

Parker Hannifin (UK) Limited

Directors' Report and Financial Statements
for the year ended

30 June 2001

Registered Number: 3503896



Parker Hannifin (UK) Limited

DIRECTORS' REPORT

1. The Directors present herewith the audited accounts for the year ended 30 June 2001.

2. Principal Activity

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

3. Review of business and future developments

Trading conditions during the year were difficult and a loss was made. The Directors expect present levels of activity to increase and that the Company will be profitable for the year to 30 June 2002.

On 30 June 2000, the ultimate UK holding company became Parker Hannifin (Holdings) Limited following a change in ownership from Parker Hannifin Int. Corp.

During the year the company announced the closure of its operations based at one of its locations in Thetford UK.

Extrudit Ltd (a wholly owned dormant subsidiary) was dissolved pursuant to Section 652A of the Companies Act 1985 on 1 August 2000.

4. Results and Dividends

There was a loss for the year after taxation amounting to £8,188,000 (2000: £1,614,000). No dividends have been declared during the year (2000: nil), therefore, the deficit of £8,188,000 (2000: £1,614,000) has been deducted from reserves.

On 31 December 2000, the trade and assets of the Buxton division were transferred to Parker Hannifin Plc at net book value, and the results are shown as discontinued.

5. Directors

The Directors of the Company who served were:

E J Bates (resigned 3 September 2001)
R M Arthur
T A Piraino (resigned 3 September 2001)
A J Sayer (resigned 3 September 2001)
I Molyneux (appointed 31 August 2001)
M Vadgama (appointed 31 August 2001)

6. 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 year ended 30 June 2001 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.

7. 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.

Parker Hannifin (UK) Limited

DIRECTORS' REPORT CONTINUED

8. 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 2001 was 42 days (2000 48 days).

9. 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.

10. 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.

11. EURO

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

12. Auditors

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



Secretary
10 April 2002

Parker Hannifin (UK) Limited

STATEMENT OF DIRECTOR'S RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the statement of affairs of the Company as at the end of the financial year and of the profit or loss of the Company 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, and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company 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 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

BY ORDER OF THE BOARD



Secretary
10 April 2002

Parker Hannifin (UK) Limited

REPORT OF THE AUDITORS

Independent auditors' report to the members of Parker Hannifin (UK) Limited

We have audited the financial statements on pages 6 to 17.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities on page 4.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board.

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 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.

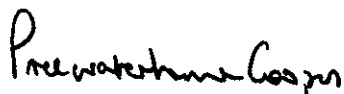
Basis of audit opinion

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 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 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 company's affairs at 30 June 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers
Chartered Accountants and Registered Auditors
Birmingham
10 April 2002

Parker Hannifin (UK) Limited

PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 30 JUNE 2001

	Notes	2001 £'000's	2000 £'000's
Turnover – continuing operations		11,424	11,622
– discontinued operations		1,006	2,283
Total Turnover	2	<u>12,430</u>	<u>13,905</u>
Cost of sales	3	<u>(9,626)</u>	<u>(9,979)</u>
Gross profit		2,804	3,926
Net operating expenses: excluding exceptional costs	4	<u>(4,506)</u>	<u>(3,942)</u>
exceptional costs	4	<u>(947)</u>	<u>-</u>
Total net operating expenses	4	<u>(5,453)</u>	<u>(3,942)</u>
Operating loss – continuing operations		<u>(2,318)</u>	<u>388</u>
– discontinued operations		<u>(331)</u>	<u>(404)</u>
Operating loss		(2,649)	(16)
Investment write-off	6	(3,623)	-
Interest payable	9	<u>(1,549)</u>	<u>(1,437)</u>
Loss on ordinary activities before taxation		(7,821)	(1,453)
Tax on loss on ordinary activities	10	<u>(367)</u>	<u>(161)</u>
Retained loss for the financial year	20	<u>(8,188)</u>	<u>(1,614)</u>

- The Company 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.

The notes on pages 8 to 17 form part of these accounts.
Auditors' report page 5.

Parker Hannifin (UK) Limited

BALANCE SHEET – AS AT 30 JUNE 2001

	<u>Notes</u>	<u>2001</u> £'000's	£'000's	<u>2000</u> £'000's	£'000's
FIXED ASSETS					
Intangible assets	11		12,772		15,666
Tangible assets	12		2,569		4,608
Investments	13		6,444		10,067
			<u>21,785</u>		<u>30,341</u>
CURRENT ASSETS					
Stocks	14	3,844		3,926	
Debtors	15	10,402		10,548	
Cash at bank and in hand		<u>58</u>		<u>311</u>	
		14,304		14,785	
CREDITORS - Amounts falling due within one year	16	<u>(25,719)</u>		<u>(26,919)</u>	
NET CURRENT LIABILITIES			<u>(11,415)</u>		<u>(12,134)</u>
Total assets less current liabilities			10,370		18,207
CREDITORS - Amounts falling due after more than one year	17		-		(100)
Provision for liabilities and charges	18		<u>(516)</u>		<u>(65)</u>
NET ASSETS			<u>9,854</u>		<u>18,042</u>
CAPITAL AND RESERVES					
Called up share capital	19		10,400		10,400
General reserve	20		10,067		10,067
Profit and loss account	20		<u>(10,613)</u>		<u>(2,425)</u>
Equity shareholders' fund	21		<u>9,854</u>		<u>18,042</u>

These accounts were approved by the board of directors on 10 April 2002



Director

The notes on pages 8 to 17 form part of these accounts.
Auditors' report page 5.

Parker Hannifin (UK) Limited

NOTES TO THE ACCOUNTS - YEAR ENDED 30 JUNE 2001

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.

The directors have reviewed the terms under which amounts owed to group undertakings are repayable. As a result, the directors have restated the amounts due to group undertakings as previously reported (£23,031,000) from Amounts falling due over one year to Amounts falling due within one year. The effect of this restatement is disclosed in Note 16.

(a) Tangible Fixed Assets

Fixed assets are shown at cost less accumulated depreciation.

Depreciation is calculated to write off the cost of fixed assets on a straight-line basis over the expected useful lives of the assets concerned. The principal annual rates used for this purpose, which are consistent with those of the previous year 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.

(b) Fixed Asset Investments

Investments are stated at cost of the shares or trade and assets plus all other associated costs less any provision for impairment.

(c) Foreign Currencies

Monetary assets and liabilities expressed in foreign currencies are translated to sterling at the rates of exchange ruling at the end of the financial year or at contracted rates. Gains or losses on translation are dealt with in the profit and loss account.

(d) 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.

(e) 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.

Parker Hannifin (UK) Limited

NOTES TO THE ACCOUNTS - 30 JUNE 2001 - CONTINUED

1. PRINCIPAL ACCOUNTING POLICIES - CONTINUED

(f) Finance Leases

The Company is a lessee under a number of finance lease agreements, that is leases where substantially all of the risks and rewards of ownership accrue to the lessee.

The policies adopted are as follows:

- (i) the asset concerned is included in fixed assets at the cost or estimated cost to the lessor and is depreciated on a straight line basis over the shorter of the lease term or the life of the asset and;
- (ii) lease payments made are apportioned between repayments of capital and interest so as to amortise the total interest charge on a straight line basis over the life of the asset and;
 - the interest elements are charged to profit and loss account as they accrue;
 - the aggregate of the outstanding capital repayments payable is included as a liability in the balance sheet.

(g) Operating Leases

The annual rentals in relation to operating leases are charged to operating profit on a straight-line basis over the lease term.

(h) Pension Arrangements

The Company funds pension liabilities in respect of a defined benefit pension scheme, 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.

(i) Turnover

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

(j) Goodwill

Goodwill represents amount classified from investments following the transfer of the trade and assets of subsidiary undertakings to the company. All goodwill pertaining to businesses acquired, the carrying value represents the excess of the fair value of the purchase price over the fair value of net assets acquired, and is amortised over the directors' estimate of the life of the goodwill, which is taken to be 20 years, in line with Financial Reporting Standards in the United Kingdom.

(k) Cash Flow Statement

The ultimate parent company is Parker Hannifin Corporation. The Company is included in the consolidated financial statements of Parker Hannifin Corporation which are publicly available. Consequently the Company has taken advantage of the exemption from preparing a cashflow statement under the terms of Financial Reporting Standard No. 1 (Revised 1996).

Parker Hannifin (UK) Limited

NOTES TO THE ACCOUNTS - 30 JUNE 2001 - CONTINUED

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>2001</u> £'000's	<u>2000</u> £'000's
United Kingdom	5,930	6,756
Rest of Europe	5,327	4,895
Rest of World	<u>1,173</u>	<u>2,254</u>
	<u>12,430</u>	<u>13,905</u>

3. COST OF SALES

Included within cost of sales is an amount of £1,033,000 (2000: £1,984,000) which relates to discontinued activities.

4. NET OPERATING EXPENSES

Group net operating expenses are made up as follows:

	2001			2000		
	Continuing £ '000's	Discontinued £ '000's	Total £ '000's	Continuing £ '000's	Discontinued £ '000's	Total £ '000's
Other operating costs	2,267	155	2,422	977	355	1,332
Sales expense	1,794	-	1,794	1,129	62	1,191
Administration expense	<u>1088</u>	<u>149</u>	<u>1,237</u>	<u>1,133</u>	<u>286</u>	<u>1,419</u>
	<u>5,149</u>	<u>304</u>	<u>5,453</u>	<u>3,239</u>	<u>703</u>	<u>3,942</u>

Included within net operating expenses, continuing operations (£5,149,000), is an amount of £516,000 (2000: £nil) relating to redundancy costs and £431,000 (2000: £nil) relating to an impairment in the carrying value of land and buildings (see note 12) following the announcement of the closure of an operating site at Thetford UK.

5. OPERATING LOSS

Operating loss is stated after charging/(crediting):

	<u>2001</u> £'000's	<u>2000</u> £'000's
Depreciation of tangible fixed assets (see note 12)	919	1,191
Amortisation of intangible fixed assets (see note 11)	753	919
Auditor's remuneration – audit services	-	35
Auditor's remuneration – non audit services	-	6
(Profit)/loss from fixed asset disposals	(21)	11
Royalty	75	90
Hire of machinery and equipment	<u>120</u>	<u>110</u>

In 2001 audit fees of £20,000 and non-audit fees of £5,000 were borne by a fellow group undertaking, Parker Hannifin plc.

Parker Hannifin (UK) Limited

NOTES TO THE ACCOUNTS - 30 JUNE 2001 - CONTINUED

6. INVESTMENT WRITE-OFF

An amount of £3,623,000 (2000: £nil) has been written off investments (see note 13).

7. DIRECTORS' EMOLUMENTS

The directors who held office at any time during the period to 30 June 2001 received no remuneration for their services to the Company during the year (2000: nil).

There are no retirement benefits accruing for any of the directors in respect of their services to the Company (2000: nil).

8. EMPLOYEE INFORMATION

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

	<u>2001</u>	<u>2000</u>
	Number	Number
Production	96	94
Administration	77	75
	<u>173</u>	<u>169</u>
	<u>2001</u>	<u>2000</u>
	£'000's	£'000's
Aggregate gross wages and salaries	2,863	3,146
Employer's national insurance contributions	204	258
Employer's pension contributions under the group pension scheme (see note 22)	385	198
	<u>3,452</u>	<u>3,602</u>

9. NET INTEREST PAYABLE

	<u>2001</u>	<u>2000</u>
	£'000's	£'000's
Bank loans and overdrafts	4	9
On amounts owed to Group undertakings	<u>1,545</u>	<u>1,449</u>
	1,549	1,458
Interest receivable	<u>-</u>	<u>(21)</u>
	<u>1,549</u>	<u>1,437</u>

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 17)

Parker Hannifin (UK) Limited

NOTES TO THE ACCOUNTS - 30 JUNE 2001 - CONTINUED

10. TAX ON LOSS ON ORDINARY ACTIVITIES

The charge based on losses for the year comprises:

	<u>2001</u>	<u>2000</u>
	£'000's	£'000's
UK Corporation tax at 30% (2000: 30%)	-	(50)
Deferred tax	65	182
Prior year adjustment for under-provision	(432)	(293)
	<u>(367)</u>	<u>(161)</u>

11. INTANGIBLE FIXED ASSETS

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

<u>Cost</u>	<u>Goodwill</u> <u>£'000's</u>
At 1 July 2000	17,667
Transfer to group	(2,604)
At 30 June 2001	<u>15,063</u>
<u>Aggregate Amortisation</u>	
1 July 2000	2,001
Transfer to group	(463)
Charge for the year	753
At 30 June 2001	<u>2,291</u>
Net book amount at 30 June 2001	<u>12,772</u>
Net book amount at 30 June 2000	<u>15,666</u>

Following the transfer of the trade and assets of UCC Securities Limited (a subsidiary undertaking which has since been dissolved (see note 13) and Extrudit Limited to Parker Hannifin (UK) Limited at net book value on 30 June 1998 the original investment in subsidiaries was reclassified as goodwill in the period ended 30 June 1999.

On 31 December 2000 the trade and assets of Buxton were transferred to Parker Hannifin Plc at net book value. The goodwill written off during the year is represented by this transfer.

Parker Hannifin (UK) Limited

NOTES TO THE ACCOUNTS - YEAR ENDED 30 JUNE 2001 - CONTINUED

12. TANGIBLE FIXED ASSETS

A summary of the tangible fixed assets are as follows:

<u>Cost</u>	<u>Freehold land and buildings</u> £'000's	<u>Plant and machinery</u> £'000's	<u>Total</u> £'000's
At 1 July 2000	2,493	4,640	7,133
Additions	67	376	443
Transfer to group company	(250)	(1,314)	(1,564)
Disposals		(89)	(89)
At 30 June 2001	2,310	3,613	5,923
<u>Depreciation</u>			
At 1 July 2000	100	2,425	2,525
Charge for the period	96	823	919
Impairment (see note 4)	431	-	431
Transfer to group company	-	(432)	(432)
Disposals	-	(89)	(89)
At 30 June 2001	627	2,727	3,354
Net book value at 30 June 2001	1,683	886	2,569
Net book value at 30 June 2000	2,393	2,215	4,608

The value of freehold land not subject to depreciation is £415,000 (2000: £415,000).

The directors have reviewed the carrying value of land and buildings with a net book value of £1,456,000. Based on a valuation by the directors, an impairment charge of £431,000 has been recognised. This has no impact on the depreciation charge for the year.

Parker Hannifin (UK) Limited

NOTES TO THE ACCOUNTS - YEAR ENDED 30 JUNE 2001 - CONTINUED

13. INVESTMENTS

	£'000's
Cost and net book value at 1 July 2000	10,067
Investment write-off	<u>(3,623)</u>
Net book value at 30 June 2001	<u>6,444</u>

At 30 June 2001 the Company held shares in the allotted share capital of the following:

	Country of registration and operation	Percentage held	Nature of business
Kuroda Precision Industries	Japan	31.2%	Active

The directors consider that although the Company maintains a 31.2% interest in the share capital of Kuroda Precision Industries, it does not maintain any influence over the operating and financial policies of the undertaking. Therefore the directors consider it appropriate to account for this holding as a trade investment.

The company previously held an investment in Extrudit Limited. This company was dissolved pursuant to Section 652A of the Companies Act 1985 on 1 August 2000.

During the year, the directors have reviewed the carrying value of the investment in Kuroda Precision Industries and as a result an impairment provision of £3,623,000 has been recognised.

14. STOCKS

	<u>2001</u> £'000's	<u>2000</u> £'000's
Raw materials	2,405	2,636
Work in progress	194	167
Finished goods	<u>1,245</u>	<u>1,123</u>
	<u>3,844</u>	<u>3,926</u>

15. DEBTORS

	<u>2001</u> £'000's	<u>2000</u> £'000's
Amounts Falling Due Within One Year		
Trade debtors	1,559	2,305
Amounts owed by group undertakings	8,680	7,710
Other debtors	-	6
Prepayments and accrued income	163	337
	<u>10,402</u>	<u>10,358</u>
Amounts Falling Due After One Year		
Pension Prepayment (see note 22)	-	190
	<u>10,402</u>	<u>10,548</u>

Parker Hannifin (UK) Limited

NOTES TO THE ACCOUNTS - YEAR ENDED 30 JUNE 2001 - CONTINUED

16. CREDITORS - AMOUNTS FALLING DUE WITHIN ONE YEAR

	<u>2001</u>	<u>2000</u> (As restated See note 1)
	£'000's	£'000's
Trade creditors	1,115	1,338
Amounts owed to group undertakings	24,576	25,592
Accruals and deferred income	16	(336)
Corporation tax	12	325
	<u>25,719</u>	<u>26,919</u>

Amounts owed to group undertakings in the amount of £nil (2000: £2,561,000) are unsecured, interest free and repayable on demand. The remaining amount relates 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.

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. Unpaid interest for the year amounts to £1,545,000 (2000: £1,449,000).

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.

17. CREDITORS - AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	<u>2001</u>	<u>2000</u> (As restated See note 1)
	£'000's	£'000's
Bank loans as other borrowings	<u>-</u>	<u>100</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.

Parker Hannifin (UK) Limited

NOTES TO THE ACCOUNTS - YEAR ENDED 30 JUNE 2001 - CONTINUED

18. PROVISION FOR LIABILITIES AND CHARGES

Provisions for liabilities and charges are analysed as follows:

	Deferred tax £'000's	Other £'000's	Total £'000's
At 1 July 2000	65	-	65
Utilised in the year	(65)	-	(65)
Charged in the year (see notes 4 and 10)	-	516	516
At 30 June 2001	-	516	516

The deferred tax liability is analysed as follows:

	2001 £'000's	2000 £'000's
Accelerated capital allowances	-	70
Other short term timing differences	-	(5)
	-	65

Deferred tax assets have not been recognised as they relate to carried forward losses for which there is insufficient evidence of utilisation in the foreseeable future. The potential deferred tax asset is analysed as follows:

	2001 £'000's	2000 £'000's
Accelerated capital allowances	(292)	-
Tax losses	(578)	-
Other short term timing differences	(2)	-
	(872)	-

19. CALLED UP SHARE CAPITAL

	2001 £'000's	2000 £'000's
Authorised share capital 12,000,000 (2000: 12,000,000) ordinary shares of £1 each	12,000	12,000
Allotted and fully paid 10,400,000 (2000: 10,400,000) ordinary shares of £1 each	10,400	10,400

20. RESERVES

	General reserve £'000's	Profit and loss £'000's
At 1 July 2000	10,067	(2,425)
Retained loss for the year	-	(8,188)
At 30 June 2001	10,067	(10,613)

Parker Hannifin (UK) Limited

NOTES TO THE ACCOUNTS - YEAR ENDED 30 JUNE 2001 - CONTINUED

21. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	<u>2001</u> £'000's	<u>2000</u> £'000's
Loss for the period attributable to shareholders	(8,188)	(1,614)
Capital contribution by parent company taken to general reserves	-	10,067
Opening shareholders' fund	<u>18,042</u>	<u>9,589</u>
Closing equity shareholders' funds	<u>9,854</u>	<u>18,042</u>

22. PENSIONS

During the year members of the previous pension scheme were transferred to the Parker Hannifin plc scheme.

The Company's pension arrangements are now dealt with under a defined benefit scheme managed in this country by Parker Hannifin plc. The details of the scheme can be found in the accounts of that company.

The balance sheet prepayment as at 30 June 2000 (£190,000) has been written off in the current year as the company no longer expects to recover these amounts. The result is a pension charge for the year of £385,000 (2000: £198,000).

23. CAPITAL COMMITMENTS

Capital commitments contracted for but not provided for at year end amounted to £nil (2000: £nil).

24. 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.

25. ULTIMATE HOLDING COMPANY

The immediate parent company is Parker Hannifin Holdings Limited. 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.

26. OPERATING LEASE COMMITMENTS

At 30 June 2001, the company had commitments, under non-cancellable operating leases, to make payments to 30 June 2002 under agreements expiring as follows:

	2001 £'000's	2000 £'000's
Commitments on other than land and buildings		
Due within 1 year	13	10
Due between 2 to 5 years	<u>76</u>	<u>70</u>
	<u>89</u>	<u>80</u>