account.

#### **Research and development expenditure**

Expenditure on research and development is written off against profits in the year in which it is incurred.

#### **Pension costs**

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

The group also operates a defined contributions scheme. The assets of the scheme are held separately from those of the group. The amount charged to the profit and loss account represents the contributions payable to this scheme in respect of the accounting period.

#### **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. Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen.

#### **Investments**

Investments are stated at cost less any provisions for permanent diminution in value.

At the close of business on 31 March 2001 the trade and net assets of Hughes Whitlock Limited were transferred to the Company at net asset value. Hughes Whitlock Limited became dormant on 1 April 2001. The residual net assets were not sufficient to support the carrying value of the investment as shown by the Company's records and consequently the values have been impaired. However, the directors consider that to charge an impairment to the Company's profit and loss account would not reflect the substance of the transaction, as the Company's overall position is unchanged.

# **PALL EUROPE LIMITED**

## **NOTES TO THE FINANCIAL STATEMENTS**

### **1. Statement of accounting policies (continued)**

#### **Investments (continued)**

The difference of £894,000 between the carrying value of the investment and the net assets of the subsidiary was therefore transferred to goodwill and is being amortised over its estimated useful life of 10 years, with a charge of £90,000 arising in 2002 (2001:£67,000). Under the specific requirements of the Companies Act, only purchased goodwill should be reflected in a company's balance sheet and consequently the Act does not permit this transfer. Accordingly the directors have departed from the requirements of the Act in order that a true and fair view is given of the Company's financial position and results.

#### **Goodwill**

Purchased goodwill (representing the excess of the fair value of the consideration given over the fair value of the separable net assets acquired) arising on business combinations in respect of acquisitions is capitalised. Positive goodwill is amortised to nil by equal annual instalments over its estimated useful life. The directors consider that the economic life of the purchased goodwill is 10 years.

# PALL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 2. Geographical analysis of turnover

Turnover, which is all in respect of filtration sales is attributable as follows:-

	United Kingdom		Rest of Europe		Other		Total	
	2002 £000	2001 £000	2002 £000	2001 £000	2002 £000	2001 £000	2002 £000	2001 £000
<b>TURNOVER</b>								
<b>By destination</b>								
Sales to third parties	<u>45701</u>	<u>45120</u>	<u>114165</u>	<u>117096</u>	<u>39361</u>	<u>35432</u>	<u>199227</u>	<u>197648</u>
<b>By origin</b>								
Total sales	<u>199227</u>	<u>197648</u>	=	=	=	=	<u>199227</u>	<u>197648</u>
<b>Profit before Taxation</b>								
Segment profit	<u>15028</u>	<u>18254</u>	<u>280</u>	<u>269</u>	=	=	15308	18523
Net interest							(1461)	(2350)
Group profit before taxation							<u>13847</u>	<u>16173</u>
<b>Net assets</b>	<u>77197</u>	<u>82749</u>	<u>567</u>	<u>514</u>	=	=	<u>77764</u>	<u>83263</u>

# PALL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 3. Net interest payable

	2002	2001
	£000	£000
Interest payable:		
On bank loans and overdrafts wholly repayable within 5 years	(830)	(2,644)
On amounts due to group undertakings	(604)	-
Finance charges payable in respect of finance leases and hire purchase contracts	(36)	(20)
Interest receivable from third parties	<u>9</u>	<u>314</u>
	<u>(1,461)</u>	<u>(2,350)</u>

### 4. Profit on ordinary activities before taxation

	2002		2001	
	£000	£000	£000	£000
Profit on ordinary activities before taxation is stated after charging:				
Auditors' remuneration:				
Audit	73		57	
Other services – fees paid to the auditor and its associates	<u>133</u>		<u>45</u>	
		206		102
Research and development expenditure		2,506		2,441
Depreciation of tangible fixed assets:				
Owned	9,321		8,782	
Leased	258		128	
Less amortisation of regional development grants	<u>(47)</u>		<u>(52)</u>	
		9,532		8,858
Amortisation of goodwill		90		67
Exchange losses:				
Realised		301		39
Unrealised		8		247



# PALL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 5. Remuneration of directors

	2002 £000	2001 £000
Directors' emoluments	<u>821</u>	<u>779</u>

The emoluments of the office of Chairman during the year was £nil (2000: £nil) and the emoluments of the office of highest paid UK director during the year was £236,000 (2001: £206,000). The highest paid director is a member of a defined benefit scheme, under which his accrued pension at the year end was £56,671 (2001: £48,083).

	Number of directors	
	2002	2001
Retirement benefits accruing to UK directors under defined benefit schemes	<u>5</u>	<u>5</u>
The number of UK directors who exercised share options in the parent company was	<u>2</u>	<u>3</u>

### 6. Staff numbers and costs

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

	2002	2001
Productive departments	1,316	1,370
Marketing and sales	231	224
General administration	<u>154</u>	<u>157</u>
	<u>1,701</u>	<u>1,751</u>
	2002 £000	2001 £000
Wages and salaries	43,424	43,705
Social Security costs	3,271	3,485
Other pension costs (see note 22)	<u>2,036</u>	<u>2,112</u>
	<u>48,731</u>	<u>49,302</u>

**PALL EUROPE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**7. Taxation**

	<b>2002</b>		<b>2001</b>	
	£000	£000	£000	£000
UK corporation tax				
Current year	5,497		5,001	
Prior Year	<u>67</u>		<u>132</u>	
		5,564		5,133
Foreign tax				
Current year	47		54	
Prior year	<u>-</u>		<u>11</u>	
		47		65
Deferred tax (see note 17)		<u>(1,253)</u>		<u>(339)</u>
		<u>4,358</u>		<u>4,859</u>

The deferred tax credit for the year comprises accelerated capital allowances of £92,000 (2001 - £300,000 charge) and other timing differences of £1,161,000 (2001 - £639,000).

*Factors affecting the tax charge for the current period*

The current tax charge for the period is higher (2001:higher) than the standard rate of corporation tax in the UK (30%, 2001:30%). The differences are explained below.

	<b>2002</b>	<b>2001</b>
	£000	£000
<i>Current tax reconciliation</i>		
Profit on ordinary activities before tax	<u>13,847</u>	<u>16,173</u>
Current tax at 30% (2001:30%)	4,154	4,852
<i>Effects of:</i>		
Expenses not deductible for tax purposes (primarily pension costs)	1,460	399
Capital allowances for period in excess of depreciation	(71)	(200)
(Lower)/higher tax rates on overseas earnings	(6)	3
Adjustment to tax charge in respect of previous periods	8	-
	<u>5,545</u>	<u>5,054</u>
Total current tax charge (see above)	<u>5,545</u>	<u>5,054</u>

**PALL EUROPE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**8. Profit for the year**

The consolidated loss for the financial year is attributable as follows:

	<b>2002</b> £000	<b>2001</b> £000
(Loss)/profit dealt within the financial statements of the company	(5,551)	11,332
Profit/(loss) retained by subsidiaries	40	(18)
	<u>(5,511)</u>	<u>11,314</u>

**9. Dividends**

	<b>2002</b> £000	<b>2001</b> £000
A dividend of £0.7143 (2001 – £nil) per ordinary share was paid on 1 November 2001	<u>15,000</u>	=

**PALL EUROPE LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**

**10. Intangible fixed assets**

**Group and the company**

**Goodwill**  
£000

**Cost**

At 1 August 2001

894

At 31 July 2002

894

**Amortisation**

At 1 August 2001

67

Charge for the year

90

At 31 July 2002

157

**Net book value**

At 31 July 2002

737

At 31 July 2001

827

Goodwill consists of purchased goodwill and is being amortised evenly over its useful economic life of 10 years.

# PALL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 11. Tangible fixed assets

Group	Freehold Land and Buildings	Fixtures, Fittings, Plant and Machinery	Total
	£000	£000	£000
<b>Cost</b>			
At 1 August 2001	30,281	112,104	142,385
Additions	57	9,283	9,340
Disposals	-	(9,097)	(9,097)
Exchange rate adjustment	<u>54</u>	<u>-</u>	<u>54</u>
At 31 July 2002	<u>30,392</u>	<u>112,290</u>	<u>142,682</u>
<b>Depreciation</b>			
At 1 August 2001	7,468	71,660	79,128
Charge for the year	590	8,989	9,579
Disposals	-	(8,654)	(8,654)
Exchange rate adjustment	<u>10</u>	<u>-</u>	<u>10</u>
At 31 July 2002	<u>8,068</u>	<u>71,995</u>	<u>80,063</u>
<b>Net book value</b>			
At 31 July 2002	<u>22,324</u>	<u>40,295</u>	<u>62,619</u>
At 31 July 2001	<u>22,813</u>	<u>40,444</u>	<u>63,257</u>

The net book value of freehold land and buildings is made up as follows:

	2002 £000	2001 £000
Freehold land	1,594	1,593
Freehold buildings	<u>20,730</u>	<u>21,220</u>
	<u>22,324</u>	<u>22,813</u>

Included in the total net book value of Fixture, Fittings, Plant and Machinery is £661,000 (2001: £878,000) in respect of assets held under finance leases. Depreciation for the year on these assets was £258,000 (2001: £128,000).

# PALL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 11. Tangible fixed assets (continued)

Company	Freehold Land and Buildings	Fixtures, Fittings, Plant and Machinery	Total
	£000	£000	£000
<b>Cost</b>			
At 1 August 2001	27,209	112,104	139,313
Additions	57	9,283	9,340
Disposals	-	(9,097)	(9,097)
At 31 July 2002	<u>27,266</u>	<u>112,290</u>	<u>139,556</u>
<b>Depreciation</b>			
At 1 August 2001	6,992	71,660	78,652
Charge for the period	532	8,989	9,521
Disposals	-	(8,654)	(8,654)
At 31 July 2002	<u>7,524</u>	<u>71,995</u>	<u>79,519</u>
<b>Net book value</b>			
At 31 July 2002	<u>19,742</u>	<u>40,295</u>	<u>60,037</u>
At 31 July 2001	<u>20,217</u>	<u>40,444</u>	<u>60,661</u>

The net book value of freehold land and buildings is made up as follows:

	<b>2002</b>	<b>2001</b>
	£000	£000
Freehold land	1,498	1,498
Freehold buildings	<u>18,244</u>	<u>18,719</u>
	<u>19,742</u>	<u>20,217</u>

Included in the total net book value of Fixture, Fittings, Plant and Machinery is £661,000 (2001: £878,000) in respect of assets held under finance leases. Depreciation for the year on these assets was £258,000 (2001: £128,000).

# PALL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 12. Fixed asset investments

Group	Participating interests
-------	----------------------------

£000

#### Cost

At 31 July 2001

-

Additions

250

At 31 July 2002

250

Company	Shares in group undertakings	Participating interests	Total
---------	------------------------------------	----------------------------	-------

£000

£000

£000

#### Cost

At 31 July 2001

455

-

455

Additions

-

250

250

At 31 July 2002

455

250

705

On the 4 July 2002 the company acquired 838 ordinary shares (£0.01 par value) in Euroflow Ltd for £250,000.

# PALL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 13. Stocks

	2002 £000	2001 £000
<b>Group and the company</b>		
Raw materials and consumables	11,006	12,062
Work in progress	2,588	2,626
Finished goods and goods for resale	<u>11,828</u>	<u>18,484</u>
	<u>25,422</u>	<u>33,172</u>

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



# PALL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 14. Debtors

	2002 £000	2001 £000
<b>Group</b>		
Amounts falling due within one year:		
Trade debtors	19,982	17,474
Amounts owed by group undertakings	13,788	16,455
Participating interests	750	-
Other debtors	1,750	1,463
Pension fund prepayment	65	776
Prepayments and accrued income	<u>3,339</u>	<u>4,044</u>
	<u>39,674</u>	<u>40,212</u>
 The amounts owed by group undertakings comprise:		
Holding company and fellow subsidiaries	<u>13,788</u>	<u>16,455</u>
 <b>Company</b>		
Amounts falling due within one year:		
Trade debtors	19,982	17,474
Amounts owed by group undertakings	13,788	16,455
Participating interests	750	-
Other debtors	1,750	1,463
Pension fund prepayment	65	776
Prepayments and accrued income	<u>3,339</u>	<u>4,044</u>
	<u>39,674</u>	<u>40,212</u>
 The amounts owed by group undertakings comprise:		
Holding company and fellow subsidiaries	<u>13,788</u>	<u>16,455</u>

# PALL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 15. Creditors: amounts falling due within one year

	2002 £000	2001 £000
<b>Group</b>		
Bank loans and overdrafts	11,380	29,115
Payments received on account	400	-
Trade creditors	12,950	9,701
Obligations under finance leases	382	325
Amounts owed to group undertakings	2,306	2,084
Corporation tax	1,745	2,357
Social security	606	574
Pension fund deficit	2,329	-
Other creditors	827	960
Accrued expenses	3,395	2,803
Deferred income - regional development grants	<u>47</u>	<u>52</u>
	<u>36,367</u>	<u>47,971</u>
The amounts owed to group undertakings comprise:		
Holding company and fellow subsidiaries	<u>2,306</u>	<u>2,084</u>
<b>Company</b>		
Bank loans and overdrafts	11,380	29,115
Payments received on account	400	-
Trade creditors	12,950	9,701
Obligations under finance leases	382	325
Amounts owed to group undertakings	466	176
Corporation tax	1,747	2,361
Social security	606	574
Pension fund deficit	2,329	-
Other creditors	826	960
Accrued expenses	3,395	2,802
Deferred income - regional development grants	<u>47</u>	<u>52</u>
	<u>34,528</u>	<u>46,066</u>
The amounts owed to group undertakings comprise:		
Holding company and fellow subsidiaries	<u>466</u>	<u>176</u>

# PALL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 16. Creditors: amounts falling due after more than one year

	2002 £000	2001 £000
<b>Group and the company</b>		
Amounts owed to group undertakings	15,000	-
Deferred Income - regional development grants	1,641	1,683
Obligations under finance leases	<u>526</u>	<u>550</u>
	<u>17,167</u>	<u>2,233</u>

The amounts owed to group undertakings are not repayable in the foreseeable future.

The maturity of obligations under finance leases and hire purchase contracts is as follows:

	2002 £000	2001 £000
<b>Group and the company</b>		
Within one year	417	357
In the second to fifth years	<u>587</u>	<u>628</u>
	1,004	985
Less future finance charges	<u>(96)</u>	<u>(110)</u>
	<u>908</u>	<u>875</u>

# PALL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 17. Provision for liabilities and charges

#### Deferred taxation

	Group		Company	
	2002	2001	2002	2001
	£000	£000	£000	£000
Accelerated capital allowances	6,105	6,013	6,105	6,013
Royalties	(175)	118	(175)	118
Restructuring provision	(260)	(170)	(260)	(170)
Management Stock Purchase Plan	(222)	(172)	(222)	(172)
Pensions	<u>(679)</u>	<u>233</u>	<u>(679)</u>	<u>233</u>
	<u>4,769</u>	<u>6,022</u>	<u>4,769</u>	<u>6,022</u>

The movements on the deferred tax provision during the year were as follows:

	Group	Company
	£000	£000
At 1 August 2001	6,022	6,022
Credit for the year in the profit and loss account	<u>(1,253)</u>	<u>(1,253)</u>
	<u>4,769</u>	<u>4,769</u>

Deferred taxation not provided for amounts to £ NIL (2001: £NIL)

# PALL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 18. Called up share capital

	2002 £000	2001 £000
<b>Authorised:</b>		
25,000,000 (2000: 25,000,000) ordinary shares of £1 each	<u>25,000</u>	<u>25,000</u>
<b>Allotted, called up and fully paid:</b>		
21,000,000 (2000: 21,000,000) ordinary shares of £1 each	<u>21,000</u>	<u>21,000</u>

### 19. Reconciliation of movements in shareholders' funds

Group	Share capital	Capital reserve	Profit & loss account	Total shareholders' funds
	£000	£000	£000	£000
At 1 August 2001	21,000	2,655	59,608	83,263
Exchange equalisation on foreign subsidiary	-	12	-	12
Profit for the financial year			9,489	9,489
Dividends	-	-	(15,000)	(15,000)
At 31 July 2002	<u>21,000</u>	<u>2,667</u>	<u>54,097</u>	<u>77,764</u>
<b>Company</b>	<b>Share capital</b>	<b>Capital reserve</b>	<b>Profit &amp; loss account</b>	<b>Total shareholders' funds</b>
	£000	£000	£000	£000
At 1 August 2001	21,000	2,469	59,558	83,027
Profit for the financial year			9,449	9,449
Dividends	-	-	(15,000)	(15,000)
At 31 July 2002	<u>21,000</u>	<u>2,469</u>	<u>54,007</u>	<u>77,476</u>

# PALL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 20. Contingent liabilities

#### (a) Distributor Agreements

Repurchase of inventory from distributors if agreements were terminated.

#### (b) Regional Development Grants

Government grants which become repayable if:

- (i) qualifying jobs are not maintained in the development area for a minimum of eighteen months following payment of grant, and
- (ii) qualifying assets are taken out of the development area, sold or taken out of use within thirty-six months from payment of grant

#### (c) Pension Fund

Possible shortfall in the actuarial valuation of the Pall (UK) Pension Fund.

### 21. Commitments

#### Capital expenditure commitments - group and company

Capital expenditure commitments at 31 July 2002, for which no provision has been made in these financial statements are as follows:

	2002 £000	2001 £000
Contracted	<u>2,041</u>	<u>3,260</u>

#### Trade guarantees and indemnities

At 31 July 2002, the group and the company had continuing financial commitments in respect of trade guarantees and indemnities amounting to £ 3,297,000 (2001 - £3,119,000).

# PALL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 22. Pension arrangements

#### Pall (UK) Pension Fund

The group operates a contributory pension scheme with a defined benefits section and a defined contribution section applicable to all its UK subsidiaries. The defined contribution section of the Fund was established on 1 August 1997. The funds of the scheme are administered by the Trustees and are separate from the group's finances. The rate at which the group contributes to the defined benefits section of the Fund has been determined in accordance with the advice of independent qualified actuaries. The rate at which the group contributes to the defined contribution section of the Fund is set out in the rules of that section.

The pension cost charge for the year was £4,842,000 (2001 - £2,942,000) after allowing for interest on the pre-payment and the group has a pension provision deficit shown under creditors of £2,329,000 (2001 - prepayment of £641,000). A prepayment has been made for deferred taxation in respect of the deficit of £699,000 (2001 - provision of £192,000).

The pension cost is assessed in accordance with the advice of an independent qualified actuary using the projected unit method. The principal assumptions were a long-term rate of return on the scheme's investments of 6.75% per annum pre retirement and 5.75% per annum post retirement and salary increases of 4.0% per annum (plus a promotional scale). Pensions which accrued before 5 April 1997 are not assumed to increase in payment (other than the Guaranteed Minimum Pension elements which are subject to statutory increases), whilst pensions which accrued after 5 April 1997 are assumed to increase at the rate of 3.0% per annum in payment.

The most recent ongoing actuarial valuation of the Fund was carried out as at 31 March 1999 using the projected unit method. For the purposes of funding the principal assumptions in this valuation were a long term rate of return on the scheme's investments of 6.25% per annum pre retirement and 4.75% post retirement and salary increases of 3.75% per annum (plus a promotional scale). No allowance was made for pensions which accrued before 5 April 1997 to increase in payment (other than the Guaranteed Minimum Pension elements which are subject to statutory increases), whilst pensions which accrued after 5 April 1997 are assumed to increase at the rate of 2.75% per annum in payment.

The market value of the fund's assets at 31 March 1999 was £65,891,000 and the actuarial value of those assets represented 110% of the value of the benefits accrued to members after allowing for expected future increase in earnings.

# PALL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 22. Pension arrangements (continued)

#### Pall Supplementary Scheme

The group also operates a non-contributory defined benefits pension scheme. The funds of the scheme are administered by the Trustees and are separate from the group's finances. The rate at which the group contributes has been determined in accordance with the advice of a qualified actuary. The pension cost charge for the year was £174,000 (2001 - £98,000) after allowing for interest on the prepayment and the group has a pension prepayment surplus shown under debtors of £65,000 (2001 - £135,000). A provision has been made for deferred taxation in respect of the surplus of £20,000 (2001 - £41,000).

The pension cost is assessed on the same basis as for the Pall (UK) Pension Fund above.

The most recent ongoing actuarial valuation of the scheme was carried out as at 1 August 1999 using the attained age method. For the purposes of funding the principal assumptions in this valuation were a long term rate of return on the scheme's investments of 8% per annum pre retirement and 7% per annum post retirement, salary increases of 6% per annum and increases to pensions in payment at the rate of 4% per annum. The market value of the scheme's assets at 1 August 1999 was £1,755,000 and the actuarial value of those assets represented 96% of the value of the benefits accrued to members after allowing for expected future increases in earnings.

#### FRS 17 Disclosure

The group operates two defined benefit schemes in the UK. Actuarial valuations were carried out at 31 March 2002 for the Pall (UK) Pension Fund and 1 August 1999 for the Pall Supplementary Pension Scheme and were updated to 31 July 2002 by a qualified independent actuary. The major assumptions used by the actuary were:

	31 July 2002	31 July 2001
Rate of increase in salaries	4.00%	4.25%
Rate of increase in pensions in payment	2.50%	2.75%
Discount rate	6.00%	6.00%
Inflation assumption	2.50%	2.75%



# PALL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 22. Pension arrangements (continued)

#### FRS 17 Disclosure (continued)

The assets in the scheme and the expected rate of return were:

	Expected Return at 31 July 2002	Value at 31 July 2002 £000	Expected Return at 31 July 2001	Value at 31 July 2001 £000
Equities	6.5%	47,839	6.5%	61,098
Bonds	5.5%	<u>13,150</u>	5.5%	<u>12,514</u>
		60,989		73,612
Present value of scheme liabilities		(72,831)		(71,888)
(Deficit)/surplus in the scheme		(11,842)		1,724
Related deferred tax asset/(liability)		<u>3,553</u>		<u>(517)</u>
Net pension (liability)/asset		<u>(8,289)</u>		<u>1,207</u>

#### Analysis of the amount charged to operating profit

	Year to 31 July 2002
	£000
Service cost	2,344
Past service cost	<u>95</u>
Total operating charge	<u>2,439</u>

#### Analysis of net return on pension scheme

	Year to 31 July 2002
	£000
Expected return on pension scheme assets	4,683
Interest on pension liabilities	<u>(4,359)</u>
Net return	<u>324</u>

# PALL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 22. Pension arrangements (continued)

#### FRS 17 Disclosure (continued)

Analysis of amount to be recognised in statement of total recognised gains and losses ("STRGL")

Year to  
31 July 2002

	£000
Actual return less expected return on assets	(18,024)
Experience gains and losses on liabilities	2,515
Changes in assumptions	<u>2,427</u>
Actuarial loss recognised in STRGL	(13,082)
Adjustment due to surplus cap	<u>-</u>
Net loss recognised	<u>(13,082)</u>

#### Movement in surplus during the year

	£000
Surplus in scheme at beginning of the year	1,724
Movement in the year:	
(Current service cost)	(2,344)
Contributions	1,631
(Past service costs)	(95)
Net return on assets/(interest cost)	324
Actuarial loss	<u>(13,082)</u>
Surplus in scheme at end of year	<u>(11,842)</u>

The FRS17 funding position over the year to 31 July 2002 showed a decrease in the surplus of £1,700,000 to a deficit of £11,800,000. Improvements in benefits costing £95,000 were made in 2001 and contributions were £1,600,000 (8% of pensionable pay). Under the projected unit method the current service cost will increase as the members of the scheme approach retirement.

# PALL EUROPE LIMITED

## NOTES TO THE FINANCIAL STATEMENTS

### 22. Pension arrangements (continued)

#### FRS 17 Disclosure (continued)

#### History of experience gains and losses

		Financial year ending			
	2002	2001	2000	1999	1998
Difference between expected and actual return on scheme assets:					
amount (£000's)	18,024				
percentage of scheme assets	-30%				
Experience gains and losses on scheme liabilities:					
amount (£000's)	2,515				
percentage of scheme liabilities	3%				
Total amount recognised in STRGL:					
amount (£000's)	(13,082)				
percentage of scheme liabilities	-18%				

### 23. Ultimate holding company

The ultimate holding company is Pall Corporation which is incorporated in the United States of America. The results of Pall Europe Limited are consolidated by Pall Corporation and copies of these accounts may be obtained at:

2200 Northern Boulevard  
East Hills  
NY 11548  
USA

### 24. Principal subsidiaries

UK subsidiary companies were engaged in activities related to the principal activity of the group prior to becoming dormant.

Pall Biomedical Limited and Hughes Whitlock Limited are incorporated and registered in England and the principal country in which they operate is the United Kingdom. Pall Verwaltungsgesellschaft m.b.H. is incorporated and registered in Germany, which is its principal country of operation.

Subsidiary companies	Class of shares	Group interest
Pall Biomedical Limited	Ordinary	100%
Hughes Whitlock Limited	Ordinary	100%
Pall Verwaltungsgesellschaft m.b.H.	Ordinary	100%