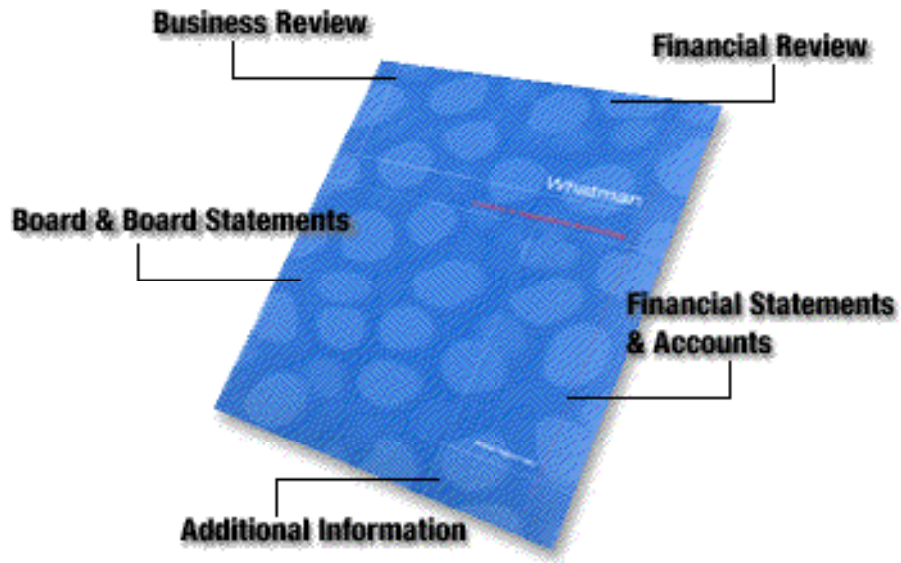


ANNUAL REPORT 1997



ANNUAL REPORT 1997

Business review:

Whatman at a Glance

Industrial

Analytical

Manufacturing R and D

Healthcare

Whatman at a glance

Brand values

The Whatman brand is associated with quality, reliability and customer service. This hard-earned recognition supports not only our standard analytical products but also our wide range of products for the healthcare and industrial sectors.

Capacity to innovate

We continue to improve and expand our investment in technology by in-house developments and acquisitions so that we can provide appropriate solutions to the separations needs of our customers.

Management

Our new management team is constantly enhancing our management processes and procedures to meet the challenges of a modern organisation.

Market focus

Our global organisational structure has sharpened our market focus. Innovation in our key markets is providing sustainable growth. Geographically, we are continuing to emphasize the Asia Pacific region, particularly Japan.

Successful partnerships

We continue to enjoy and build rewarding relationships with laboratory supply distributors and instrument manufacturers, providing routes to market for all our products. Our consistent emphasis on innovation has secured long term supply agreements with customers in all our markets.

The areas we work in

Core technologies

Fibre engineering

Membrane fabrication

Substrate chemistry

Core products

Fibres

Membranes

Gas Generators

Routes to market

Distributors

Clients

Direct

Core

markets

Analytical

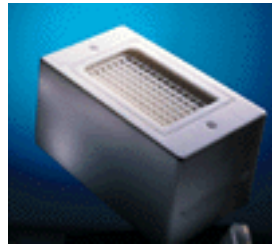
Healthcare

Industrial



Balston Sample Filter 27/50

The coalescing filter protects sensitive analysers from impurities by removing liquids and solids from gas samples



PolyWhat™ 004

The PolyWhat kit is designed for use by pharmaceutical companies for solid phase synthesis and drug discovery



Filter Paper

Only the highest quality raw materials are used in the manufacture of specialised papers developed for a wide range of applications



Our business areas

Analytical

Laboratory filtration

Analytical gas systems

Whatman is one of the best known international brands in the analytical laboratory.

We sell a wide range of filters and filter devices through a worldwide network of distributors and we sell our gas generators through our own sales force.

Healthcare

Clinical diagnostics

Medical filtration

Biochromatography

Molecular biology

We apply our technology to a number of niche markets in the healthcare sector. We sell separations equipment to life science researchers and we supply customised products as critical components for leading manufacturers of medical devices and diagnostic test kits.

Industrial

Industrial process filtration

Industrial key components

We use our technology to provide innovative solutions to a wide range of separations problems in the industrial sector. Supported by our Balston brand, we are a leading producer of coalescing filters, which protect analysers and monitoring equipment.

ANNUAL REPORT 1997

Financial review

[Financial highlights](#) [Financial review](#) [Five year record](#)

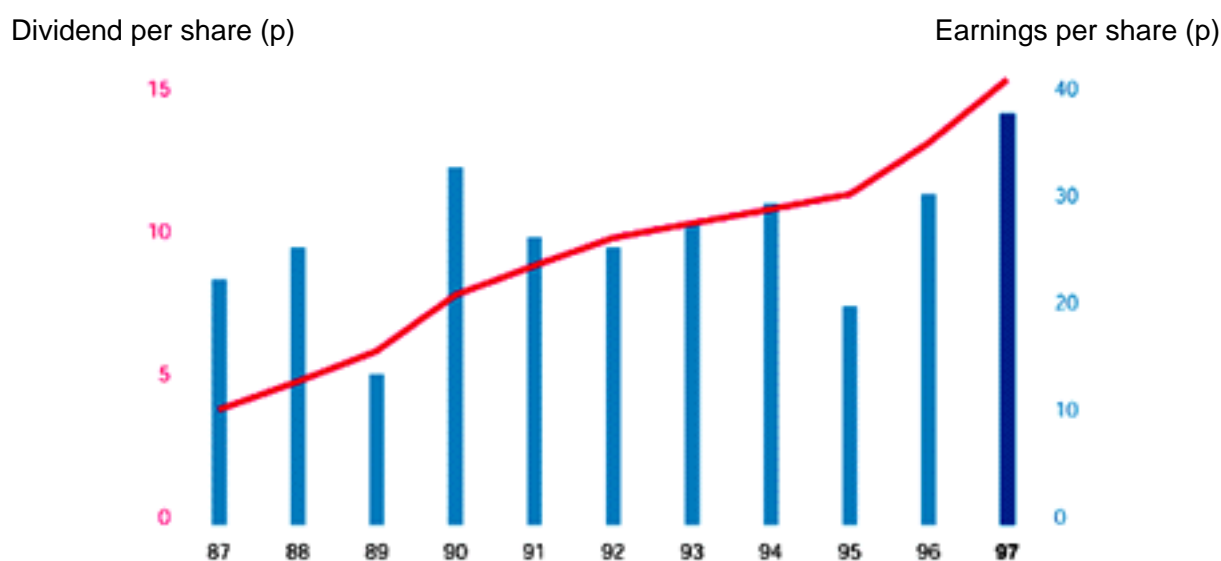
Financial highlights

	1997	1996	Change
Sales	£92.9m	£92.4m	+1%
Operating profit	£15.3m	£12.8m	+19%
Profit before tax	£14.6m	£11.8m	+24%
Earnings per share	38.1p	30.9p	+23%
Dividend per share	15.5p	13.3p	+17%
Shareholders' funds	£45.3m	£44.3m	+2%

Whatman is an international separations technology business.

We operate in specialist markets in the analytical, healthcare and industrial sectors. We have carefully selected markets where combinations of our technologies, supported by our brands and reputation for quality, provide us with opportunities for growing market share through new product introduction. In the analytical sector we are already the number one supplier of both fibrous filters and gas generators.

Our principal manufacturing sites are in the US, the UK and Germany, and we have a distribution, sales and service organisation covering 70 countries. More than half our sales are in North America. The Asia Pacific region, including Japan, is growing in importance and now accounts for 10% of sales.



The net dividend to shareholders has grown at a compound rate of 15% over the past ten years

ANNUAL REPORT 1997

Board & Board statements:

Chairman's statement

Directors' report

Chief Executive's review

Directors' responsibilities

Executive committee

Report of the Remuneration Committee

Board of directors

Reports of the auditors

Chairman's statement

We are maintaining our progress towards realising our long term potential



Pre-tax profits rose by 24% to £14.6 million, with an underlying operating profit improvement of 21%. Earnings per share rose by over 23% to 38.1p

Results

1997 was a good year for us, with the underlying operating pre-tax profits rising by 21%. Excluding acquisitions and disposals, underlying sales rose by 8% at constant exchange rates, while reported sales rose to £92.9 million.

The profit before tax, as reported, increased 24% to £14.6 million - higher than the improvement from underlying operations, due in part to lower interest charges.

The overall result was very satisfactory and reflects our progress towards realising the Group's long term potential.

Progress in 1997

Underlying sales grew in Europe and America by 5% and 10% respectively. Although UK sales, which rose by 8%, met our expectations, we were disappointed to achieve only 2% growth in continental Europe. Sales in Asia Pacific and Japan, however, rose by 18% and 12% respectively, in spite of the region's difficulties.

During 1997 our progress was particularly satisfactory in laboratory gas generation and microfiltration products, where growth in sales of multiwell plates and sample filters was particularly marked. Sales of laboratory gas generation products rose by 28% and those of microfiltration products by 16%. However, we made less progress last year than we hoped in both Healthcare and in our more traditional industrial filter products. This year we expect to improve our performance in both these areas.

The Group's range of technologies, which are particularly applicable to the fields of filtration and separation, provide a wide range of solutions to our customers' needs in analytical laboratories, healthcare and industry. Our organisation is structured to respond to the needs of these sectors and to optimise our investment in technology. In 1997 we increased our expenditure on research and development both absolutely and as a proportion of sales. The scope of our technology was also enhanced by carefully selected acquisitions.

Acquisitions

Our determined pursuit of leadership in separations technology was helped by the acquisition in 1997 of Aquilo Gas Separation BV and the business of Non-Cryo Nitrogen Inc. The former provides us with world class hollow fibre membrane technology for air separation and the latter with the pressure swing adsorption technology we already use in our industrial nitrogen generator systems. We now control all the technologies needed to access the large and growing markets for non-cryogenic nitrogen generators.

During the year we acquired the outstanding minority interests in our subsidiaries Polyfiltronics, Wex Filtertechnik and Gerbermembrane. We can now fully integrate these key operations and capture their full profit potential in the future. We also acquired 100% of Biotron, which manufactures a large proportion of the sales of our Biometra subsidiary. The control of the combined operations of these companies is important for their long term development.

The acquisition of NASA's innovative and proprietary blood separation technology provides us with outstanding opportunities. We plan to launch the first products using this technology early in 1998.

During the year we took the opportunity to sell LabSales Inc., a catalogue operation based in Oregon, US. Although it made sales of £2 million in 1996, its profitability was low and we decided that it was not strategically important, while demanding a considerable amount of management effort.

Foreign exchange

As announced in last year's annual report, we have altered our accounting policy so that we now use the average exchange rates ruling during the year, rather than the year-end figure. This has reduced the distortions to the results that can arise from sharp short term fluctuations in exchange rates.

In 1997 the average sterling dollar rate was £1 = \$1.64, compared with a rate of £1 = \$1.57 in 1996. This, coupled with the movement in the sterling Deutsche Mark rate of £1 = DM 2.86 from £1 = DM 2.36 and other currency movements, caused the figure for reported sales to understate the underlying increase.

Our policy of hedging forward our currency positions meant that the strength of sterling had only a small negative impact on profits in 1997.

Management

Our management structure is in line with our strategic focus on the three businesses, Analytical, Healthcare and Industrial, where our range of technologies find their main markets. In mid-year we welcomed Bodo Franz, formerly with Sartorius AG, to our executive team to head our Healthcare business.

Prospects

We have made an excellent start to 1998. Our order book is larger than it has ever been, particularly for healthcare products, and we have a healthy flow of new products due to come on-stream this year. We have been making rapid strides in sales of nitrogen generators and our acquisition of air separation technology should reinforce this progress. Profit margins have benefited from detailed attention to operating efficiency and we expect to reap further rewards by continued emphasis on

such cost savings. This should be enhanced by the installation during 1998 of a global software system designed to improve our manufacturing and logistics programmes and to forestall any millennium computer problems.

Although the economic background, particularly in Asia, may be less benign than it was in 1997, the Board is very confident of the short and long term prospects of the Group and is pleased to recommend a final dividend of 10.3p, which represents an increase in the total dividend of 17% for 1997.



Andrew Smithers
Chairman

ANNUAL REPORT 1997

Financial Statements & Accounts:

Group profit and loss accounts

Statement of total recognised

gains and losses

Note of historical cost profits and losses

Reconciliation of movement in

equity shareholders' funds

Group balance sheet

Group cash flow statement

Net cash inflow from

operating activities

Accounting policies

Notes to the financial statements

Group profit and loss account

for the year ended 31 December, 1997

Note	1997			1996	
	Continuing operations Existing £000	Acquisitions £000	Total £000	Restated Total £000	
<u>1</u>	Turnover	92,153	763	92,916	92,367
	Cost of sales	42,863	174	43,037	44,201
	Gross profit	49,290	589	49,879	48,166
	Distribution costs	19,568	173	19,741	20,726
	Administrative expenses	9,987	82	10,069	10,456
	Research and development	4,635	136	4,771	4,179
	Profit on ordinary activities before interest	<u>15,100</u>	<u>198</u>	15,298	12,805
<u>3</u>	Net interest payable			722	1,021
<u>4</u>	Profit on ordinary activities before taxation			14,576	11,784
<u>7</u>	Tax on profit on ordinary activities			5,259	4,538
	Profit on ordinary activities after taxation			9,317	7,246
	Equity minority interests			(7)	19
	Profit attributable to shareholders			9,324	7,227
<u>8</u>	Dividends			3,876	3,164

<u>22</u>	Retained profit for year	<u>5,448</u>	<u>4,063</u>
<u>9</u>	Basic earnings per share	<u>38.11p</u>	<u>30.88p</u>

Statement of total recognised gains and losses

for the year ended 31 December, 1997

	1997	1996 Restated
	£000	£000
Profit attributable to shareholders	9,324	7,227
Surplus on property revaluations	-	501
Currency translation differences on net investments	(375)	(2,109)
Total recognised gains and losses for year	8,949	<u>5,619</u>
Prior year adjustment (note 2)	(68)	
Total gains and losses recognised since last annual report	8,881	

Note of historical cost profits and losses

for the year ended 31 December, 1997

	1997	1996 Restated
	£000	£000
Profit on ordinary activities before taxation	14,576	11,784
Difference between historical cost and actual depreciation charge for year	(48)	(40)
Historical cost profit on ordinary activities before taxation	14,528	<u>11,744</u>
Historical cost retained profit for year	5,416	4,036

Reconciliation of movement in equity shareholders' funds

for the year ended 31 December, 1997

	1997	1996 Restated
	£000	£000

Profit attributable to shareholders	9,324	7,227
Dividends	(3,876)	(3,164)
Retained profit for year	5,448	4,063
Other recognised gains and losses for year	(375)	(1,608)
Goodwill on acquisitions	(9,655)	(2,304)
Goodwill written back on disposal	186	-
Premium on LTIP shares	678	664
Shares to be issued	306	-
Issue of shares	4,429	1,690
Net increase in equity shareholders' funds for year	1,017	2,505
Equity shareholders' funds at 1 January after prior year adjustment <u>(note 2)</u>	44,266	41,761
Equity shareholders' funds at 31 December	45,283	44,266

ANNUAL REPORT 1997

Financial review

Additional Information

Annual General Meeting

The Annual General Meeting of the Company is to be held in Maidstone on 3 April, 1998. The notice of the meeting is contained in a separate circular to shareholders.

Financial calendar

- Preliminary announcements of the results for the year are issued in March
- Annual reports are mailed to shareholders in March
- The final dividend will be paid in April
- Interim statements for the half year are issued in September
- Interim dividends are paid in November

Taxation of capital gains

For the purposes of Capital Gains Tax the adjusted market value of the Company's shares at 31 March, 1982 was 47p.

Company Secretary

John Simmonds FCIS

Registrars

Independent Registrars Group
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU

Auditors

Price Waterhouse

Brokers and financial advisers

SBC Warburg

Solicitors

Nabarro Nathanson

Trade marks

Whatman is a trade mark of Whatman International Limited

Autovial, Balston, BugStopper, PolyWhat and PrepScale are trade marks of the Whatman Group

Whatman

Registered office: Whatman House, St Leonard's Road

20/20 Maidstone, Kent ME16 0LS

Telephone: +44(0)1622 676670

Registered number: 630958

ANNUAL REPORT 1997

Business review:

Whatman at a glance

Analytical

Healthcare

Industrial

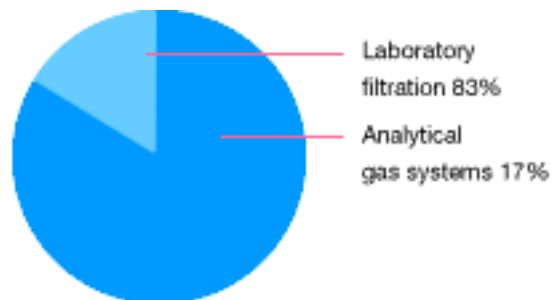
Manufacturing R and D

Analytical

Whatman has a major share of the world market for laboratory filters and is enjoying rapid growth in sample preparation devices and analytical gas systems



Paul Seliskar, managing director - Analytical (left), with Mike Evans, laboratory business director, Europe, and Alison Thompson, territory specialist



The Autovial™ syringeless filter is a disposable unit for quick and easy sample analysis



Laboratory filtration

Whatman is one of the best known brands in the laboratory. Whatman filters are used in laboratories that perform research, analysis and quality control in areas such as pharmaceuticals, biotechnology, university and government research and environmental testing.

We continue to invest strongly in R and D which has yielded new, innovative products. These products, usually membrane devices such as multiwell plates and GDX syringe filters used in pharmaceutical and biotechnology applications, have caused the whole Whatman laboratory business profile to change from a high quality provider of filter paper to an innovative partner in laboratory filtration and separations applications.

Whatman offers a full range of filtration devices - from the traditional macrofiltration

products to micro and ultrafiltration products that are used in the search for new drugs.

Specialised multiwell plates, including our new ranges of plates with filter or chromatographic media incorporated in the base, have wide use in screening techniques used by pharmaceutical companies.

Over the past couple of years, we have further developed our relationships with customers, distributors and manufacturers of high throughput screening instruments throughout the world. As a result, we have doubled our sales of multiwell plates.

Overall our sales of laboratory separation products increased by 9%, with microfiltration devices, including multiwell plates, improving by 16%. This growth is greater than that of our competitors, and proves the value of our investment in people, customers, distributors and strategic alliance partners to produce the innovative technologies and products that our end-users demand.

While implementation of our strategy moves with customers' changing needs and competitive opportunities, our basic strategy remains unchanged. Whatman continues to utilise its dominant brand image, coupled with the combination of core technologies, to offer innovative solutions for our customers in sample preparation for further analysis in laboratories worldwide. This we do well, and it provides the platform for further growth into the next millennium.

Analytical gas systems

Whatman analytical gas systems are bench-top, durable products generating gases such as ultra high purity hydrogen and nitrogen for use with analytical instrumentation. The product range utilises a variety of proprietary technologies offering analytical instrument users a safer, cost effective alternative to the traditional methods of gas supply. We hold the leadership position in this emerging market with an expanding installed base and global brand recognition.

Hydrogen generators continue to be our flagship product. Significant growth was also seen in high purity nitrogen generators for use with a variety of analytical instruments such as liquid chromatography mass spectrometers and gas chromatographs.

Global strategic alliances with analytical instrument manufacturers and a select number of gas companies continued to expand during the year as planned.

Sales grew 28% globally, and reached double digits in most regions. In Japan sales doubled.

As a paradigm shift continues from traditional gas cylinder delivery to on-site analytical gas systems, we are well positioned to take advantage of the global opportunities at hand and further strengthen market share.

ANNUAL REPORT 1997

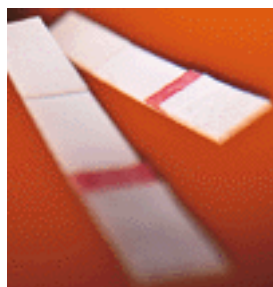
Business review:

Whatman at a glance
Analytical
Healthcare

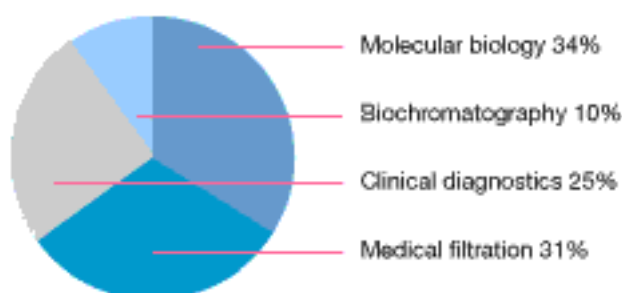
Industrial
Manufacturing R and D

Healthcare

In the Healthcare sector, Whatman has a portfolio of innovative products covering its fast growing markets. It develops close working relationships with customers to tailor-make products for specific applications



Whatman nitrocellulose, glass fibre and cellulose products are typically used in a strip format for diagnostic tests such as those for pregnancy, fertility and infectious diseases



Bodo Franz, managing director - Healthcare (right), with Russell Jones, sales specialist (centre) and Jeremy Jones, European sales manager



Clinical diagnostics

Our focus has been a "one stop shopping" approach, offering a range of membrane and fibrous supports that enable the diagnostics manufacturer to source all its separations components from a single vendor.

The applications for BFC 180 blood collection paper have now expanded beyond

newborn screening into DNA analysis and forensic medicine and the provision of products useful for the absorption of other specimens. Whatman is now market leader in the supply of media for a number of tests, including screening stool samples for colonic cancer, and our range of saliva collection media offers manufacturers a wider choice of products for the increasing number of assays using oral fluids for infectious disease testing.

Our range of membranes has been extended to include a novel composite, combining nitrocellulose and cellulose paper, offering technical advantage in new diagnostic formats, including HIV assays.

Newly installed coating facilities have enhanced existing products, offering manufacturers the added value and convenience of centralised supply.

Medical filtration

We manufacture encapsulated filters for a wide range of applications in critical medical filtration devices for original equipment manufacturers (OEM), via direct sales and through medical distributors. A notable new product introduction is a capsule filter containing a pleated polyethersulfone membrane for the sterilisation of dialysis water for kidney patients.

A growing part of the Healthcare business is in OEM sales of medical filtration media, based principally on our fibre and coating technologies, to medical device manufacturers. Whatman supplies products that are encapsulated into respiratory filters, and heat and moisture exchangers used in anaesthesia and respiratory therapy.

Vent filters are increasingly used to prevent airborne microbial contamination of medical devices such as intravenous sets, parenteral feeding systems and ostomy bags. Whatman has recently expanded its range of hydrophobic and oleophobic vent media serving these applications.

Biochromatography

To complement our well established ion-exchange cellulose media, we have developed and launched a range of chemically bonded silica media specifically to meet the needs of process scale separations in the pharmaceutical industry. Our new PrepScale media has been well received by customers, who have confirmed that it compares very favourably with leading competitors' spherical and irregular media in performance and process economics.

Molecular biology

We manufacture and supply a range of specialised products for use by laboratories engaged in the field of molecular biology. During 1997 we purchased Biotron, a company which exclusively makes thermocyclers for Whatman, in order to obtain the benefits of full access to thermocycler technology. This technology is continuously developing and we have recently launched an improved version of the Trio thermocycler, the "T3".

ANNUAL REPORT 1997

Business review:

Whatman at a glance

Analytical

Healthcare

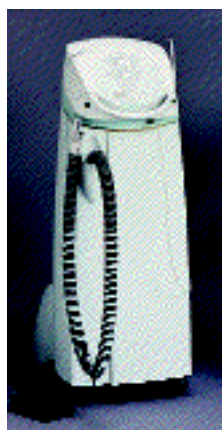
Industrial

Manufacturing R and D

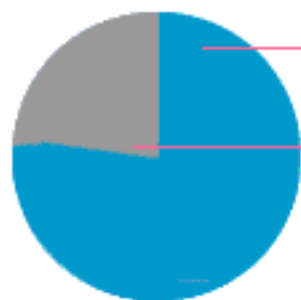
Industrial

The focus of the Industrial business is to provide customised products based on individual client needs. Growth has been particularly strong for membrane dryer products.

John Pulsinelli, managing director - industrial (right), with Dave Largesse, US vice president, sales and marketing



This air-abrasive preparation tool, manufactured by Midwest Dental, Illinois, contains a Whatman membrane air dryer



Industrial process filtration 77%

Industrial key components 23%

Industrial process filtration

The industrial process filtration business covers three main areas of focus: filters and membrane air dryers for the treatment of compressed air, industrial gas sample filtration and industrial nitrogen generation. Our customers comprise a varied mix of industrial end-users serviced directly by our own sales force or via specialist dealers and OEM accounts.

Business, including acquisitions, grew by 7% globally, led by strong performances in Europe and Asia. Our newer product lines in membrane nitrogen generation and membrane air dryers contributed most of the growth. The acquisition of Aquilo in the Netherlands earlier in the year strengthened our capability in the membrane gas separations area with the addition of world class hollow fibre membrane technology, systems engineering and design capability.

The acquisition of the business of Non-Cryo Nitrogen Inc. in the latter part of 1997 further enhances our capability in nitrogen generation. Whatman now has the ability to develop and market nitrogen generation systems to meet demands across the full

range of customer requirements in both flows and purities. We can expect to see new, innovative products emerge from the combination of Whatman, Aquilo and NNI technologies. These, coupled with the strength of the Balston sales and marketing approach, position Whatman for continued rapid growth in this area.

The successful launch of the new compressed air dryer range brings us into new industrial markets. These unique systems are based entirely on proprietary Whatman membrane technology and provide a superior alternative to commonly used refrigerant systems. Whatman now has the unique capability to dry compressed air and gas to give dewpoints from 35 degrees to minus 100 degrees Fahrenheit.

Industrial key components

We continue to sell our high quality glass microfibre and cellulose filter media to a variety of industrial OEM accounts. Although sales at constant exchange rates have decreased slightly because we deliberately did not continue with some low margin business, profit margins have improved. The battery separator market remains our largest business sector and 1997 saw a significant increase in its profitability due to the optimisation of manufacturing and raw material costs.

Environmental monitoring continues to be our most successful OEM media business sector and also to show a great deal of growth potential due to increasingly stringent government regulations.

ANNUAL REPORT 1997

Business review:

Whatman at a glance

Analytical

Healthcare

Industrial

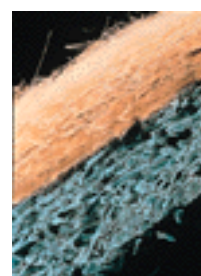
Manufacturing R and D

Manufacturing and R and D

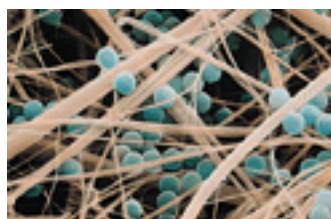
Whatman has specialised manufacturing and research and development facilities in the UK, the US and Germany. By its commitment to improve and invest in new technology, Whatman can provide an extensive range of separations products in response to customers' needs



Rodney Carter, Manufacturing Director (centre) with Mick Veness, production manager (right) and Paul Culver, papermaking at Springfield Mill



Graded density media which can be produced in a single operation without the use of adhesives



Glass fibre media applications requiring high liquid absorption properties

Richard Philpott, UK director of R and D (right), with Jim Davis, US vice president, R and D



Manufacturing

For over 250 years, Whatman has been a recognised and respected leader in papermaking, known for its high quality products. As the range of skills and products has grown, this emphasis has remained. Consequently, our brands have come to represent quality and customer responsiveness.

Our manufacturing base has been growing very rapidly, with investment concentrated on our core technical capabilities, allowing us to produce in-house products and materials using proprietary techniques. These include not only our traditional Whatman filter papers but also innovative multilayer fibrous materials, which can be combined with chemistries, laminated with other media, or loaded with cellulose or gels.

Whatman designs and manufactures specialist membranes, chromatography media, filter systems, multiwell plates, specialist air and gas generators, and increasingly, products derived from a combination of these materials.

Our manufacturing sites supply products for all our businesses and because of the focus on core capabilities we continue to improve our efficiency and cost base by investments that benefit all our business streams.

R and D

Whatman is known and recognised throughout the world for its expertise in separations technology and the range of unique and innovative products that this technology makes available.

The expertise that the Whatman Group has generated and acquired in recent years goes far beyond the papermaking skills on which the Company was founded. Whatman has core capabilities, defined as those that differentiate it from its competitors, in fibre engineering, membrane and media technology, encapsulation and design skills needed to solve customers' problems.

We strongly believe that innovation is the key to our success and continue to invest heavily in these core capabilities. This focus has provided us with improved facilities to help us capture an increasing market share in our designated markets.

This year, besides acquiring the technical knowledge of Aquilo and Non-Cryo Nitrogen, we have increased our R and D spend to 5% of sales.

We do not have a technology strategy but rather a technology response to our business strategies. It is therefore essential for our scientists to be intimately involved in the development of these technology-driven business strategies. As a consequence, we can respond more rapidly and are launching an increasing number of new products demanded by our customers.

ANNUAL REPORT 1997

Financial review

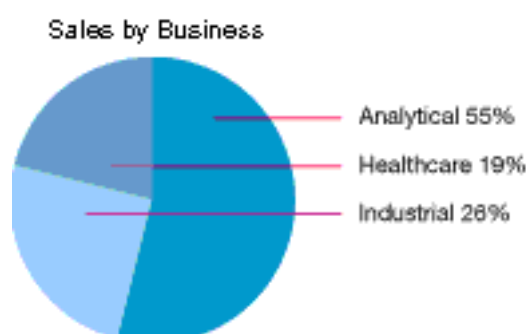
[Financial highlights](#) [Financial review](#) [Five year record](#)

Financial review

Tighter financial controls contributing to improved profit margins



Harry Cooper
Finance Director



Sales

Excluding acquisitions and disposals, and at constant exchange rates, the Group achieved underlying sales growth of 8%. By business, growth rates were:

Analytical	12%
Healthcare	6%
Industrial	3%

The Analytical business growth of 12% was particularly assisted by multiwell plates and analytical gas systems, the former achieving over 70% growth and the latter 28%. Regionally, Japan exhibited the highest growth for this business at 19%, followed by North America at 13%.

Healthcare attained 6% growth overall owing to the improved second half of the year. Although this figure was below expectations, the slower than anticipated take-up of

orders in the first half of the year was a contributing factor.

In the Industrial business, growth in products such as membrane dryers and environmental monitoring was offset by flat sales in traditional process filters. With the inclusion of the acquisitions, the Industrial growth was 7%. The UK achieved 5% growth while in North America growth was 1%, owing to a decline in key components, as some low profitability products and customers were deliberately dropped.

Operating profit

The Group's hedging policy substantially reduced the impact of adverse year on year exchange rate movements. This policy continues and the 1998 forecast profits are hedged at exchange rates that are more favourable than those prevailing in the market at 31 December, 1997. While the hedging programme cannot prevent the effects of a strong sterling on the translation of overseas profits in the long term, it provides a reasonable period for management to take appropriate action to offset the profit impact.

At constant exchange rates, underlying operating profit increased by 21% and as a percentage of sales it rose to 15% from 13%. The improvement has been achieved by various initiatives to obtain operational efficiencies and cost reductions.

Interest and tax

The net interest charge fell as a result of positive operating cash flow and better cash management. Interest cover remained more than adequate at 21 times.

Owing to compliance with UITF 17 in respect of a long term incentive plan (LTIP), the reported tax rate is 36.1% as the LTIP charge is not tax deductible since it is a non-cash item. However, excluding the LTIP effect the tax rate fell to 34.4%.

Earnings and dividends per share

Earnings per share rose by 23% to 38.1 pence per share. A 16.5% increase in the total dividend to 15.5 pence per share is proposed. The dividend is covered 2.4 times by reported earnings.

Cash flow

Continued stock controls contributed to the positive cash flow before acquisitions, which is summarised as follows:

	1997	1996
	£000	£000
Operating profit	15,298	12,805
Depreciation and non-cash items	3,393	2,480
Working capital	(3,900)	(2,335)
Operating cash flow	14,791	12,950
Capital expenditure	(3,768)	(3,429)
Interest, tax and dividends	(8,378)	(6,785)

Cash flow before acquisitions	2,645	2,736
Acquisitions	(5,686)	(2,394)
<hr/>		
Net cash flow before financing	(3,041)	342

Capital expenditure in 1997 exceeded the depreciation charge partly because of increased investment in information technology. Expenditure on acquisitions represents the purchase of Aquilo, Biotron and the assets of NNI, but excludes Polyfiltronics, Wex Filtertechnik and Gerbermembrane as the consideration was either in the form of shares or paid after 31 December, 1997.

Treasury

Treasury operates on a centralised basis as a cost centre in line with the policies set by the directors. The primary objectives are to manage the effects associated with foreign exchange and interest rate movements, ensure the availability of a prudent level of loan facilities on reasonable terms, and provide cash management. Financial derivatives are used only to reduce risk and speculation is not permitted.

The Group hedges the profits against short term exchange rate movements mainly by forward contracts for periods of up to two years. Interest rate movements are partially hedged by the use of interest rate swaps.

Foreign currency assets are hedged by matching them to currency borrowings, to the extent that total borrowings do not exceed funding requirements. At the start of 1997 some currency borrowings exceeded the assets in those currencies and an exchange gain was realised when these borrowings were reduced. The Group uses predominantly medium term bilateral revolving credits from London banks. As a result of the acquisitions, gearing rose to 20% from 16% in 1996. Further details of the borrowings are given in the notes to the accounts.

Year 2000

The Group is taking all reasonable steps to avoid business interruption as a consequence of the Year 2000. Not only is new Enterprise Resource Planning software being installed group-wide, a thorough review of all other software and equipment with embedded microprocessors is being carried out. In addition, consideration is being given to the indirect effects such as the ability of our suppliers to deal with the millennium issues.

ANNUAL REPORT 1997

Financial review

[Financial highlights](#) [Financial review](#) [Five year record](#)

Five year record

	1993	1994	1995	1996	1997
	Restated	Restated	Restated	Restated	
	£000	£000	£000	£000	£000
Turnover	71,507	77,447	80,167	92,367	92,916
Operating profit	10,357	0,927	8,563	2,805	15,298
Share of profit of associated undertaking	-	60	1	-	-
Profit on sale of land	588	118	-	-	-
Profit before interest	10,945	11,105	8,564	12,805	15,298
Interest	301	338	468	1,021	722
Profit before taxation	10,644	10,767	8,096	11,784	14,576
Taxation	3,686	3,734	3,412	4,538	5,259
Profit after taxation	6,958	7,033	4,684	7,246	9,317
Minority interests	-	21	24	19	(7)
Profit attributable to shareholders	6,958	7,012	4,660	7,227	9,324
Dividends	2,343	2,577	2,729	3,164	3,876
Shareholders' funds	45,327	48,929	41,761	44,266	45,283
Earnings per share					
- basic	30.70p	30.50p	20.24p	30.88p	38.11p
- adjusted	28.10p	29.99p	20.24p	30.88p	38.11p
Dividend per share	10.20p	11.20p	11.80p	13.30p	15.50p
Share price					
- high	508p	548p	503p	574p	822p
- low	455p	365p	392p	363p	527p
US dollar exchange rate					
at year end	\$1.48	\$1.56	\$1.55	\$1.71	\$1.65

average during year

\$1.50

\$1.54

\$1.59

\$1.57

\$1.64

ANNUAL REPORT 1997

Board & Board statements:

Chairman's statement

Directors' report

Chief Executive's review

Directors' responsibilities

Executive committee

Report of the Remuneration Committee

Board of directors

Reports of the auditors

Chief Executive's review

Innovation is the key to our success and we continue to invest in our core capabilities



We are now entering the third year of our new organisation with strategic emphasis on market focus backed by technology drive. We continue to derive benefits from the global organisation and emphasis on innovation.

Many of the improvements we are enjoying are due to the clarification of roles and responsibilities, investment in sales and marketing and the focus on research and development. Improved links between R and D, manufacturing and the businesses are producing better decisions and a more rapid response to business needs. We continue to identify cost improvements and improve efficiencies but there is still much to do. The installation of new global information technology systems during 1998 will be a major challenge but the benefits are enormous, and will enable us to operate more efficiently locally and more effectively globally.

Innovation continues to be the key to our success. Our technology and manufacturing are ensuring that the pipeline of new and improved products remains full. These new products are accelerating the growth of all our businesses. The Laboratory business has launched a number of products, including the "BugStopper", a rubber bung with a filter, a new line of solid phase extraction discs for more effective analysis and an improved Autovial syringeless filter.

Product improvements in our gas generators, together with a strong marketing initiative, have paid off handsomely for our analytical gas systems, whose sales success has been one of the highlights of the year. I am certain that this will continue as more new and improved products come on-stream.

We acquired a blood separation technology from NASA during the summer. Concentrated effort by our R and D and manufacturing teams has produced not only an improved product but also a new machine to manufacture it. The launch of new products and investments in new capabilities, particularly in track-etched membrane production and lamination facilities, have vastly improved the prospects for our Healthcare business.

Our membrane dryer technology is swiftly being accepted. Not only are the sales of

our own products increasing at a rapid rate, we are also incorporating this technology as a key component in other products.

We are still in the midst of many of our improvement programmes but I am grateful to all our staff for the progress we have made in providing a stronger platform from which to reach our true potential.

A handwritten signature in blue ink that reads "David Smith". The signature is written in a cursive style with a large, stylized 'D' and 'S'.

David Smith
Chief Executive

ANNUAL REPORT 1997

Board & Board statements:

Chairman's statement

Chief Executive's review

Executive committee

Board of directors

Directors' report

Directors' responsibilities

Report of the Remuneration Committee

Reports of the auditors

Executive Committee



The Executive Committee (above) focuses on achieving our strategic goals. All units, including manufacturing and R and D, are managed globally.

1 David Smith
Chief Executive

2 Paul Seliskar
Analytical

3 Bodo Franz
Healthcare

4 John Pulsinelli
Industrial

5 Rodney Carter
Manufacturing

1 David Smith
R and D

6 Harry Cooper
Finance

7 John Simmonds
Corporate Services

ANNUAL REPORT 1997

Board & Board statements:

Chairman's statement

Chief Executive's review

Executive committee

Board of directors

Directors' report

Directors' responsibilities

Report of the Remuneration Committee

Reports of the auditors

Board of directors



Chairman

#+ 1 Andrew Smithers

Age 60. Appointed a non-executive director in 1960 and Chairman in 1969. A director of SG Warburg for 20 years until 1989. Chairman of Smithers & Co.

Executive directors

+ 2 David Smith, PhD

Chief Executive. Age 56. Appointed an executive director in 1995. Joined Whatman in 1994 as director of research & development after 14 years in research management with BP, latterly as head of BP Group Research and Engineering

3 Harry Cooper, BSc, MBA, FCMA, MCT Finance Director. Age 44. Appointed an executive director in

Non-executive directors

***#+ 4** William Fulton 4

Age 63. Appointed a non-executive director in 1981. Formerly managing director of Sony (UK) and now principal of Fulton Management International, chairman of Drew Scientific Group plc and chairman or director of several other companies

***#+ 6** Lawrence Hyde (USA)

Age 73. Appointed a non-executive director in 1990. Formerly chairman of Harris Graphics Corp. and president of AM General Corp. Now a director of several other companies

***#+ 5** Simon May, PhD

Age 41. Appointed a non-executive director in 1994. A consultant in the telecommunications industry. Previously director, business development, of Northern Telecom Europe and founder of Mondiale Information Technology Associates

1996. Joined Whatman in 1996 from
Ladbroke Group plc. Previously with
Air Products plc and British
Aerospace plc

* Member of the Audit Committee

Member of the Remuneration
Committee

+ Member of the Appointments
Committee

ANNUAL REPORT 1997

Board & Board statements:

Chairman's statement

Directors' report

Chief Executive's review

Directors' responsibilities

Executive committee

Report of the Remuneration Committee

Board of directors

Reports of the auditors

Directors' report

for the year ended 31 December, 1997

Results

Group profit before tax in 1997 was £14,576,000 compared with the 1996 figure of £11,784,000. The results are discussed in the financial review.

Dividends and retained profit

The directors recommend the payment of a final dividend of 10.3p per share on 16 April, 1998 to shareholders on record on 13 March, 1998. This will make a total net dividend for the year of 15.5p (1996 - 13.3p) per share. The retained profit was £5,448,000, which was transferred to reserves.

Principal activities

The principal activities of the Group continue to be the development, manufacture and marketing of separations technology products, as illustrated in the business review.

Future developments

The Group will continue to develop its ability to apply its technologies to create products that meet the separations needs of customers in analytical, healthcare and industrial markets.

Research and development

Expenditure on the development of new products in 1997 amounted to £4,771,000 (1996 - £4,179,000).

Donations

During 1997 donations of £15,000 were made to UK charities. No donations were made to political parties.

Issue of shares

During the year the Company issued 587,955 shares in respect of acquisitions and 264,680 shares for a total consideration of £1,102,000 to employees exercising share options.

Substantial shareholdings

The Company has been advised of the following substantial shareholdings at 27 February, 1998 which are required to be disclosed in accordance with the requirements of the Disclosure of Interests in Shares (Amendment) Regulations

1993.

	Shares	% of issued share capital
Schroder Investment Management	4,808,117	19.4%
The British Steel Pension Fund Trustee Ltd	1,270,000	5.1%

The directors are not aware of any other interest of 3% or more in the shares of the Company which is required to be disclosed.

Authorities relating to share capital

At the last Annual General Meeting of the Company the directors were given authority to allot shares pursuant to sections 89 and 95 of the Companies Act 1985 otherwise than to existing shareholders in proportion to their existing holdings. Renewal of these powers will be sought from shareholders at the forthcoming Annual General Meeting.

At the last Annual General Meeting, the Company was given authority to purchase its own shares. Although no such purchases have been made and there are no immediate plans to do so, renewal of this authority will be sought from shareholders at the forthcoming Annual General Meeting. Authority will also be sought from shareholders at the forthcoming Annual General Meeting to introduce modified incentive arrangements for senior executives and senior managers by which options would be granted over the Company's shares.

Directors

The names of the directors can be found [here](#).

Dr S P W May and Dr D J H Smith, the directors who retire by rotation, being eligible, offer themselves for re-election. Dr E T Libbey resigned from the Board on 30 June, 1997.

At no time during the year has any director had any material interest in a contract with the Company, being a contract of significance in relation to the Company's business.

The beneficial interests of directors in the shares of the Company and details of service contracts are shown in the [report of the Remuneration Committee](#).

Operating policies

The following are summaries of the Group's policies on a number of important operational issues.

Human resources

The Group promotes to its employees the need for the highest standards of integrity and ethics in business dealings, including compliance with all relevant legislation and codes of practice.

Employees are regarded as the key to being able to translate policies

and strategies into commercial success. The Group is therefore committed to providing a working environment in which this process can flourish.

Procedures have been established to ensure that all employees have the opportunity to understand and appreciate the Group's objectives, policies and strategies and to ensure that all employees and applicants for employment receive fair treatment and equal opportunity without prejudice against disability or ethnic origin. Employees who become disabled are retrained wherever possible.

The Group aims to create opportunity for participation and involvement, encourage the identification and development of skills, promote the use of initiative and stimulate personal advancement. Reward systems recognise success at both the corporate and individual level.

Health and safety

The Group safeguards occupational health and hygiene by providing a safe working environment and complying with all relevant statutory obligations and codes of practice.

Working methods and procedures are properly documented and appropriate risk assessment programmes conducted. Specific responsibilities are assigned to designated employees and appropriate training provided for all employees.

Environment

The Group is sensitive to the needs of the environment, not only in terms of compliance with relevant statutory regulations and codes of practice, but more generally in terms of the need to be efficient in the use of raw materials, energy and water and in reducing the production of waste.

Procedures have been established for the regular monitoring and assessment of environmental impact, and targets set for improvements in performance. Specific responsibilities for environmental matters are assigned to designated employees, with a senior executive reporting to the Group Board having overall responsibility.

Quality

The Group is committed to maintaining its long-established reputation as a manufacturer and supplier of quality goods and services. All employees are encouraged to regard the continuous improvement of quality standards as a personal objective and performance is monitored against defined quality targets.

Suppliers

The Group has incorporated the CBI's Prompt Payment Code into the operating policy relating to the payment of suppliers. Copies of the code and information about it may be obtained from the CBI, Centre

Point, 103 New Oxford Street, London WC1A 1DU. The trade creditors as at 31 December, 1997 represented around 40 days of average purchases over the financial year.

Corporate governance

In 1997 the Company complied with all aspects of the Code of Best Practice contained in the Report on the Financial Aspects of Corporate Governance prepared by the Cadbury Committee.

Board of directors

Directors meet regularly and retain full and effective control over the Company. The Company has a non-executive Chairman and a separate Chief Executive. The Board comprises a majority of non-executive directors, who are independent of management and free from any business or other relationships with the Company. All directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures and applicable rules and regulations are observed. There is an agreed procedure for directors to take independent professional advice if necessary at the Company's expense.

Board committees

The Group has an Audit Committee and a Remuneration Committee, both of which consist of non-executive directors, and an Appointments Committee which consists of the Chief Executive and non-executive directors. The report of the Remuneration Committee can be viewed [here](#).

Internal financial control

The Board of directors has overall responsibility for the Group's systems of internal financial control and for monitoring their effectiveness. The system of internal financial control is designed to provide reasonable but not absolute assurance against material mis-statement or loss.

On behalf of the Board, the Audit Committee examines the effectiveness of the system of internal financial control. This is achieved primarily through review of the internal audit programme and its findings, reviews of the half year and annual financial statements and a review of the nature and scope of the external audit. Any significant findings or identified risks are closely examined so that appropriate action can be taken.

The Company's system of internal financial controls is communicated through a Company policy manual and various operating procedural manuals. It includes but is not limited to:

- A clearly defined organisation structure and the appropriate delegation of authorities to operational management;
- A comprehensive budgeting system including the preparation of an annual budget, approved by the directors, and a re-forecasting process;
- The monthly reporting and review of financial results compared to budget and the actual results for the previous year;
- Clearly defined guidelines for capital expenditure, including annual budgets, detailed approval procedures, and due diligence requirements where businesses are being acquired. Post investment appraisals are performed for major projects and all acquisitions;
- Accounting and financial reporting policies to ensure the consistency, integrity and accuracy of the Group's accounting records;
- Specific treasury policies and objectives, with the reporting to the Board of all significant transactions and exposures.

The internal financial control system is monitored and supported by an internal audit function that operates throughout the Group, focusing on key areas of risk, making recommendations for improvement and reporting its findings to the Audit Committee.

The Audit Committee has reviewed the operation and effectiveness of the internal control system during 1997.

Going concern

In view of the Group's strong financial position, the directors confirm that they have reasonable expectation that the Company and the Group will continue in operational existence for the foreseeable future and have therefore used the going concern basis in preparing the annual statements.

Auditors

The auditors, Price Waterhouse, retire in accordance with the provisions of Section 384 of the Companies Act 1985 and a resolution for their reappointment will be proposed at the Annual General Meeting.

By order of the Board

A R W Smithers Chairman

27 February, 1998

ANNUAL REPORT 1997

Board & Board statements:

Chairman's statement

Directors' report

Chief Executive's review

Directors' responsibilities

Executive committee

Report of the Remuneration Committee

Board of directors

Reports of the auditors

Directors' responsibilities

for the financial statements

The directors are required by the Companies Act 1985 to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the Company and the Group as at the end of the financial year and of the profit or loss for the financial year.

The directors consider that in preparing the financial statements, the Group has used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates. All accounting standards which they consider to be applicable have been followed, subject to any explanations and material departures disclosed in the notes to the financial statements.

The directors have responsibility for ensuring that the Company and the Group keep accounting records which disclose with reasonable accuracy the financial position of the Company and the Group and which enable them to ensure that the financial statements comply with the Companies Act 1985.

The directors have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

ANNUAL REPORT 1997

Board & Board statements:

Chairman's statement

Directors' report

Chief Executive's review

Directors' responsibilities

Executive committee

Report of the Remuneration Committee

Board of directors

Reports of the auditors

Report of the Remuneration Committee

The Committee

The membership of the Remuneration Committee comprises solely the Chairman and non-executive Board members. The Committee functions within formal terms of reference adopted in December 1993. The objectives of the Committee are:

1. To ensure that directors and senior executives are fairly rewarded for their individual contributions to the Group's overall performance.
2. To demonstrate that the remuneration of the executive directors and senior executives of the Group is set by a committee of Board members who have no personal interest in the outcome of the decisions and who will give due regard to the interests of the shareholders and to the financial and commercial health of the Group.

Remuneration policy

There has been no change to the Group's policy since the date of the last report of the Remuneration Committee.

The policy is to provide competitive remuneration arrangements for executive directors and senior executives which are commensurate with those of other companies of a similar size and standing and which reflect the Group's business and financial objectives.

Remuneration arrangements are addressed within the context of the Group's current performance, its progress towards strategic objectives and individual executives' personal performance. Arrangements are tailored to reflect practices within particular countries in which executives are based.

In developing remuneration arrangements, the Committee has given full consideration to the Best Practice Provisions of Section B of the Listing Rules of the London Stock Exchange and has access to external market survey data and to specific professional advice.

Elements of the remuneration package

Details of the directors' remuneration and interests in the share capital of the Company are set out in the notes to this report. Remuneration comprises the following elements:

Base salary

Base salaries are determined in relation to job responsibilities and sustained level of individual performance and are reviewed annually.

Health and sickness insurance schemes

Health and sickness insurance schemes are provided for executive directors, appropriate to the locations in which they are based. In the UK these comprise private health cover and permanent health insurance.

Company cars

Executive directors have the use of a company car or the provision of a car allowance.

Integrated Incentive Plan

The performance-based Integrated Incentive Plan for executive directors and senior executives comprises three elements designed to motivate and reward achievement of corporate financial targets, achievement of defined personal objectives and enhancement of shareholder value.

The first element comprises an annual measure of achievement of Group profit before tax against targets determined in advance by the Remuneration Committee.

The second element comprises a biennial measure of individual personal achievement against defined objectives approved in advance by the Remuneration Committee.

The third element comprises a measure of total return to shareholders (growth in share price plus the value of all dividends) relative to the FTSE 100 Index.

Awards under all three elements of the Integrated Incentive Plan are made in Whatman shares. Awards made in relation to 1997 are detailed in part (c) of the notes to this report, and are in accordance with the Rules of the Whatman Restricted Share Plan approved by shareholders at the 1995 Annual General Meeting, and an amendment to the Rules of the Plan approved by shareholders at the 1996 Annual General Meeting.

No cash bonuses are ordinarily payable to executive directors or senior executives.

No grants of traditional share options were made during 1997.

When introduced in 1994-95, it was intended that the Integrated Incentive Plan would continue for a period of five years, to December 1999. The Remuneration Committee believes that, following the publication of UITF Abstract 17, the Incentive Plan must be modified such that future awards under the third element of the Plan are made in the form of performance-based share options instead of restricted shares. As the Integrated Incentive Plan has worked well as an incentive scheme in rewarding the achievement of enhanced shareholder value, the new arrangements will continue to be based on total return to shareholders, with rewards dependent upon achievement of stringent performance measures. The details of the Plan will conform to the guidelines of the Association of British Insurers. Accordingly, an appropriate resolution will be put to shareholders at the forthcoming Annual General Meeting and further details will be set out in the Notice of the Meeting.

Service contracts

UK based executive directors have service contracts which are terminable by the Company on two years' notice and by the individual executive on one year's notice. These arrangements provide directors with a degree of security, thus enabling them to concentrate on the challenges involved in the development of the Group's long-term interests.

Non-executive directors do not have service agreements. It is policy to appoint non-executive directors for renewable three-year periods.

Retirement benefits

UK based executive directors participate in a contributory defined benefit pension scheme which, subject to length of service, will provide them at normal retirement age with a pension of about two-thirds of their base salary; the pension is increased each year in line with retail price inflation up to a maximum of 5%. The scheme also provides spouses' pensions and in-service life insurance. In respect of executive directors who are subject to "capping" under the provisions of the 1989 Finance Act the Company has given a promise that, subject to certain constraints, their pension and in-service life insurance will be increased to the amount which would have pertained if the "cap" did not apply. These obligations are currently unfunded.

Payments to former directors

Payments made following the resignation of a director during the year and the resignation of two directors during 1996 are detailed in part (a) of the notes to this report. No other payments were made to former directors during 1997, apart from normal pension payments to former directors or their surviving spouses.

S P W May

Chairman of the Remuneration Committee

27 February, 1998

Notes

ANNUAL REPORT 1997

Board & Board statements:

<u>Chairman's statement</u>	<u>Directors' report</u>
<u>Chief Executive's review</u>	<u>Directors' responsibilities</u>
<u>Executive committee</u>	<u>Report of the Remuneration Committee</u>
<u>Board of directors</u>	<u>Reports of the auditors</u>

Reports of the auditors

To the members of Whatman plc on the financial statements

We have audited the financial statements (and the additional disclosures relating to the remuneration of the directors specified for our review by the London Stock Exchange) which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and the accounting policies set out here.

Respective responsibilities of directors and auditors

As described above, the Company's directors are responsible for the preparation of the financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and 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 December, 1997 and of the profit and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Price Waterhouse

Chartered Accountants and Registered Auditors, London 27 February, 1998

To the directors of Whatman plc on corporate governance matters

In addition to our audit of the financial statements we have reviewed your statements concerning the Group's compliance with the paragraphs of the Cadbury Code of Best Practice specified for our review by the London Stock Exchange and the adoption of the going concern basis in preparing the financial

statements. The objective of our review is to draw attention to non-compliance with Listing Rules 12.43 (j) and 12.43(v), if not otherwise disclosed.

Basis of opinion

We carried out our review having regard to guidance issued by the Auditing Practices Board. That guidance does not require us to perform the additional work necessary to, and we do not, express any opinion on the effectiveness of either the Group's system of internal financial control or corporate governance procedures nor on the ability of the Group to continue in operational existence.

Opinion

In our opinion, your statements on internal financial control and going concern have provided the disclosures required by the Listing Rules referred to above and are consistent with the information which came to our attention as a result of our audit work on the financial statements.

In our opinion, based on the enquiry of certain directors and officers of the Company and examination of relevant documents, your statement appropriately reflects the Group's compliance with the other aspects of the Code specified for our review by Listing Rule 12.43(j).

Price Waterhouse

Chartered Accountants, London 27 February, 1998

ANNUAL REPORT 1997

Financial Statements & Accounts:

Group profit and loss accounts

Statement of total recognised

gains and losses

Note of historical cost profits and losses

Reconciliation of movement in

equity shareholders' funds

Group balance sheet

Group cash flow statement

Net cash inflow from

operating activities

Accounting policies

Notes to the financial statements

Group balance sheet

at 31 December, 1997

Note	1997		1996 Restated	
	£000	£000	£000	£000
Fixed assets				
<u>11</u>		35,065		32,806
Current assets				
<u>13</u>		16,683		15,889
<u>14</u>		21,629		18,294
<u>14</u>		3,972		3,269
<u>15</u>		333		-
		4,542		9,001
		47,159		46,453
Creditors: amounts falling due within one year				
<u>17</u>		719		4,363
<u>16</u>		20,505		16,420
		21,224		20,783
		25,935		25,670
		61,000		58,476
Creditors: amounts falling due after more than one year				
<u>17</u>		13,075		11,803

<u>18</u>	Provisions for liabilities and charges	<u>2,809</u>	<u>2,571</u>
		<u>15,884</u>	<u>14,374</u>
		<u>45,116</u>	<u>44,102</u>
	Capital and reserves		
<u>21</u>	Called up share capital	1,239	1,193
	Share premium account	8,259	6,858
	Revaluation reserve	3,851	3,805
	Capital redemption reserve	40	40
	Other reserve	2,194	1,336
	<u>Profit and loss account</u>	<u>29,700</u>	<u>31,034</u>
<u>22</u>	Equity shareholders' funds	45,283	44,266
	<u>Equity minority interests</u>	<u>(167)</u>	<u>(164)</u>
		<u>45,116</u>	<u>44,102</u>

The financial statements were approved by the Board of directors on 27 February, 1998 and signed on its behalf by:

A R W Smithers Chairman

P H Cooper Finance Director

ANNUAL REPORT 1997

Financial Statements & Accounts:

Group profit and loss accounts

Statement of total recognised

gains and losses

Note of historical cost profits and losses

Reconciliation of movement in

equity shareholders' funds

Group balance sheet

Group cash flow statement

Net cash inflow from

operating activities

Accounting policies

Notes to the financial statements

Group cash flow statement

for the year ended 31 December, 1997

Note	1997		1996 Restated	
	£000	£000	£000	£000
Operating activities				
		14,791		12,950
Returns on investments and servicing of finance				
	233		239	
	(1,113)		(1,135)	
		(880)		(896)
		(4,067)		(3,019)
Taxation				
Capital expenditure				
	(3,918)		(3,570)	
	150		141	
		(3,768)		(3,429)
	481		-	
23	(6,167)		(2,394)	
		(5,686)		(2,394)
		(3,431)		(2,870)
		(3,041)		342
Financing				
	1,099		1,690	

<u>Decrease in borrowings</u>	<u>(592)</u>	<u>(1,127)</u>	
<u>Net cash inflow from financing</u>		<u>507</u>	<u>563</u>
(Decrease)/Increase in cash	(2,534)		<u>905</u>

Net cash inflow from operating activities
for the year ended 31 December, 1997

	1996	1997
	£000	Restated £000
Profit on ordinary activities before interest	15,298	12,805
Depreciation	3,479	3,296
Profit on sale of fixed assets	(87)	(51)
Profit on revaluation of foreign currency loans	(151)	(717)
Provisions utilised	-	(2,270)
Increase in pension prepayment	(712)	(712)
Premium on LTIP shares	678	664
Writeback of goodwill on disposal	186	-
Decrease in stock	112	102
Increase in debtors	(2,289)	(2,160)
(Increase)/Decrease in investments	(333)	259
(Decrease)/Increase in creditors	(1,390)	1,734
Net cash inflow from operating activities	<u>14,791</u>	<u>12,950</u>

ANNUAL REPORT 1997

Financial Statements & Accounts:

Group profit and loss accounts

Statement of total recognised

gains and losses

Note of historical cost profits and losses

Reconciliation of movement in

equity shareholders' funds

Group balance sheet

Group cash flow statement

Net cash inflow from

operating activities

Accounting policies

Notes to the financial statements

Accounting policies

Accounting convention

The financial statements are prepared under the historical cost convention, modified to include the revaluation of certain fixed assets, and in accordance with applicable accounting standards.

Basis of consolidation

The Group financial statements are the consolidation of the financial statements of the Company and its subsidiary undertakings, and include the Group's share of the profits and net assets of associated undertakings. The results of subsidiary and associated undertakings acquired during the year are included from the effective date of acquisition using the acquisition basis of accounting.

Deferred taxation

Deferred taxation is provided, using the liability method, to the extent that such taxation is expected to be payable in the foreseeable future. Provision is not made for taxation on asset revaluations, as they are not regarded as timing differences, or for any additional taxation that might be payable if profits retained by overseas subsidiary undertakings were distributed as dividends.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date, except where covered by forward contracts, when the forward rate is used. The results of overseas subsidiary and associated undertakings are translated at average rates of exchange. Previously they had been translated at the year end rates of exchange. The directors believe that this change reflects more fairly the profits or losses and cash flows as they arise through the year. Differences on the translation of the opening balance sheets of overseas subsidiary undertakings are taken directly to reserves net of differences on related currency borrowings.

Goodwill

The excess of the purchase consideration over the fair value of the net tangible assets of newly acquired undertakings is written off against reserves on consolidation.

Interest

Interest payable is charged to the profit and loss account as incurred, except for interest relating to major fixed assets under construction which is added to the cost until the project becomes operational. Interest receipts and payments due under interest swap agreements are taken to the profit and loss as incurred.

Leases

Rentals under operating leases are charged to the profit and loss account as incurred.

Pensions

The cost of providing defined benefit pensions is charged against profits on a systematic basis, with pension fund surpluses and deficits arising allocated over the expected remaining service lives of scheme members. Differences between the amounts charged or credited in the profit and loss account and payments made are classified appropriately as assets or liabilities.

Research and development

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

Stock

Stock is valued at the lower of cost and net realisable value. Cost includes full manufacturing overheads.

Tangible fixed assets

The book value of each tangible fixed asset is written off evenly over its estimated useful life. Plant and machinery are written off over 4 to 10 years, except where the estimated working life is 20 years or longer when depreciation is provided over 20 years. Freehold buildings are depreciated over 50 years and freehold land is not depreciated. Leasehold improvements are depreciated over the life of the lease.

Turnover

Turnover represents the total net invoice value of goods sold to external customers, excluding all sales taxes.

ANNUAL REPORT 1997

Financial Statements & Accounts:

Group profit and loss accounts

Statement of total recognised

gains and losses

Note of historical cost profits and losses

Reconciliation of movement in

equity shareholders' funds

Group balance sheet

Group cash flow statement

Net cash inflow from

operating activities

Accounting policies

Notes to the financial statements

Notes to the financial statements

1 Segmental analysis

	Analytical		Healthcare		Industrial		Group	
	1997 £000	1996 £000	1997 £000	1996 £000	1997 £000	1996 £000	1997 £000	1996 £000
By business:								

Turnover

Sales to third parties **51,215** 49,814 **18,039** 18,918 **23,662** 23,635 **92,916** 92,367

Operating profit

Segment profit **10,269** 8,175 **1,999** 1,371 **3,030** 3,259 **15,298** 12,805

	North America		Europe		Asia Pacific		Group	
	1997 £000	1996 £000	1997 £000	1996 £000	1997 £000	1996 £000	1997 £000	1996 £000
By region:								

Turnover

Sales to third parties **51,978** 51,799 **32,805** 32,272 **8,133** 8,296 **92,916** 92,367

Inter-segment sales 5,316 4,073 14,571 12,718 - -

Total sales **57,294** 55,872 **47,376** 44,990 **8,133** 8,296

Operating profit

Segment profit **4,737** 4,479 **10,394** 8,626 **2,076** 1,656 **17,207** 14,761

Unallocated costs (1,909) (1,956)

15,298

12,805

Net assets

Segment net assets **18,532** 18,081 **35,163** 32,870 **2,571** 2,332 **56,266** 53,283

Unallocated liabilities (1,898) (2,016)

Net borrowings	<u>(9,252)</u>	<u>(7,165)</u>
Net assets	<u>45,116</u>	<u>44,102</u>

Acquisitions during the year contributed £763,000 to turnover in the Industrial business, £572,000 in Europe and £191,000 in North America. Operating profit was increased by £209,000 in Healthcare and reduced by £11,000 in the Industrial business. On a regional basis operating profit was increased by £88,000 in North America and £110,000 in Europe.

Included in the Analytical business and North America are the following results of Whatman Labsales Inc, whose operations were discontinued in the period: Turnover £955,000 (1996 - £2,612,000); Operating loss £316,000 (1996 - £10,000 profit).

Unallocated liabilities represent liabilities for tax and dividends, less the net assets attributable to the head office. Operating profit represents profit on ordinary activities before interest.

Analysis of turnover by destination	1997 £000	1996 £000
North America	51,713	51,265
United Kingdom	13,851	12,925
Continental Europe	15,513	16,931
Asia Pacific	9,042	8,973
Rest of world	2,797	2,273
	<u>92,916</u>	<u>92,367</u>

Sales in the US, included in North America above, accounted for 52% (1996 - 52%) of Group turnover.

C O N T I N U E ►

ANNUAL REPORT 1997

Financial Statements & Accounts:

Group profit and loss accounts

Statement of total recognised

gains and losses

Note of historical cost profits and losses

Reconciliation of movement in

equity shareholders' funds

Group balance sheet

Group cash flow statement

Net cash inflow from

operating activities

Accounting policies

Notes to the financial statements

Notes to the financial statements (continued)

2 Changes in accounting policies

The Group has changed its accounting policy for the translation of the results of overseas subsidiary undertakings and these are now translated at average rates of exchange (previously, year end rates were used). In addition, following the introduction of UITF 17 (Employee share schemes), the Group now recognises the market value of shares issued to senior executives under the Integrated Incentive Plan (LTIP) as a cost, spread over the performance period to which the awards relate. Figures for prior periods, including disclosures in the notes to the financial statements, have been restated where applicable to reflect these changes of accounting policy. The effects of the changes in accounting policy are set out below:

	Profit before tax		Shareholders' funds
	1997	1996	31.12.96
	£000	£000	£000
Use of average exchange rates	230	347	-
Adoption of UITF 17	(712)	(698)	(68)
3 Net interest payable		1997	1996
		£000	£000

Payable on bank loans and overdrafts and other borrowings repayable:

Within five years	896	1,050
After five years	59	227
	955	1,277
Receivable	233	256

		<u>722</u>	<u>1,021</u>
		1997	1996
4 Profit on ordinary activities before taxation	£000	£000	£000
<hr/>			
Is stated after charging:			
Depreciation		3,479	3,296
Operating lease rentals:			
Plant and machinery	133	147	
Land and buildings	1,793	1,879	
<hr/>			
		1,926	2,026
Audit work by Company's auditors*	161	187	
Non-audit work by Company's auditors	126	53	
Audit work by other firms	6	1	
<hr/>			
		<u>293</u>	<u>241</u>

*£35,000 (1996 - £40,000) of this relates to the Company

◀ PREVIOUS CONTINUE ▶

ANNUAL REPORT 1997

Financial Statements & Accounts:

Group profit and loss accounts

Statement of total recognised

gains and losses

Note of historical cost profits and losses

Reconciliation of movement in

equity shareholders' funds

Group balance sheet

Group cash flow statement

Net cash inflow from

operating activities

Accounting policies

Notes to the financial statements

Notes to the financial statements (continued)

	1997	1996
5 Employees	Number	Number
<hr/>		
Average weekly number of employees:		
North America	456	441
Europe	557	562
Asia Pacific	49	47
	<hr/> 1,062	<hr/> 1,050
Staff costs:	£000	£000
<hr/>		
Wages and salaries	25,566	25,507
Social security costs	2,411	2,323
Other pension costs	1,430	1,314
	<hr/> 29,407	<hr/> 29,144
Pensions		
<hr/>		

The Group operates a number of pension schemes, principally in the UK and the US. The majority of the Group's employees in the UK are members of a funded defined benefit scheme, and the majority of the Group's employees in the US are in a defined contribution plan. Both of these schemes are administered by Trustees and are independent of the Group's finances.

An independent actuarial valuation of the defined benefit scheme in the UK at 6 April, 1997 disclosed assets with a market value of £30,779,000 and an actuarial value of assets (valued by discounting income from a notional portfolio) equivalent to 111% of the accrued liabilities, after allowing for expected future increases in earnings. The pension cost for 1997 was based on the 1995 valuation using the projected unit actuarial method. The main actuarial assumptions used were: Investment yield 10% p.a.; Equity dividend growth 5.5% p.a.; General growth in salaries 8% p.a.; Pension increases 4.5% p.a. Based on a more conservative actuarial valuation, the Group made contributions to the UK scheme in 1997 of £1,051,000 (1996 - £1,012,000) and credit is being taken for the actuarial surplus over the estimated average remaining service lives of the scheme members. The cumulative prepayment at 31 December, 1997 was £3,890,000 (1996 - £3,178,000).

Pension costs	1997	1996
	£000	£000

UK pension scheme:

Regular cost	963	865
Actuarial surplus allocated to year	(306)	(320)
		(245)
<u>Interest on prepayment</u>	<u>(318)</u>	
Net pension cost in UK	339	300
Pension cost in US	863	899
<u>Other pension costs</u>	<u>228</u>	<u>115</u>
	<u>1,430</u>	<u>1,314</u>

6 Directors' emoluments	1997	1996
	£000	£000

Fees	100	115
Salaries including benefits	367	334
<u>Pension contributions</u>	<u>39</u>	<u>40</u>
	<u>506</u>	<u>489</u>

Further details of the emoluments and interests of individual directors are given in the [report of the Remuneration Committee](#)

7 Tax on profit on ordinary activities	1997	1996
	£000	£000

UK tax:

Corporation tax at 31.5% (1996 - 33%)	2,625	2,487
<u>Relief for overseas tax</u>	<u>-</u>	<u>(556)</u>

	2,625	1,931
Deferred taxation	<u>201</u>	<u>679</u>
	2,826	<u>2,610</u>

Overseas tax:

Tax payable	2,226	2,119
Deferred taxation	<u>207</u>	<u>(191)</u>
	2,433	<u>1,928</u>
	5,259	<u>4,538</u>

8 Dividends to equity shareholders

	1997	1996
	£000	£000
Interim paid 5.2p (1996 - 4.5p)	1,330	1,063
Final proposed 10.3p (1996 - 8.8p)	2,546	<u>2,101</u>
	3,876	<u>3,164</u>

9 Earnings per share

Basic earnings per share have been calculated on earnings of £9,324,000 (1996 - £7,227,000) and the weighted average number of shares in issue during the year of 24,465,000 (1996 - 23,404,000). Fully diluted earnings per share are not materially different from basic earnings per share.

ANNUAL REPORT 1997

Financial Statements & Accounts:

Group profit and loss accounts

Statement of total recognised

gains and losses

Note of historical cost profits and losses

Reconciliation of movement in

equity shareholders' funds

Group balance sheet

Group cash flow statement

Net cash inflow from

operating activities

Accounting policies

Notes to the financial statements

Notes to the financial statements (continued)

22 Equity shareholders' funds	Share capital £000	Share premium £000	Revalu- ation £000	Capital redemp- tion £000	Other £000	Profit and loss £000	Total £000
Group							
Balance at 1 January, 1997 reported	1,193	6,858	3,805	40	-	32,438	44,334
Prior year adjustment (note 2)	-	-	-	-	1,336	(1,404)	(68)
Balance at 1 January, 1997 restated	1,193	6,858	3,805	40	1,336	31,034	44,266
Differences on exchange	-	-	46	-	-	(421)	(375)
Retained profit for year	-	-	-	-	-	5,448	5,448
Goodwill on acquisitions	-	-	-	-	(3,108)	(6,547)	(9,655)
Goodwill on disposals	-	-	-	-	-	186	186
Shares to be issued	3	-	-	-	303	-	306
Premium on LTIP shares	-	-	-	-	678	-	678
Issue of shares	43	1,401	-	-	2,985	-	4,429
Balance at 31 December, 1997	1,239	8,259	3,851	40	2,194	29,700	45,283

Whatman plc

Balance at 1

January, 1997

reported

1,193	6,858	2,617	40	-	24,431	35,139
-------	-------	-------	----	---	--------	--------

Prior year

adjustment (note

2)

-	-	-	-	1,336	(526)	810
---	---	---	---	-------	-------	-----

Balance at 1

January, 1997

restated

1,193	6,858	2,617	40	1,336	23,905	35,949
-------	-------	-------	----	-------	--------	--------

Differences on

exchange

-	-	-	-	-	(453)	(453)
---	---	---	---	---	-------	-------

Retained profit for

year

-	-	-	-	-	1,685	1,685
---	---	---	---	---	-------	-------

Shares to be

issued

3	-	-	-	-	-	3
---	---	---	---	---	---	---

Premium on LTIP

shares

-	-	-	-	678	-	678
---	---	---	---	-----	---	-----

Issue of shares

43	1,401	-	-	-	-	1,444
----	-------	---	---	---	---	-------

Balance at 31**December,****1997**

1,239	8,259	2,617	40	2,014	25,137	39,306
-------	-------	-------	----	-------	--------	--------

The cumulative amount of goodwill written off in respect of undertakings forming part of the Group at 31 December, 1997 was £28,373,000 (1996 - £18,904,000).

In accordance with the exemption permitted by section 230 of the Companies Act 1985, the profit and loss account of Whatman plc is not separately presented. The profit attributable to shareholders, dealt with in the Company's financial statements, is £5,561,000 (1996 - £5,083,000).

ANNUAL REPORT 1997

Board & Board statements:

<u>Chairman's statement</u>	<u>Directors' report</u>
<u>Chief Executive's review</u>	<u>Directors' responsibilities</u>
<u>Executive committee</u>	<u>Report of the Remuneration Committee</u>
<u>Board of directors</u>	<u>Reports of the auditors</u>

Notes on the Report of the Remuneration Committee

(a) Directors' remuneration

	Salary/fees £000	Monetary value of benefits in kind £000	Bonus £000	1997 total £000	1996 total £000
P H Cooper	94	7	-	101	31
W H Fulton	15	-	-	15	15
L H Hyde	15	-	-	15	15
E T Libbey (resigned 30 June, 1997)	65	7	-	72	132
S P W May	15	-	-	15	15
D J H Smith	180	14	-	194	126
A R W Smithers (Chairman)	55	-	-	55	55

1. D J H Smith was the highest paid director in 1997.
2. Benefits in kind include the provision of a company car, fuel, medical and life insurance.
3. Some directors' fees were, at the request of individual directors, paid to companies with which they are associated (A R W Smithers: Smithers & Co Ltd; W H Fulton: Fulton Management International).
4. E T Libbey ceased executive employment with the Group on 30 June, 1997. He is continuing to receive payments and benefits in kind to a total value of £135,000, payable by instalments over a period from July 1997 to September 1998.
5. C S Knight retired from executive employment with the Group in January 1996. During 1997 he continued to receive payments and benefits in kind totalling £108,000, paid in instalments from January to October 1997.
6. A G Baker resigned as a director in January 1996 but is continuing to work for the Group in a reduced, part-time capacity at a salary of £22,400 p.a. In addition he is receiving insurance benefits from the Group's Long-Term Sickness Scheme, presently at the rate of £44,500 p.a.

(b) Directors' interests in the share capital of the Company

None of the Directors had any unexercised vested share options at any time during the year nor were any share options exercised by Directors during the year.

The beneficial interests of directors and their families in the shares of the Company were:

As at 31 December

	1997	1996
P H Cooper	1,086	530
W H Fulton	6,000	6,000
L H Hyde	3,000	3,000
E T Libbey	12,970*	11,000
S P W May	-	-
D J H Smith	33,890	28,000
A R W Smithers	174,000	174,000

*at date of resignation

The market price of the shares at 31 December, 1997 was 752.5p (1996 - 540p). The highest price during 1997 was 822.5p and the lowest price 527.5p. There were no changes in the interests of the directors between 1 January, 1998 and 27 February, 1998 (but see section (c) below in respect of awards of shares under the Integrated Incentive Plan).

(c) Integrated Incentive Plan

Part 1

In respect of the first element of the Plan the number of shares listed below will be awarded on 31 March, 1998 in relation to achievement of defined 1997 corporate performance targets:

	1997 Number of shares	Market value as at 31.12.97 £	1996 Number of shares
P H Cooper	1,250	9,400	556
D J H Smith	2,392	18,000	2,130

The shares awarded under Part 1 are purchased in the market and the cost of these shares is included in the 1997 Group profit and loss account.

Part 2

In respect of the second element of the Plan a further award may be made in 1999 in relation to achievement of defined personal objectives in the two-year period 1997-98. No provision has been made in the 1997 Group profit and loss account.

Part 3

In respect of the third element of the Plan (measure of total return to shareholders), the following shares were issued during 1997 and are held in an employee benefit trust:

	Issued during year Number of shares	Held in trust at 31.12.97 Number of shares	Held in trust at 31.12.97 Market value at 31.12.97
In respect of P H Cooper	8,704	12,234	£92,060
In respect of D J H Smith	33,333	71,617	£538,918

A fair assessment of the cost of the shares issued in 1997 has been included in the 1997 Group profit and loss account, in accordance with the provisions of UITF 17.

A resolution is being put to the forthcoming Annual General Meeting that, as part of a proposed amendment to the Integrated Incentive Plan, the shares presently held in the employee benefit trust would vest to the named directors during 1998, and future awards under Part 3 of the Plan would be made in the form of performance-based share options instead of restricted shares. Further details will be set out in the Notice of the Annual General Meeting.

In accordance with the Rules of the Integrated Incentive Plan 22,500 shares will be transferred from the employee benefit trust into the beneficial ownership of E T Libbey, following the termination of his service contract in June 1997.

(d) Directors' pensions

UK-based executive directors are eligible to join the Whatman UK Pension Scheme, which is a defined benefit scheme. In addition, the Company has given a promise that, subject to certain constraints, the pension and in-service life insurance benefits of directors who are subject to "capping" under the provisions of the 1989 Finance Act will be increased to the amount which would have pertained if the "cap" did not apply. These obligations are currently unfunded.

				Funded pension arrangements	Unfunded pension
	Age at 31 December 1997	Normal retirement age	Increase in accrued pension during 1997 (excluding the effect of inflation) £000	Total accrued pension as at 31 December 1997 £000 p. a.	Amount of final salary to which unfunded arrangements apply £000 p.a.
P H Cooper	43	60	2	3	-
D J H Smith	56	60	7	13	46

If a member leaves the Whatman UK Pension Scheme before attaining retirement age, the member is entitled to a deferred pension within the Scheme, based on the member's service and salary at the date of leaving, or to a transfer to another scheme, the transfer value being calculated by discounting the expected future benefit at a rate of interest advised by the Scheme Actuary.

E T Libbey was a member of the Group's US defined contribution scheme. £2,300 was contributed to this scheme during 1997, in respect of Dr Libbey.

(e) Re-election of directors

Of the directors to be proposed for re-election at the forthcoming Annual General Meeting, D J H Smith has a service contract which is terminable by the Company on two years' notice and by the director on one year's notice. S P W May does not have a service contract.

ANNUAL REPORT 1997

Financial Statements & Accounts:

Group profit and loss accounts

Statement of total recognised

gains and losses

Note of historical cost profits and losses

Reconciliation of movement in

equity shareholders' funds

Group balance sheet

Group cash flow statement

Net cash inflow from

operating activities

Accounting policies

Notes to the financial statements

Notes to the financial statements (continued)

11	Group			Whatman plc		
	Land and buildings £000	Plant and machinery £000	Total £000	Land and buildings £000	Plant and machinery £000	Total £000
Tangible fixed assets						
Cost or valuation						
At 1 January, 1997	16,079	35,249	51,328	10,550	448	10,998
Differences on exchange	(109)	(96)	(205)	-	-	-
Additions	266	4,635	4,901	-	261	261
Acquisitions	1	2,459	2,460	-	-	-
Transfers	19	(14)	5	-	(22)	(22)
<u>Disposals</u>	<u>(12)</u>	<u>(1,081)</u>	<u>(1,093)</u>	<u>(2)</u>	<u>(84)</u>	<u>(86)</u>
At 31 December, 1997	<u>16,244</u>	<u>41,152</u>	<u>57,396</u>	<u>10,548</u>	<u>603</u>	<u>11,151</u>
Depreciation						
At 1 January, 1997	635	17,887	18,522	-	268	268
Differences on exchange	(2)	(10)	(12)	-	-	-
Acquisitions	-	1,314	1,314	-	-	-
Charge for year	371	3,108	3,479	134	117	251
Transfers	(1)	6	5	-	(5)	(5)
<u>Disposals</u>	<u>(9)</u>	<u>(968)</u>	<u>(977)</u>	<u>-</u>	<u>(77)</u>	<u>(77)</u>
At 31 December, 1997	<u>994</u>	<u>21,337</u>	<u>22,331</u>	<u>134</u>	<u>303</u>	<u>437</u>
Net book values						
31 December, 1997	<u>15,250</u>	<u>19,815</u>	<u>35,065</u>	<u>10,414</u>	<u>300</u>	<u>10,714</u>
31 December, 1996	<u>15,444</u>	<u>17,362</u>	<u>32,806</u>	<u>10,550</u>	<u>180</u>	<u>10,730</u>

(a) The net book value of land and buildings comprises:

Notes:

	<u>Group</u>		<u>Whatman plc</u>	
	1997	1996	1997	1996
	£000	£000	£000	£000
Freehold	13,585	13,851	10,414	10,550
Short leasehold	1,665	1,593	-	-
	15,250	15,444	10,414	10,550

(b) Freehold land and buildings were revalued in 1996 by Chartered Surveyors and similarly qualified professionals on an open market existing use basis, and the valuations were incorporated in the financial statements of that year.

The net book value of freehold land and buildings at 31 December on a historical basis would have been:

	<u>Group</u>		<u>Whatman plc</u>	
	1997	1996	1997	1996
	£000	£000	£000	£000
Cost	12,737	12,825	9,976	9,978
Depreciation	2,616	2,358	1,667	1,489
Net book value	10,121	10,467	8,309	8,489

(c) Capital commitments

	<u>Group</u>		<u>Whatman plc</u>	
	1997	1996	1997	1996
	£000	£000	£000	£000
Already contracted	69	284	-	169
Authorised but not yet contracted	591	200	-	-
	660	484	-	169

ANNUAL REPORT 1997

Financial Statements & Accounts:

Group profit and loss accounts

Statement of total recognised

gains and losses

Note of historical cost profits and losses

Reconciliation of movement in

equity shareholders' funds

Group balance sheet

Group cash flow statement

Net cash inflow from

operating activities

Accounting policies

Notes to the financial statements

Notes to the financial statements (continued)

	<u>Investment in subsidiary undertakings</u>		
	Equity £000	Loans £000	Total £000
12 Investments: Whatman plc			
Cost or valuation at 1 January, 1997	11,991	18,108	30,099
Differences on exchange	-	(287)	(287)
Additions	<u>4,591</u>	<u>3,482</u>	<u>8,073</u>
Cost or valuation at 31 December, 1997	<u>16,582</u>	<u>21,303</u>	<u>37,885</u>

The cost of shares in subsidiary undertakings at 31 December, 1997 was £17,412,000.
The principal subsidiary undertakings at that date are shown in note 27.

13 Stock	1997 £000	1996 £000
Raw materials and consumables	4,962	5,107
Work in progress	3,807	2,637
Finished goods and goods for resale	7,914	8,145
	<u>16,683</u>	<u>15,889</u>

14 Debtors	<u>Group</u>		<u>Whatman plc</u>	
	1997 £000	1996 £000	1997 £000	1996 £000

Due within one year:

Trade debtors	18,196	15,750	-	-
Amounts owed by subsidiary undertakings	-	-	2,566	2,101
Other debtors	2,002	1,271	307	294
Taxation	252	6	72	-
<u>Prepayments and accrued income</u>	<u>1,179</u>	<u>1,267</u>	<u>165</u>	<u>132</u>
	<u>21,629</u>	<u>18,294</u>	<u>3,110</u>	<u>2,527</u>
Due after more than one year:				
Amounts owed by subsidiary undertakings	-	-	5,187	6,225
Other debtors	82	91	-	-
<u>Pension prepayment</u>	<u>3,890</u>	<u>3,178</u>	<u>333</u>	<u>265</u>
	<u>3,972</u>	<u>3,269</u>	<u>5,520</u>	<u>6,490</u>
	<u>25,601</u>	<u>21,563</u>	<u>8,630</u>	<u>9,017</u>

15 Investments

At 31 December, 1997 43,000 (1996 - Nil) shares in the Company, with a market value of £333,000 (1996 - Nil), were held in trust to meet liabilities under employee share schemes.

	<u>Group</u>		<u>Whatman plc</u>	
	1997	1996	1997	1996
16 Other creditors	£000	£000	£000	£000
Trade creditors	5,822	4,839	-	-
Amounts owed to subsidiary undertakings	-	-	2,444	1,674
Proposed dividend	2,546	2,101	2,546	2,101
Corporation tax	4,238	3,031	1,304	1,434
Other taxation and social security	773	460	-	-
Other creditors	3,635	2,505	51	112
<u>Accruals and deferred income</u>	<u>3,491</u>	<u>3,484</u>	<u>498</u>	<u>718</u>
	<u>20,505</u>	<u>16,420</u>	<u>6,843</u>	<u>6,039</u>

ANNUAL REPORT 1997

Financial Statements & Accounts:

Group profit and loss accounts

Statement of total recognised

gains and losses

Note of historical cost profits and losses

Reconciliation of movement in

equity shareholders' funds

Group balance sheet

Group cash flow statement

Net cash inflow from

operating activities

Accounting policies

Notes to the financial statements

Notes to the financial statements (continued)

	<u>Group</u>		<u>Whatman plc</u>	
	1997	1996	1997	1996
	£000	£000	£000	£000
17 Borrowings				
Short term borrowings:				
Bank loans secured on land and buildings	75	95	-	-
Unsecured bank loans and overdrafts	633	3,145	94	1,306
Promissory notes	11	1,123	-	-
	719	4,363	94	1,306
Long term loans:				
Bank loans secured on land and buildings	607	900	-	-
Unsecured bank loans	11,719	10,186	11,600	10,186
Promissory notes	749	717	-	-
	13,075	11,803	11,600	10,186
Total borrowings	13,794	16,166	11,694	11,492
Repayable:				
Within one year	719	4,363	94	1,306
Between one and two years	457	2,176	-	1,754
Between two and five years	12,205	5,630	11,600	4,971
After five years				
- by instalments	413	536	-	-

After five years - other than by instalments		-	3,461	-	3,461
		13,794	16,166	11,694	11,492

Total amount payable by instalments, part of which falls due after five years		553	922	-	-
---	--	------------	-----	---	---

Borrowings partly payable after five years include £553,000 (1996 - £922,000) of secured bank loans with rates of interest between 4.5% and 8.75%. At 31 December, 1997 the Group had unutilised borrowing facilities of £18,400,000 with a maturity of over three years.

Interest rate and currency of borrowings	Fixed rate borrowings £000	Floating rate borrowings £000	Total £000	Fixed rate borrowings	
				Average interest rate %	Average term Years
US Dollar	5,848	972	6,820	6.3	1.4
Deutsche Mark	670	986	1,656	7.5	4.0
Dutch Guilder	-	4,281	4,281		
Other ERM	-	102	102		
Japanese Yen	-	935	935		

Borrowings at 31 December, 1997	6,518	7,276	13,794	6.4	1.7
Borrowings at 31 December, 1996	7,101	9,065	16,166	6.8	2.6

The above takes into account interest rate swaps entered into by the Group to hedge against rising interest rates.

Currency analysis of net assets at 31 December, 1997	Net assets excluding borrowings £000	Borrowings £000	Net investment £000
Sterling	29,619	-	29,619
US Dollar	19,889	(6,820)	13,069
Deutsche Mark	3,323	(1,656)	1,667
Dutch Guilder	1,739	(4,281)	(2,542)

Other ERM			908	(102)	806
Japanese Yen			1,280	(935)	345
Other			<u>2,152</u>	<u>-</u>	<u>2,152</u>
			<u>58,910</u>	<u>(13,794)</u>	<u>45,116</u>

			<u>1997</u>		<u>1996</u>
Current value of financial instruments		Book value £000	Current value £000	Book value £000	Current value £000

Short term debt and current portion of long term debt		(719)	(719)	(4,363)	(4,363)
Long term debt		(13,075)	(13,130)	(11,803)	(11,844)
Interest rate swaps		-	(53)	-	(144)
Foreign exchange forward rate contracts		-	1,716	-	2,955

Market risk

It is estimated that a strengthening of sterling by 1% would reduce Group profit before tax for 1998 by approximately 0.2%, and a rise in interest rates by 1% would reduce Group profit before tax for 1998 by approximately 0.2%.

ANNUAL REPORT 1997

Financial Statements & Accounts:

Group profit and loss accounts

Statement of total recognised

gains and losses

Note of historical cost profits and losses

Reconciliation of movement in

equity shareholders' funds

Group balance sheet

Group cash flow statement

Net cash inflow from

operating activities

Accounting policies

Notes to the financial statements

Notes to the financial statements (continued)

Provisions for liabilities and 18 charges	Group £000	Whatman plc £000
--	---------------	---------------------

Deferred taxation:

At 1 January, 1997	2,571	240
--------------------	-------	-----

Differences on exchange	(67)	-
-------------------------	------	---

Acquired	9	-
----------	---	---

Movement in ACT recoverable	(112)	(112)
-----------------------------	-------	-------

Release for year	408	32
------------------	-----	----

At 31 December, 1997	2,809	160
----------------------	--------------	------------

	Group		Whatman plc	
Deferred taxation is attributable to:	1997 £000	1996 £000	1997 £000	1996 £000

Accelerated capital allowances	3,254	3,189	699	723
--------------------------------	--------------	-------	------------	-----

ACT recoverable	(637)	(525)	(637)	(525)
-----------------	--------------	-------	--------------	-------

Other timing differences	192	(93)	98	42
--------------------------	------------	------	-----------	----

	2,809	2,571	160	240
--	--------------	-------	------------	-----

The above represents the full potential deferred taxation liability in these categories.

19 Contingent liabilities

Whatman plc has given guarantees in respect of £5,000,000 (1996 - £5,000,000) of borrowing facilities of subsidiary undertakings. Also, the Group has contingent liabilities in respect of leases sub-let and assigned in the ordinary course of business.

	Land and buildings		Other	
	1997	1996	1997	1996
	£000	£000	£000	£000
20 Lease commitments				
The Group's annual commitments under operating leases expiring:				
Within one year	230	310	32	51
Between one and five years	376	730	108	139
After five years	1,290	1,027	-	-
	1,896	2,067	140	190

Whatman plc had no commitments under operating leases.

21 Share capital - Equity	1997	1996
	£000	£000
Ordinary shares of 5p each:		
Authorised: 28,000,000 (1996 - 28,000,000)	1,400	1,400
Allotted and fully paid: 24,721,759 (1996 - 23,869,124)	1,236	1,193
Shares to be issued: 55,244 (1996 - Nil)	3	-
	1,239	1,193

During the year the Company allotted 587,955 shares as £345,000 of consideration in respect of acquisitions and 264,680 shares for a consideration of £1,102,000 to employees exercising share options under employee share option schemes. Options on ordinary shares outstanding at 31 December, 1997 were as follows:

	Number of shares	Option prices	Period exercisable
1984 Executive share option scheme	41,500	452p-495p	1992-2003
1989 Executive share option scheme	75,500	370p-480p	1992-2002
1996 Savings related share option scheme	83,384	396p	1999-2000
1997 Savings related share option scheme	61,545	644p	2000-2001
	261,929		

ANNUAL REPORT 1997

Financial Statements & Accounts:

Group profit and loss accounts

Statement of total recognised

gains and losses

Note of historical cost profits and losses

Reconciliation of movement in

equity shareholders' funds

Group balance sheet

Group cash flow statement

Net cash inflow from

operating activities

Accounting policies

Notes to the financial statements

Notes to the financial statements (continued)

23 Acquisitions

Acquisitions during the year included Aquilo Gas Separations B.V. in July, Biotron biomedizinische Elektronik GmbH in September and the business of Non-Cryo Nitrogen Inc. in December, as well as the remainder of the minority interests in Polyfiltronics Inc., Gerbermembrane GmbH and Wex Filtertechnik GmbH.

	Local book value £000	Fair value adjustments £000	Total £000
Tangible fixed assets	1,146	-	1,146
Stocks	1,384	(35)	1,349
Debtors	921	-	921
Creditors and provisions	(2,093)	-	(2,093)
Net borrowings	(105)	-	(105)
<u>Minority interests</u>	<u>21</u>	<u>-</u>	21
Tangible assets acquired	<u>1,274</u>	<u>(35)</u>	1,239
Goodwill			9,655
<hr/>			
Total cost of acquisitions			10,894
Amount satisfied by issue of shares			3,636
<hr/>			
Total cost of acquisition payable in cash			<u>7,258</u>

The fair value adjustment comprises the creation of a stock provision consistent with the Group's accounting policies. Contingent consideration in relation to the Polyfiltronics Inc. acquisition is payable dependent on the sales performance of the acquired business in the period to 31 December, 1999. The maximum contingent consideration is 55,244 ordinary shares in Whatman plc, the fair value of which was £306,000 on the date of acquisition. Contingent consideration in relation to the Biotron biomedizinische Elektronik GmbH acquisition is payable dependent on the sales performance of the acquired business in the period to 31 December, 2001. The maximum contingent consideration is DM750,000 payable in cash.

These amounts have been provided in these financial statements and are the current best estimate of the amounts that will be payable.

	1997	1996
	£000	£000
Cash invested in acquisitions:		
Cash payable in respect of acquisitions during the year	7,258	2,422
Amount payable after end of year	(1,288)	(99)
Cash and cash equivalents acquired	105	(4)
Cash paid in respect of prior year acquisitions	92	75
	6,167	2,394
24 Reconciliation of net cash flow to movement in net debt	1997	1996
	£000	£000
Decrease/(Increase) in cash in the period	2,534	(905)
Cash outflow from decrease in debt	(592)	(1,127)
Change in net debt resulting from cash flows	1,942	(2,032)
Differences on exchange	145	(1,623)
Movement in net debt in period	2,087	(3,655)
Net debt at 1 January	7,165	10,820
Net debt at 31 December	9,252	7,165

ANNUAL REPORT 1997

Financial Statements & Accounts:

Group profit and loss accounts

Statement of total recognised

gains and losses

Note of historical cost profits and losses

Reconciliation of movement in

equity shareholders' funds

Group balance sheet

Group cash flow statement

Net cash inflow from

operating activities

Accounting policies

Notes to the financial statements

Notes to the financial statements (continued)

	<u>1997</u>	<u>1996 Restated</u>
	<u>£000</u>	<u>£000</u>
Whatman plc balance sheet at 31		
10 December, 1997	£000	£000
<hr/>		
Note Fixed assets		
11 Tangible assets	10,714	10,730
12 Investments	37,885	30,099
	<hr/>	<hr/>
	48,599	40,829
Current assets		
14 Debtors falling due within one year	3,110	2,527
14 Debtors falling due after more than one year	5,520	6,490
15 Investments	333	-
Cash	441	3,874
	<hr/>	<hr/>
	9,404	12,891
Creditors: amounts falling due within one year		
17 Borrowings	94	1,306
16 Other creditors	6,843	6,039
	<hr/>	<hr/>
	6,937	7,345
Net current assets	<hr/>	<hr/>
	2,467	5,546
Total assets less current liabilities	51,066	46,375
Creditors: amounts falling due after more than one year		
17 Borrowings	11,600	10,186
18 Provisions for liabilities and charges	160	240
	<hr/>	<hr/>

<u>11,760</u>	<u>10,426</u>
<u>39,306</u>	<u>35,949</u>

Capital and reserves

<u>21</u>	Called up share capital	1,239	1,193
	Share premium account	8,259	6,858
	Revaluation reserve	2,617	2,617
	Capital redemption reserve	40	40
	Other reserve	2,014	1,336
	<u>Profit and loss account</u>	<u>25,137</u>	<u>23,905</u>
<u>22</u>	Equity shareholders' funds	<u>39,306</u>	<u>35,949</u>

The financial statements were approved by the Board of directors on 27 February, 1998 and signed on its behalf by:

A R W Smithers Chairman **P H Cooper** Finance Director

ANNUAL REPORT 1997

Financial Statements & Accounts:

Group profit and loss accounts

Statement of total recognised

gains and losses

Note of historical cost profits and losses

Reconciliation of movement in

equity shareholders' funds

Group balance sheet

Group cash flow statement

Net cash inflow from

operating activities

Accounting policies

Notes to the financial statements

Notes to the financial statements (continued)

	At 1.1.97 £000	Cash flow £000	Other non cash changes £000	Exchange movement £000	At 31.12.97 £000
25 Analysis of net debt					
Cash in hand, at bank	(9,001)	4,064	-	395	(4,542)
Overdrafts	1,994	(1,530)	-	-	464
	<u>(7,007)</u>	<u>2,534</u>	<u>-</u>	<u>395</u>	<u>(4,078)</u>
Debt due within one year	2,369	(2,391)	255	22	255
Debt due after one year	11,803	1,799	(255)	(272)	13,075
	<u>14,172</u>	<u>(592)</u>	<u>-</u>	<u>(250)</u>	<u>13,330</u>
Net borrowings	<u>7,165</u>	<u>1,942</u>	<u>-</u>	<u>145</u>	<u>9,252</u>

26 Related party transactions

Neither the Group nor the Company had any material transactions with related parties during the year.

27 Principal subsidiary undertakings

*Aquila Gas Separations B.V.	Manufacturing, marketing and development	Netherlands
*Arbor Technologies Inc.	Manufacturing, marketing and development	US
*Biometra biomedizinische Analytik GmbH (80%)	Manufacturing, marketing and development	Germany

*Biotron biomedizinische Elektronik GmbH	Manufacturing and development	Germany
*Gerbermembrane GmbH	Manufacturing, marketing and development	Germany
*Polyfiltronics Inc.	Manufacturing, marketing and development	US
*Wex Filtertechnik GmbH	Manufacturing, marketing and development	Germany
Whatman Asia Pacific Pte Limited	Manufacturing, marketing and development	Singapore
*Whatman Canada Limited	Marketing	Canada
*Whatman GmbH	Marketing	Germany
*Whatman Inc.	Marketing	US
Whatman International Limited	Manufacturing, marketing and development	England
Whatman Japan KK	Marketing	Japan
Whatman Reeve Angel Inc.	Holding	US
Whatman SA	Manufacturing, marketing and development	Belgium
Whatman Sarl	Marketing	France

Except where indicated, 100% of the voting rights of all subsidiary undertakings are held directly or indirectly by Whatman plc. All shares held are ordinary shares, except those in Whatman International Limited which consist of both ordinary and preference shares.

*Equity held by a subsidiary undertaking