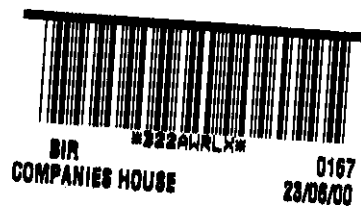


REGISTERED No.3503896

PARKER HANNIFIN (U.K.) LIMITED

ACCOUNTS FOR THE 17 MONTHS ENDED
30 JUNE 1999



PARKER HANNIFIN (U.K.) LIMITED
ACCOUNTS FOR THE 17 MONTHS ENDED
30 JUNE 1999

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PARKER HANNIFIN (U.K.) LIMITED

REPORT OF THE DIRECTORS IN RESPECT OF THE 17 MONTHS
ENDED 30 JUNE 1999

1. The Directors present herewith the audited accounts for the 17 months ended 30 June 1999.

2. Principal Activity

The main activity of the Group is the manufacture and sale of filters and thermoplastic extruded hose.

The company was incorporated on 3 February 1998 as Huxdale Limited.

On 24 March 1998 the two subscribed shares were purchased by Parker Hannifin International Corporation by way of transfer.

On 2 April 1998 the company changed its name to Parker Hannifin (U.K.) Limited.

On 1 May 1998 the company acquired the share capital of UCC Securities Limited and Extrudit Limited by way of a cash offer of £28,089,190 and £3,178,800 respectively.

On 30 June 1998 the trade and assets of UCC Securities Limited and Extrudit Limited were transferred to Parker Hannifin (U.K.) Limited at net book value

3. Change of accounting reference date

The company has changed its accounting reference date from 28 February to 30 June.

4. Review of business and future developments

The consolidated Profit and Loss Account for the year is set out on page 6. This represents trading by subsidiaries from the date of acquisition to the date of sale to the company of the trade and assets of the subsidiaries as well as the results of the company for the period.

Trading conditions during the period were difficult and a loss was made. The Directors expect present levels of activity to increase and that the Group will be profitable for the year to 30 June 2000.

5. Millenium IT Risk

The Year 2000 issue, which stems from computer programs written using two digits rather than four to define the applicable year, could result in processing faults on the change of century, producing a wide range of consequences.

The company has conducted a review of its computer systems and computer-controlled processes to identify those which could be affected and where relevant, developed an implementation plan to test and correct any faults. As a result of this work no issues arose as of 1 January 2000. The directors consider that the cost of amendment of systems for the year 2000 issue to the Group was negligible.

6. Results and Dividends

The Group's retained loss for the financial period was £811,000. No dividends have been declared during the period, therefore, the deficit of £811,000 has been transferred to reserves.

7. Post balance sheet events

On 20 July 1999 the Company invested 1.88 billion Yen (£10,066,934) in 9.4 million shares in Kuroda Precision Industries, a holding of 31.2%.

Both UCC Securities Limited (and its subsidiaries) and Extrudit Limited were dissolved pursuant to Section 652A of the Companies Act 1985 on 28 March 2000.

8. Directors

The original Directors of the Company were B J Doyle and D J Dwyer. On 6 February 1998 K Froud and N H Sumner were appointed as directors and B J Doyle and D J Dwyer resigned. On 24 March 1998 E J Bates, R M Arthur and T A Piraino were appointed as directors and K Froud and N H Sumner resigned. On 9 April 1998 A J Sayer was appointed as a director.

9. Directors' Interests in Shares

According to the register required to be kept under Section 325 of the Companies Act 1985, no Directors had, either at the beginning or the end of the period ended 30 June 1999 any interest in the shares of the Company or any other group company which are required by section 324 of the Act to be notified to the Company.

10. Directors' Interests in Contracts

None of the Directors had a material interest in any contract of significance to which the Company or its subsidiary undertakings was a party during the financial period.

11. Share Capital

The initial capital of the company was 100 ordinary £1 shares. On 24 March 1998 the company issued a further 11,999,998 ordinary £1 shares.

12. Payment to Suppliers

The Company's policy in relation to the payment of its suppliers is to settle its terms of payment with each supplier when agreeing the terms of each business transaction. The supplier is made aware of the terms which are detailed in the Company's purchase orders. It is Company practice to abide by the agreed terms of payment. The Company's average creditor payment period at 30 June 1999 was 40 days.

13. Employment of Disabled Persons

The Company employs Registered Disabled Persons and has a policy of giving full and fair consideration to applications for employment from Registered Disabled People. In cases where disablement occurs whilst in service, Company policy is, wherever practicable, to continue employment and to arrange for any necessary re-training and facilities. Opportunities for training, career development and promotion apply equally across the Company to disabled and non-disabled alike.

14. Employee Involvement and Participation

The Directors recognise the importance of good communications and relations with employees. At operating company level, regular discussions take place, both on formal and informal bases, with trade union representatives to achieve and maintain the highest possible standards of health and safety for all its employees.

15. EURO

The Directors have assessed the risks associated with the introduction of the Euro and do not consider them significant.

16. Statement of Directors' responsibilities

Company law requires the directors to prepare financial statements for each financial period that give a true and fair view of the state of the Company and the Group as at the end of the financial period and of the profit and loss of the group for that period. In preparing these 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company or group will continue in business

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

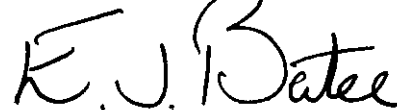
17. Auditors

Coopers and Lybrand were appointed auditors of the company by the directors on 24 March 1998.

Coopers and Lybrand merged with Price Waterhouse on 1 July 1998, following which Coopers and Lybrand resigned as auditors and the new firm, PricewaterhouseCoopers, were appointed.

The auditors, PricewaterhouseCoopers, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting

BY ORDER OF THE BOARD



E J Bates
Secretary

REPORT OF THE AUDITORS

Auditor's report to the members of Parker Hannifin (U.K.) Limited

We have audited the financial statements on pages 6 to 18.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 4 of the financial statements. Our responsibilities, as independent auditors, are established in the United Kingdom, by statute, the Auditing Practices Board and 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 United Kingdom Companies Act. 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 is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

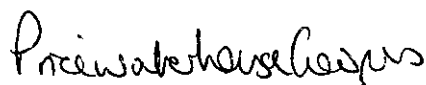
Basis of audit opinion

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 included 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 company'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 the Group's and Company's affairs as at 30 June 1999 and of the Group's loss for the period then ended and have been properly prepared in accordance with the United Kingdom Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Birmingham
23 June 2000

PARKER HANNIFIN (U.K.) LIMITED

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE 17 MONTHS ENDED 30 JUNE 1999

	<u>Notes</u>	<u>17 mths to</u> <u>30/06/99</u> <u>£'000's</u>
TURNOVER	2	18,602
COST OF SALES		<u>(12,131)</u>
GROSS PROFIT		6,471
NET OPERATING EXPENSES	3	<u>(5,766)</u>
OPERATING PROFIT	4	705
NET INTEREST PAYABLE	7	<u>(1,562)</u>
LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION		(857)
TAXATION ON LOSS ON ORDINARY ACTIVITIES	8	<u>46</u>
LOSS ON ORDINARY ACTIVITIES AFTER TAXATION		<u>(811)</u>
RETAINED LOSS FOR THE PERIOD	20	<u><u>(811)</u></u>

All activities relate to continuing operations - acquisitions.

The Group has no recognised gains or losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the loss on ordinary activities before taxation and the retained loss for the period stated above, and their historical cost equivalents.

This is the first period of trading for Parker Hannifin (U.K.) Limited. Accordingly there are no comparatives for either the profit and loss account or balance sheet.

The notes on pages 9 to 18 form part of these accounts.
Auditors' report page 5.

PARKER HANNIFIN (U.K.) LIMITED

CONSOLIDATED BALANCE SHEET - AS AT 30 JUNE 1999

	<u>Notes</u>	<u>1999</u> £'000's	£'000's
FIXED ASSETS			
Intangible assets	9		17,329
Tangible assets	10		4,680
Investments	11a		24
			<hr/> 22,033
CURRENT ASSETS			
Stocks	12	3,580	
Debtors	13	9,371	
Cash at bank and in hand		2,527	
		<hr/> 15,478	
CREDITORS - Amounts falling due within one year	14	(6,236)	
NET CURRENT ASSETS			<hr/> 9,242
Total assets less current liabilities			<hr/> 31,275
CREDITORS - Amounts falling due after more than one year	15	(21,732)	
Provision for liabilities and charges	16	46	
			<hr/> 9,589
			<hr/> <hr/>
CAPITAL AND RESERVES			
Called up share capital	17		10,400
Profit and loss account	20		(811)
Equity shareholders' fund	21		<hr/> 9,589
			<hr/> <hr/>

These accounts were approved by the board of directors on 23 June 2000

E. J. Bates Director

The notes on pages 9 to 18 form part of these accounts.
Auditors' report page 5.

PARKER HANNIFIN (U.K.) LIMITED

COMPANY BALANCE SHEET – AS AT 30 JUNE 1999

	<u>Notes</u>	<u>1999</u> £'000's	£'000's
FIXED ASSETS			
Tangible assets	10		4,680
Investments	11b		17,353
			<hr/> 22,033
CURRENT ASSETS			
Stocks	12	3,580	
Debtors	13	9,371	
Cash at bank and in hand		2,527	
		<hr/> 15,478	
CREDITORS - Amounts falling due within one year	14	(6,236)	
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Provision for liabilities and charges	16	46	
			<hr/> 9,589
			<hr/> <hr/>
CAPITAL AND RESERVES			
Called up share capital	17	10,400	
Profit and loss account	20	(811)	
Equity shareholders' fund	21		<hr/> 9,589
			<hr/> <hr/>

These accounts were approved by the board of directors on 23 June 2000

E. J. Bates Director

The notes on pages 9 to 18 form part of these accounts.
Auditors' report page 5.

PARKER HANNIFIN (U.K.) LIMITED

NOTES TO THE ACCOUNTS - 17 MONTHS ENDED 30 JUNE 1999

1. Principal Accounting Policies

The accounts are prepared under the historical cost convention and in accordance with applicable Accounting Standards in the United Kingdom. A summary of the more important accounting policies is set out below.

(a) Basis of Consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings listed in note 11 (excluding UCC Corporation Chur) made up to 30 June 1999. The results of subsidiary undertakings, sold or acquired, are included in the consolidated profit and loss account up to, or from, the date control passes. Intra group sales and profits are eliminated fully on consolidation. Results of acquired subsidiaries are consolidated from the date control passes and subsequent to the date of transfer of their trading into the parent company are all shown within continuing activities – acquisitions.

The results and balance sheets of subsidiaries located in Switzerland, France, Germany, USA and Australia have not been consolidated in the Group accounts as the directors consider them to be immaterial

In accordance with the exemptions given by section 230 of the Companies Act 1985, the holding company has not presented its own profit and loss account.

(b) Goodwill

All goodwill pertaining to businesses acquired, being the excess of purchase price over the fair value of net assets acquired, is accumulated and amortised over its useful economic life, in line with Financial Reporting Standards in the United Kingdom. This is taken to be 20 years.

(c) Capital instruments

Capital instruments are included at cost, adjusted for discount accretion or premium amortisation where the intention is to hold them to maturity.

Interest payable and the premium or discount where relevant is taken to the profit and loss account so as to produce a constant rate of return over the period to the date of expected redemption.

(d) Depreciation

Depreciation is calculated to write off the cost or valuation of fixed assets less their estimated residual values on a straight line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose are:

Freehold buildings	2%
Plant and equipment	10%-20%
Motor vehicles	25%-33 $\frac{1}{3}$ %
Computer equipment	20%-50%

Leasehold land and buildings are amortised over 50 years or the period of the lease whichever is the shorter. Freehold land is not depreciated.

(e) Foreign Currencies

Assets and liabilities expressed in foreign currencies are translated to sterling at the rates of exchange ruling at the balance sheet date and results are translated at the average rate for the period. Gains or losses on translation are dealt with in the profit and loss account.

PARKER HANNIFIN (U.K.) LIMITED

NOTES TO THE ACCOUNTS - 17 MONTHS ENDED 30 JUNE 1999 - CONTINUED

1. Principal Accounting Policies - Continued

(f) Stocks

Stocks are stated at the lower of cost and net realisable value. In general, cost is determined on a first in, first out basis and in the case of manufactured products, includes all direct expenditure and production overheads, based on the normal level of activity incurred in bringing the stocks to their current state and location. Net realisable value is the amount at which it is expected items of stock can be disposed of in the normal course of business after allowing for all further costs to completion and all directly related costs to be incurred in marketing, selling and distribution. Provision is made for slow moving, obsolete and defective stock.

(g) Deferred Taxation

Provision is made for deferred taxation using the liability method except in the case of tax reductions arising from timing differences, mainly capital allowances, which are reasonably expected to continue for the foreseeable future.

(h) Investments

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

(i) Pension Arrangements

The Company funds pension liabilities, on the advice of external actuaries, by payments to the Company pension fund. The Company's contributions are charged to the profit and loss account for the period in which payments are made and are calculated to meet current and past service liabilities. The fund is actuarially valued every three years (see note 18).

(j) Turnover

Turnover, which excludes value added tax and sales between group companies, comprises UK sales at invoiced value and export sales on a f.o.b. basis.

(k) Cash Flow Statement

The Company is a wholly-owned subsidiary of Parker Hannifin International Corporation, which is a publically owned company in the United States of America. Consequently the Company is exempt under the terms of Financial Reporting Standard No. 1 (Revised 1996) from publishing a cash flow statement, as cashflow information is incorporated in that Company's financial statements.

2. Segmental Information

The Directors regard the operations of the Company as comprising a single activity. All turnover originates from, and all net assets are based within, the United Kingdom. The geographical analysis of Group turnover by destination was as follows:

	<u>17 mths to</u> <u>30/06/99</u> £'000's
United Kingdom	9,460
Rest of Europe	6,524
Rest of World	2,618
	<hr/>
	<u>18,602</u>

PARKER HANNIFIN (U.K.) LIMITED

NOTES TO THE ACCOUNTS - 17 MONTHS ENDED 30 JUNE 1999 - CONTINUED

3. Net Operating Expenses

Group net operating expenses are made up as follows:

	<u>17 mths to</u> <u>30/06/99</u> £'000's
Other operating costs	1,965
Sales expense	780
Administrative expenses	3,021
	<hr/> 5,766

4. Operating Profit

Group operating profit is stated after charging:

	<u>17 mths to</u> <u>30/06/99</u> £'000's
Depreciation of tangible fixed assets (see note 10)	1,475
Amortisation of intangible fixed assets (see note 9)	1,082
Auditor's remuneration – audit services	37
Auditor's remuneration – non audit services	6
Losses from fixed asset disposals	84
Royalty	46

5. Directors' Emoluments

The directors who held office at any time during the period to 30 June 1999 received no remuneration for their services to any of the companies within the Parker Hannifin (U.K.) Limited group.

There are no retirement benefits accruing for any of the directors in respect of their services to the company or its group at period end.

6. Employee Information

The average number of persons employed by the Group, including executive directors, during the year and their payroll costs were:

	1999 Number
Production	95
Selling	11
Administration	61
	<hr/> 167

PARKER HANNIFIN (U.K.) LIMITED

NOTES TO THE ACCOUNTS - 17 MONTHS ENDED 30 JUNE 1999 - CONTINUED

6. Employee Information (continued)

	<u>17 mths to</u> <u>30/06/99</u> £'000's
Aggregate gross wages and salaries	3,506
Employer's national insurance contributions	336
Employer's pension contributions under the company pension scheme (see note 18)	312
	<hr/> 4,154 <hr/>

7. Net Interest Payable

	<u>17 mths to</u> <u>30/06/99</u> £'000's
Group	
On amounts owed to third parties	29
On amounts owed to Group undertakings	<hr/> 1,582 <hr/>
	1,611
Interest receivable	<hr/> (49) <hr/>
	<hr/> 1,562 <hr/>

Interest payable to Group undertakings represents the interest charge in respect of a deep discount bond issued by the company to Alenco (Holdings) Limited, a fellow subsidiary (see note 15)

8. Tax on Loss on Ordinary Activities

The credit to taxes is as follows:

	<u>17 mths to</u> <u>30/06/99</u> £'000's
Deferred tax (see note 16)	<hr/> 46 <hr/>

9. Intangible Fixed Assets

A summary of the Group's intangible fixed assets is as follows:

<u>Cost</u>	<u>Goodwill</u> <u>£'000's</u>
Acquired upon acquisition of subsidiaries (see note 22)	<hr/> 18,411 <hr/>
At 30 June 1999	<hr/> 18,411 <hr/>
<u>Aggregate Amortisation</u>	
Amortisation during period	1,082
At 30 June 1999	<hr/> 1,082 <hr/>
Net book amount at 30 June 1999	<hr/> 17,329 <hr/>

PARKER HANNIFIN (U.K.) LIMITED

NOTES TO THE ACCOUNTS - 17 MONTHS ENDED 30 JUNE 1999 - CONTINUED

10. Tangible Fixed Assets

A summary of the Group and Company's tangible fixed assets are as follows:

<u>Cost</u>	Freehold land and <u>buildings</u> £'000's	Plant and <u>machinery</u> £'000's	<u>Total</u> £'000's
Acquired upon acquisition of subsidiaries (see note 22)	2,917	3,861	6,778
Additions	-	21	21
Disposals	(400)	(282)	(682)
At 30 June 1999	2,517	3,600	6,117
<u>Depreciation</u>			
Charge for the period	50	1,425	1,475
Disposals	-	(38)	(38)
At 30 June 1999	50	1,387	1,437
Net book amount at 30 June 1999	2,467	2,213	4,680

The value of freehold land not subject to depreciation is £24,000.

11. Investments

(a) Group	£'000's
COST	
Acquired upon acquisition of subsidiaries (see note 22)	24
Net book amount at 30 June 1999	24

(b) Company

Interests in group undertakings

At 30 June 1999 the Group held shares in the allotted share capital of the following:

	Country of registration and operation	Percentage held	Nature of business
UCC Securities Limited	England	100%	Dormant
Extrudit Limited	England	100%	Dormant
UCC Corporation Chur	Switzerland	100%	Dormant

The movements in interests in group undertakings are analysed as follows:

	£'000's
Cost (see note 22)	31,268
Dividends received from subsidiary	(13,915)
Net book amount at 30 June 1999	17,353

Following the transfer of the trade and assets of UCC Securities Limited and Extrudit Limited to Parker Hannifin (U.K.) Limited at net book value on 30 June 1998, the investment in subsidiaries has been reclassified as goodwill.

PARKER HANNIFIN (U.K.) LIMITED

NOTES TO THE ACCOUNTS - 17 MONTHS ENDED 30 JUNE 1999 - CONTINUED

12.	<u>Stocks</u>	
	Group and Company	<u>30/06/99</u>
		£'000's
	Raw materials	2,008
	Work in progress	126
	Finished goods	1,446
		<u>3,580</u>
13.	<u>Debtors - Amounts Falling Due Within One Year</u>	
	Group and Company	<u>30/06/99</u>
		£'000's
	Trade debtors	2,568
	Amounts owed by group undertakings	5,720
	Other debtors	38
	Prepayments and accrued income	855
		<u>9,181</u>
	<u>Debtors - Amounts Falling Due After One Year</u>	
	Group and Company	
	Pension Prepayment	190
		<u>9,371</u>
14.	<u>Creditors - Amounts Falling Due Within One Year</u>	
	Group and Company	<u>30/06/99</u>
		£'000's
	Trade creditors	1,309
	Amounts owed to group undertakings	4,169
	Accruals and deferred income	483
	Corporation tax	275
		<u>6,236</u>
	Amounts owed to group undertakings are unsecured, interest free and repayable on demand.	
15.	<u>Creditors - Amounts Falling Due After More Than One Year</u>	
	Group and Company	<u>30/06/99</u>
		£'000's
	Bank loans as other borrowings	150
	Amounts owed to group undertakings	21,582
		<u>21,732</u>

Bank loans and other borrowings are unsecured and are repayable between two and five years. Interest on the borrowings is payable at 1% above LIBOR.

Amounts owed to group undertakings relate to a note in the principal amount of £31,511,265 issued by the company to Alenco (Holdings) Limited at a price of £20,000,000.

The bond carries no interest charge but is repayable on demand.

PARKER HANNIFIN (U.K.) LIMITED

NOTES TO THE ACCOUNTS - 17 MONTHS ENDED 30 JUNE 1999 - CONTINUED

15. Creditors - Amounts Falling Due After More Than One Year (continued)

In accordance with FRS4, the effective finance cost of £11,511,265 is charged to the profit and loss account in the period using an effective interest rate of 6.71% over the life of the Note. Unpaid interest is added to the outstanding principal amount at period end.

The Notes are repayable on 27 April 2005 at the principal amount. The holder of the notes may (by giving at least 30 days' notice) at redemption date subscribe for 6.59% preference shares in the principal amount in the capital of the company.

16. Deferred taxation

The deferred tax asset of £46,000 is analysed as follows:

	<u>30/06/99</u>
	£'000's
Other timing differences	<u>46</u>

There is no difference between the amount provided and the total potential liability.

17. Called up Share Capital

	<u>Group and</u>
	<u>Company</u>
	<u>30/06/99</u>
	£'000's
Authorised Share capital	
12,000,000 ordinary shares of £1 each	<u>12,000</u>
Allotted, called up and fully paid	
10,400,000 ordinary shares of £1 each	<u>10,400</u>

Following an increase in the authorised share capital of the company on 24 March 1998 by 11,999,900 to 12,000,000 the company allotted 10,399,998 shares at nominal value on 3 April 1998.

The share capital was allotted in order to fund the acquisition of the two subsidiaries purchased in the period.

18. Pensions

The Company's pension arrangements are dealt with under a defined benefit scheme managed in this country by Parker Hannifin plc.

The last full actuarial valuation of the scheme was carried out as at 30 June 1997 using the projected unit credit method. As a result of the valuation disclosed, the Company's contribution to the scheme has remained at 11.5% effective 1 July 1997. The scheme is externally funded and the market value of the assets at 30 June 1999 was £65.01 million. The costings assumed that the long-term yield on investments would exceed the general rate of increases in salaries by 2% per annum, with any surplus being spread evenly over the next year. The pension charge for the year was £312,000. The balance sheet prepayment based on the fair value at the date of acquisition of the UCC Securities Limited and Extrudit Limited amounts to £190,000.

19. Capital Commitments

Capital commitments contracted for but not provided for at year end amounted to NIL,

PARKER HANNIFIN (U.K.) LIMITED

NOTES TO THE ACCOUNTS - 17 MONTHS ENDED 30 JUNE 1999 - CONTINUED

20. Profit and Loss Account

	<u>Group</u> £'000's	<u>Company</u> £'000's
Retained loss for the period	811	811
At 30 June 1999	811	811

21. Reconciliation of Movements in Shareholders' Funds

	<u>Group</u> £'000's	<u>Company</u> £'000's
Loss for the period attributable to shareholders	(811)	(811)
Net proceeds of issue of ordinary share capital	10,400	10,400
At 30 June 1999	9,589	9,589

22. Acquisitions

(a) Acquisition of UCC Securities Limited

On 1 May 1998 the company purchased the share capital of UCC Securities Limited. The purchase consideration was £28,089,190. The acquired business is accounted for using the acquisition method of consolidation.

For the period since acquisition, up to the date of transfer of the trade and assets into Parker Hannifin (U.K.) Limited, sales of £2,311,143 and an operating profit of £1,353,274 are included within the consolidated profit and loss account as continuing operations – acquisitions.

In its last financial year to 31 October 1997, UCC Securities Limited reported a consolidated loss after tax and minority interests of £2,356,166. For the period since that date to the date of acquisition, UCC Securities Limited's results as per the management accounts show:

	£'000's
Turnover	8,670
Operating profit	155
Profit before tax	120
Taxation	(254)
Profit attributable to shareholders	(134)

PARKER HANNIFIN (U.K.) LIMITED

NOTES TO THE ACCOUNTS - 17 MONTHS ENDED 30 JUNE 1999 - CONTINUED

22. Acquisitions (continued)

The analysis of net assets of UCC Securities Limited acquired and fair values to the Group are as follows:

	Book value £'000's	Revaluation £'000's	Other £'000's	Fair value to Group £'000's
Tangible fixed assets	3,058	3,040	-	6,098
Investments	24	-	-	24
Stocks	4,233	-	-	4,233
Debtors	4,063	190	-	4,253
Creditors	(2,422)	(199)	-	(2,621)
Provisions	(7)	-	(744)	(751)
Net Assets	8,949	3,031	(744)	11,236
Consideration:				
Cash				28,089
less cash acquired				(919)
Net consideration				27,170
Goodwill arising (see note 9)				15,934

The book values of assets and liabilities have been taken from the management accounts of UCC Securities Limited at 1 May 1998 (the date of acquisition). The fair value adjustments contain some provisional amounts as indicated below, which will be finalised in the 2000 financial statements when the detailed acquisition investigation has been completed.

Revaluation of tangible fixed assets comprises the revaluation of certain freehold properties and items of plant and machinery.

The fair valuation adjustment in respect of debtors arises from the recognition of £190,000 to reflect the pension fund surplus following an actuarial review.

Creditors have been adjusted upwards to reflect the recognition of additional PAYE liabilities arising.

A provisional adjustment of £744,000 has been made within provisions to reflect certain unrecognised liabilities existing at the date of acquisition. However, work on these continues to establish the circumstances in respect of each liability.

(b) Acquisition of Extrudit Limited

On 1 May 1998 the company purchased the share capital of Extrudit Limited. The purchase consideration was £3,178,800. The acquired business is accounted for using the acquisition method of consolidation.

For the period since acquisition, up to the date of transfer of the trade and assets into Parker Hannifin (U.K.) Limited, sales of £503,751 and an operating loss of £8,553 are included within the consolidated profit and loss account as continuing operations – acquisitions.

In its last financial year to 31 July 1997, Extrudit Limited reported a consolidated profit after tax of £37,348. For the period since that date to the date of acquisition, Extrudit Limited's results as per the management accounts show:

PARKER HANNIFIN (U.K.) LIMITED

NOTES TO THE ACCOUNTS - 17 MONTHS ENDED 30 JUNE 1999 - CONTINUED

23. Acquisitions (continued)

	£'000's
Turnover	2,318
Operating profit	171
Profit before tax	99
Taxation	(17)
Profit attributable to shareholders	82

The analysis of net assets of Extrudit Limited acquired and fair values to the Group are as follows:

	Book value £'000's	Revaluation £'000's	Accounting Policy Alignment £'000's	Fair value to Group £'000's
Tangible fixed assets	680	-	-	680
Investments	-	-	-	-
Stocks	157	-	-	157
Debtors	674	-	-	674
Creditors	(792)	-	-	(792)
Provisions	-	-	-	-
Net Assets	719	-	-	719

Consideration:

Cash	3,179
add overdraft acquired	17

Net consideration	3,196
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Goodwill arising (see note 9)	2,477
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The book values of the assets and liabilities has been taken from the management accounts of Extrudit Limited as at 1 May 1998 (the date of acquisition).

23. Related Party Transactions

The Company has taken advantage of the exemption granted under paragraph 3(c) of FRS8 and not disclosed any transactions with other group companies.

24. Ultimate Holding Company

The ultimate holding company and controlling party is Parker Hannifin Corporation which is incorporated in the USA. Copies of its annual financial statements may be obtained from The Company Secretary, Parker Hannifin Corporation, 6035 Parkland Boulevard, Cleveland, Ohio 44124-4141, USA.