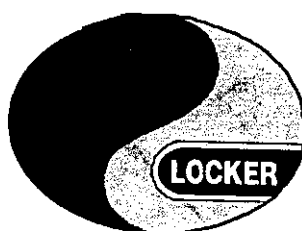


Locker Group plc



Report and Accounts 2001





Contents

| | |
|----|--|
| 2 | Summary of results |
| 3 | Chairman's statement |
| 6 | Operating review |
| 10 | Financial review |
| 12 | Directors |
| 14 | Directors' report |
| 17 | Corporate governance statement |
| 20 | Remuneration report |
| 24 | Report of the auditors |
| 25 | Consolidated profit and loss account |
| 26 | Statement of total recognised gains and losses |
| 27 | Balance sheets |
| 28 | Consolidated cash flow statement |
| 29 | Accounting policies |
| 31 | Notes on the accounts |
| 58 | Principal subsidiary undertakings |
| 59 | Five year review |
| 60 | Financial diary |
| 61 | Notice of meeting |
| 63 | Proxy |

Locker Group plc

Registered office:

Church Street

Warrington

Cheshire WA1 2SU

The Company is registered in England no. 431900



Summary of results

for the year ended 31st March 2001

| | 2001 £000 | 2000 Restated £000 |
|--|--------------|--------------------------|
| Group turnover | 66,732 | 60,424 |
| (Loss)/profit on ordinary activities before taxation | (5,407) | 770 |
| (Loss)/profit attributable to shareholders | (5,343) | 265 |
| Dividends | 466 | 893 |
| Loss for the year | (5,809) | (628) |
| Shareholders' funds | 12,026 | 18,101 |
| (Loss)/earnings per share | (6.89p) | 0.34p |
| Diluted (loss)/earnings per share | (6.89p) | 0.34p |
| Dividends per share | 0.60p | 1.15p |
| Net assets per share | 15.02p | 22.60p |

The figures for the year ended 31st March 2000 have been restated following changes in accounting policies in respect of deferred taxation.



Chairman's statement

The year to March 2001 has been particularly eventful for Locker Group. The merger of our UK and European cable reels business with Askern Group and the acquisition of Expamet in Australia had been undertaken with the intention of enlarging the Group in two of our major product sectors. The decision of the UK competition authorities to refuse permission for the Pentre Askern merger has been particularly damaging and costly to the Group and appears to defy the commercial logic of the case. The decision came as a major surprise both to us and to our advisors. In Australia initial profits from the acquisition of Expamet have been lower than anticipated but rationalisation opportunities and greater market coverage are now beginning to deliver encouraging results.

Furthermore in December last year we reported lower operating profits and difficult trading conditions in the Locker Process Solutions business and in April 2001 we issued a trading statement announcing our decision to instigate a fundamental rationalisation programme throughout this business. We can now report that the Group loss before tax for the year ended 31st March 2001 was £5.4m (2000 Profit £0.8m). The losses were mainly attributable to the Locker Process Solutions business and to the costs of the abortive merger with Askern Group.

The extent and scale of the problems revealed by a fundamental review of Locker Process Solutions carried out during the final quarter of the financial year were considerably worse than expected. The operations management of Locker Process Solutions had proved to be totally inadequate as evidenced by poor pricing decisions, weak contract control, and significant technical problems, all of which resulted in our decision to discontinue the bulk materials handling activity. In addition, within the core vibratory machinery business which suffered falling demand, a major failure of the accounting and management reporting procedures in identifying product and overhead costs was revealed following an intensive investigation. Management changes have been made, internal controls have been strengthened and systems are being progressively improved. A re-structuring plan has been formulated and is being implemented.

All activities, including acquisitions, but excluding Process machinery produced operating profits before exceptional expenses of £3.4m (2000 £3.6m).

The acquisitions of Expamet in Australia and Kovotechnik in Czech Republic, cost £4.9m and contributed significantly to the increase in the Group's net indebtedness which amounted to £15.8m at the year end to give gearing of 131% (2000 54%).



Chairman's statement continued

Properties

During the year the former Northern Conveyors factory in Haydock and an office block in Belgium were sold. In addition, two small businesses were relocated from the company's principal six acre site in Warrington. The remaining occupiers are a small Head office team and the Locker Process Solutions business.

Having obtained planning permission for development of the Warrington site for non-food retail and housing use, we are making good progress towards realising one of the Group's prime assets.

Dividends

In the light of the re-structuring programmes presently being undertaken and the general uncertainty about the world economic outlook, the Board has taken a prudent view of the final dividend. It is proposed to pay 0.3p per share being the same as that paid at the interim stage which makes the total dividend for the year 0.6p (2000 1.15p) per share .

Corporate Matters

In the Interim Statement we announced our decision to transfer the company's listing from the London Stock Exchange Official List to the Alternative Investment Market (AIM) as soon as practicable. The Company is currently listed on the Official List. The Company is giving notice that it will cancel its listing on the Official List and intends to apply for its Ordinary shares to be admitted to AIM. The listing of the company's Ordinary shares is anticipated to be cancelled on 1st August 2001, being not less than 20 business days from the date of this announcement. Admission to trading on AIM is expected to take place on 1st August 2001.

Employees

During a period of change the pressures placed on employees can be intense, and to those remaining in the restructured organisation we thank you for your contribution. We welcome the 121 new employees who have joined our Group in Australia, New Zealand and the Czech Republic.

Prospects

Market conditions across many of the industrial sectors in which we operate have continued to be difficult and given the uncertainty surrounding the full effects of the slow down in the US economy we anticipate another challenging year. However, the new financial year has begun satisfactorily and we are seeing improved performance compared to last year.



Chairman's statement continued

Intensive efforts are continuing to ensure that further losses in the Locker Process Solutions business are eliminated, and we are committed to ensuring that any further adverse effect on the Group will be minimal. To this end we are currently working closely with our US licensor to secure a future for the business and amongst the options being considered are the sale of part or the whole of the European operation.

On a more positive note, despite the difficulties experienced and the problems encountered over the last two years, a number of our businesses are now in a stronger position to meet the challenges of a tougher trading environment. Our message to shareholders is that our market capitalisation does not recognise the value of the Group's underlying businesses and this situation cannot be allowed to continue indefinitely. Your Board is committed to finding a solution to ensure shareholder value is maximised. We are currently working on a number of possibilities to deliver value back to shareholders.

Your Board would like to thank all stakeholders for their continued support during what has been a difficult year.

P. A. Gartside
Chairman



Operating review

Introduction

The year was dominated by the Competition Commission's investigation into the Pentre Askern merger and the major problems experienced at Locker Process Solutions. In addition, and for the second year running, we experienced a continuation of the tough trading conditions in many of the industrial sectors in which our customers operate and this led to further pressure on prices, the need for new initiatives, and increased focus on customer service.

Reels and drums

Turnover £29,646,000 (2000 £29,137,000) Operating Profit before exceptional and Head office costs £2,817,000 (2000 £3,015,000)

Following the merger in April 2000 the Pentre and Askern businesses were jointly operated under restrictions imposed by the Office of Fair Trading. A great deal of Group and Pentre executive management time was expended in preparing and presenting the case to the Competition Commission in support of the merger. Clearly during this period the resources of senior operational management were severely stretched. In the event, the enforced unwind, which took effect in February 2001 resulted in abortive and restructuring costs of over £2m.

The Process Reels Business Unit had a satisfactory year, with a high level of business from the US market a major contributory factor. The rationalisation of our manufacturing sites in the UK, Denmark and the Czech Republic is currently planned to be completed by October 2001 and will provide a more cost effective operation to meet the demands of a changing market.

In the Packaging Business Unit sales of new reels and drums were adversely affected by further consolidation in the cable industry with the situation being exacerbated by lack of price competitiveness due to the continued strength of sterling. This affected both our customers and our own ability to export and, as a result, several of our operating sites were subjected to further rationalisation.

Process Machinery

Turnover £11,571,000 (2000 £12,269,000) Operating Loss before exceptional and Head office costs £3,064,000 (2000 £1,631,000)

Locker Process machinery activities comprise Locker Process Solutions in Warrington and Belgium, Northern Conveyors and Meltech-Larmuth.



Operating review continued

In recent years the financial performance of Locker Process Solutions had deteriorated and in the autumn of 1999 the decision was taken to change and strengthen management, integrate the Northern Conveyors bulk materials handling activity into the business unit, cease manufacture in Belgium and to effectively make a new start. In the early months of the financial year management accounts reported trading losses which were attributable to sales significantly lower than in the previous year. Forecasts incorporated within the monthly reports indicated improved performance in the second half of the year, both as a result of executing the existing order book and the receipt of new orders. As it became clear that even short-term forecasts were not being met a review of the business was initiated. The extent and scale of the shortcomings in the business which were revealed during the final quarter of the financial year resulted in the company declaring a substantial loss and initiating further major changes in management and staffing.

Clearly the operations management of Locker Process Solutions proved to be totally inadequate to the task of effectively managing and re-structuring the business in the manner that was required. Within the bulk materials handling activity the pricing decisions on several major contracts had been based on inadequate initial engineering estimates. Subsequent technical problems proved costly to remedy, and contract management failed to recognise and report the extent of the eventual contract losses. The inevitable consequence was the decision to discontinue the activity.

Of even greater concern however were the failures of the accounting and management reporting procedures in accurately identifying product and overhead costs within the core vibratory machinery business. Had the management accounts and accompanying reports from Locker Process Solutions revealed the true position, both in terms of actual costs and realistic forecasts, action could have been taken earlier in the year. Following the intensive examination of the business in the final quarter of the financial year management changes were made, reporting procedures overhauled and internal controls strengthened. A re-structuring plan has been formulated and is being implemented and systems are being progressively improved.

Machinery orders for furnaces and Biwater extrusion equipment accounted for the major part of Meltech-Larmuth's sales in the year. Some of these projects were technically demanding and margins overall were lower than in previous years. However, the company maintained and extended its reputation with clients, both in the UK and internationally.



Operating review continued

Air filtration products

Turnover £11,833,000 (2000 £10,966,000) Operating Profit before exceptional and Head office costs £574,000 (2000 £695,000)

During the year Locker Filtration successfully secured its position with key customers in both the Power Generation and Vehicle Filtration sectors. Market conditions failed to improve significantly but there are signs that our customers in the gas turbine and diesel engine markets are beginning to experience increased demand after a period of consolidation in the power engineering sector. Even so key customers continue to drive down prices, and in turn the pressure on us to reduce costs to remain competitive and profitable is a continuous feature of the business.

The Lockertex business had its first full year in the Dallam facility and its operations were successfully integrated. Important trading agreements were also secured with key customers and suppliers.

After a three year period of essential investment in manufacturing facilities and systems, our main focus now will be to extract full value from the sales and product base.

Our wire weaving business came under close scrutiny in view of the potential re-location to a new site. It was concluded that there was a solid foundation that would justify the move and this was completed in February 2001 on schedule and within budget. Throughout the period the business traded profitably with minimum disruption to customers. To further strengthen the business it was decided to transfer the Radiant Heatshield business from Locker Process Solutions and early indications are that significant new business will be generated. Locker Wire Weavers will continue to focus on value-added specialist applications across a wide market area.

International

Turnover £13,682,000 (2000 £8,052,000) Operating Profit before exceptional and Head office costs £1,070,000 (2000 £719,000)

In Australia the general sales tax (GST) and Olympics effect combined to produce a period of weakness in the construction sector in the second half of the financial year, both of which had a much larger impact on the business than we anticipated. Currently there are signs that construction activity is now coming back to more normal levels.



Operating review continued

The earn-out agreement with the previous owner of Expamet expires at the end of June 2001 and integration plans are now being implemented. The beneficial effects of integrated sales, marketing and distribution and the re-location of interstate branch offices will begin to be realised in the new financial year. The extra sales coverage has already resulted in additional new business.

Lockers South Africa produced an increased profit in the year, taking advantage of improved market conditions in the minerals and mining sectors of industry. A technical know-how agreement was concluded with the Jost company in Germany to further enhance our thermal processing product knowledge.

Head office

Operating Costs before exceptional expenses £1,104,000 (2000 £830,000)

The Group maintains a small head office staff on the company's principal site in Warrington. During the year the site was also partly occupied by several UK subsidiary companies and site costs were shared accordingly. Head office provides services such as UK central payroll and these are charged direct to UK subsidiaries.

Residual head office and site costs amounting to £1.1m in the year included the cost of the directors together with a small central finance staff. Costs were higher than in the previous year since site costs were shared amongst fewer occupants, Lockertex and Locker Wire Weavers both being relocated during the year. In addition a re-assessment was made of the service charges to UK subsidiaries following the Pentre Askern merger.

Business Investment

Investment in essential capital equipment totalled £1.6m in the year and mainly comprised small projects to increase or maintain competitiveness, or to improve health and safety conditions.

M. F. Seymour
Chief Executive



Financial review

Introduction

Total turnover increased by £6.3m (10%) to £66.7m mainly arising from the acquisition of Expamet in Australia. Also included in the total was £2.4m of turnover related to activities within Process machinery which were discontinued during the year.

Operating profits (before exceptional items) from existing operations fell from £2.5m to £0.6m. Increased losses from Process machinery was the major cause, but all activities except International delivered lower profits. Acquisitions added profit of £0.4m but discontinued operations made losses of £0.6m. The resultant total operating profit before exceptional costs was therefore a small operating profit of £0.3m as compared with £2m in the previous year.

Operating exceptional costs amounted to £3.8m (previous year £1.5m), of which Process machinery accounted for £1.9m, abortive acquisition costs £1.6m, and other restructuring costs £0.3m. The resultant total operating loss was £3.5m as compared with a profit of £0.5m in the previous year. Interest charges increased from £0.7m to £1.3m which with the loss on termination of the discontinued operations of £0.6m gave a loss before tax of £5.4m as compared with a profit before tax of £0.8m which included £1m from the sale of land in the previous year.

Cash Flow

Net cash flow from operating activities at £1.0m was £2.4m lower than in the previous year. This was the result of the reduction in operating profit amounting to £4.6m offset by higher non-cash costs and a larger reduction in working capital than in the previous year. The £1.0m was augmented by £1.6m from the sale of surplus assets, and thereby provided sufficient funds for the payment of interest, tax and dividends.

However there was an increase of £6m in net borrowings mainly resulting from £4.3m needed to finance acquisitions and £1.6m for capital expenditure of which £0.9m was subject to new finance leases.

Treasury Policies

The majority of the Group's borrowings are negotiated in the UK, but each overseas operation in Europe, South Africa and Australia has local bank facilities appropriate to its need. The facilities in Australia were increased considerably during the year in order to effect the Expamet acquisition last May.

The risk arising from our UK companies trading in foreign currencies continues to be monitored centrally and the net exposure hedged accordingly. Many of our customers and



Financial review continued

suppliers in the Euro zone continue to contract prices denominated in their national currencies rather than the Euro, but the fixed rates of exchange assist our hedging mechanism.

Insurance & Pensions

Worldwide insurance cover is negotiated centrally and fully reviewed annually with continued attention being given to risk management throughout the Group.

Further progress has been made towards the winding-up of the Group's former UK pension schemes which were closed to new members four years ago. It is still anticipated that members benefits can be secured in full from funds held within the schemes .

Tax charge

Overseas tax on the profits of overseas companies amounted to £0.8m. However a significant release in the Group's deferred tax provision, together with the release of tax provisions made in previous years and no longer required, resulted in a small credit to profit. There are substantial tax losses particularly in the UK, some of which are unlikely to be recoverable within the foreseeable future.

Group Structure

The Group's decentralised organisation which allows considerable local control requires strict financial discipline to be applied within each business unit. The Board seeks to minimise the risks involved in providing this level of autonomy by demanding comprehensive monthly reporting to strict deadlines, and by carrying out regular performance reviews.

Following changes in financial management and after a period of intensive investigation it was revealed that the standards of control within Locker Process Solutions fell far short of the Group's requirements. The extent of accounting and systems failures only became clear in the closing months of the year. The report subsequently prepared for the Board concluded that incompetence had been combined with a degree of deliberate concealment, but there was no evidence of personal gain. Action was taken immediately to restore control, and will be ongoing, to improve systems and procedures within the organisation.

Throughout the Group there has been continued investment in computer systems in order to enhance business performance. No significant cost is anticipated in converting systems in our European companies to account in Euros.

J. G. Dalzell
Finance Director



Directors

Philip Gartside, aged 49, as Executive Chairman has primary responsibility for business development and identification of acquisitions. He has worked in manufacturing industry throughout his career and held senior management positions in major UK subsidiaries of listed companies in the engineering sector, where he was responsible for both operations and business development.

He and Michael Seymour developed the Pentre Group of companies over an eight year period, subsequently merging with Locker in 1996.

Michael Seymour, aged 53, as Chief Executive has overall responsibility for operations of all Group companies, including the integration of newly acquired businesses. He has held senior management positions over the last 20 years in engineering related manufacturing industry.

John Dalzell, (Finance Director), aged 56, is a Fellow of the Chartered Institute of Management Accountants with a wide industrial experience. He spent 11 years at Simon Engineering, latterly as Finance Director of an international group of companies manufacturing specialised equipment. Prior to being appointed a director of the Company in August 1997, he held positions as Finance Director of entrepreneurial companies backed by venture capitalists.

Howard Platt, (Operations Director), aged 46, has specific responsibilities for Pentre Group, group purchasing and information technology. For nearly seven years he was finance director of Pentre Group prior to the merger with Locker in January 1996.

Alex Watson, (Non-Executive Director and Chairman of the Remuneration Committee), aged 63, was a Non-executive Director of Pentre from September 1993 until joining the Board on the acquisition of Pentre and is also a Non-executive Director of a number of publicly quoted and private companies in the textile, packaging, distribution and engineering sectors.

He acts as advisor to a number of industrial groups in North America and Europe, is Vice President and Honorary Fellow of the Institute of Packaging, a Fellow of the Institute of Personnel Development, and is a past member of the Council of the CBI.

Michael Southworth, (Non-executive Director and Chairman of the Audit Committee), aged 60, joined the Board in December 1997. Previously he spent the past 27 years as Managing Director of engineering companies supplying process machinery to a wide variety of industries worldwide. In the past 4 years he has focused particularly on S. E. Asia and visits the territory regularly.



Directors continued

Membership of Committees

Audit Committee

Michael Southworth (Chairman)
Alex Watson
Philip Gartside

Remuneration Committee

Alex Watson (Chairman)
Michael Southworth
Philip Gartside

The Nomination Committee comprises the entire Board.

Mr Watson is the appointed Senior Independent Director.

Secretary and Advisors

Secretary and registered office

John G. Dalzell, FCMA
Church Street
Warrington
Cheshire WA1 2SU

Principal Bankers

National Westminster Bank plc

Stockbrokers and Financial Advisers

Old Mutual Securities

Auditors

Arthur Andersen
Chartered Accountants and Registered Auditors
Bank House
9 Charlotte Street
Manchester M1 4EU

Registrars

Capita IRG Plc
Bourne House
34 Beckenham Road
Beckenham
Kent BR3 4TU
Tel: 020 8639 2000
Email: ssd@capita-irg.com



Directors' report

for the year ended 31st March 2001

Principal activities

The Company and its subsidiary undertakings carry on general engineering businesses including the manufacture of various types of reels and drums, specialised mechanical handling equipment, filtration equipment, woven wire, perforated metal and expanded metal products.

A review of the business is contained in the Chairman's statement, Operating review and Financial review on pages 10 to 11.

Results and dividends

The Group loss for the year attributable to shareholders amounted to £5,343,000 (2000 profit £265,000).

The directors recommend a final dividend of 0.30p per share which with the interim dividend paid of 0.30p per share makes a total dividend for the year of 0.60p (2000 1.15p).

Directors

The current directors are listed on page 12. Mr M. F. Seymour and Mr H. W. Platt retire by rotation at the Annual General Meeting and being eligible offer themselves for re-election. Mr Seymour and Mr Platt have service contracts which may be determined by the company giving 12 months notice.

Directors' interests

The details of directors' interests in shares of the Company are given in the Remuneration Report starting on page 20.

None of the directors had a beneficial interest in any contract entered into by the Company or any of its subsidiary undertakings during the year ended 31st March 2001.



Directors' report continued

Substantial shareholdings

On 2nd July 2001 the Company had been notified in accordance with sections 198 to 208 of the Companies Act 1985, of the following interests (apart from directors) in the ordinary share capital of the Company.

| | | |
|--|------------|-------|
| E C I Venture Capital Nominees Limited | 12,823,236 | 16.0% |
| Mr J. V. Carr and Mrs F. Carr | 5,109,776 | 6.4% |
| The National Farmers Union Mutual Insurance Society Ltd | 4,625,000 | 5.8% |
| The Microcap Growth Trust plc | 3,129,586 | 3.9% |
| Trustees of the Locker Group plc Employee Share Ownership Plan | 2,475,000 | 3.1% |

Employees

The Group is committed to employment policies which follow best practice, based on equal opportunities for all employees, irrespective of race, gender or disability. The Group endeavours to continue the employment, career development and promotional prospects of any employee who may become disabled, providing training where appropriate.

The Group has adopted a personnel policy which ensures that employees are consulted and involved in discussions on matters which affect them. This is achieved within each operating company by executives who hold regular briefing groups with employees where discussion on important business issues is actively encouraged.

Creditor payment policy

The Company's policy is to:

- (a) settle the terms of payment with suppliers when agreeing the terms of each transaction;
- (b) ensure that those suppliers are made aware of the terms of payment by inclusion of the relevant terms in contracts; and
- (c) pay in accordance with its contractual and other legal obligations.

The payment policy applies to all payments to creditors for revenue and capital supplies of goods and services without exception. UK subsidiaries follow the same policy and overseas subsidiaries are encouraged to adopt similar policies, by applying local best practices.

At 31st March 2001, trade creditors of the holding company, Locker Group plc, represented 56 days (2000 49 days) of purchases.



Directors' report continued

Donations

During the year ended 31st March 2001, the Group made charitable donations of £394 (2000 £1,245).

Annual General Meeting

A resolution will be proposed as special business at the Annual General Meeting to empower the directors to allot unissued shares for cash, otherwise than *pro rata* to all the shareholders. The authority covers certain circumstances arising on a rights issue and in other cases is limited to the allotment of shares up to an aggregate nominal amount of £200,000, under 5% of the current ordinary share capital of the Company. This power will expire at the conclusion of the next Annual General Meeting of the Company or, if earlier, 23rd October 2002.

Auditors

A resolution re-appointing Arthur Andersen as auditors and permitting the directors to fix their remuneration will be put to the Annual General Meeting.

By order of the Board,

J. G. Dalzell
2nd July 2001



Corporate governance statement

The Board actively supports the principles of good governance and best practice stated in the Combined Code and, with the exception of the matters referred to below, confirms it complies with the Combined Code.

As the Board has only two independent non-executive directors and four executive directors, it has been unable to comply with those paragraphs of the Combined Code which require, or depend upon, the appointment of three non-executive directors. The Board does not believe it necessary to appoint further non-executive directors at this time.

Throughout the year the Board has worked to improve the systems and procedures that measure, assess and control risks in the Group's businesses. Whilst the Board believes there is still room for improvement, it is the opinion of the Board that by 1st April 2000 the Board had systems and procedures in place that complied with the requirements of the combined code.

With the exception stated above the Company has complied throughout the year with Section 1 of the Combined Code.

Internal control

The Board of Directors has overall responsibility for the Group's system of internal control and for reviewing its effectiveness. The full Board meets regularly and has formally adopted a schedule of matters which are reserved to the Board for decision, with the objective of ensuring that it maintains full and effective control over appropriate strategic, financial, organisational and compliance issues. A system of internal control can only provide reasonable and not absolute assurance against misstatement or loss. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives.

Whilst day to day control of operational matters is vested in the hands of the four executive directors, the whole Board retains responsibility for the formulation of corporate strategy, approval of acquisitions, disposals, major capital expenditure and treasury policy.

Individual business units are managed by a General Manager or Managing Director assisted by a Finance Manager who has a direct line of responsibility to the Group Finance Director. A clearly defined written statement of responsibility exists which includes a requirement for regular accounts and reports to be submitted on a timely basis to the Board. These reports monitor the performance of the business unit against an annual operating plan which is set within the framework of a longer term plan agreed between the Board and the management of each business unit. The reports also assess and report upon risks faced by the business unit.



Corporate governance statement continued

A small head office team review the reports and accounts prepared by the business units, monitor the funding requirements and banking facilities of each business unit.

Individual business management is responsible for assessing and minimising all business risks supported by Group personnel able to provide specific assistance in matters relating to health and safety, quality systems and insurance cover for property and liability risks.

To comply with the Combined Code, new procedures were introduced during the prior year for a more formalised review of the wider business risks faced by the Group.

As described above, these business risks and control measures form part of the regular management reporting from individual business units to the Board. Changes to the Group's risk profile are thus regularly monitored by the Board.

The Group does not have an internal auditor but a member of the head office accounting team is available to conduct reviews of internal control and specific areas of concern where this is thought necessary.

The entire system of business planning, performance monitoring and control is set in an atmosphere of shared responsibility so that managers at all levels contribute to an open discussion of aims, achievements and disappointments.

As referred to in the Financial Review, Locker Process Solutions has suffered very difficult trading conditions during the year. These poor trading conditions were exacerbated by a deterioration in the internal controls environment, mainly due to inadequate monitoring processes. The recent strengthening of the senior management team at Locker Process Solutions has resulted in the reinstatement of an effective internal controls environment.

The external auditors are engaged to express an opinion on the Group report and accounts, which are prepared from the Group's accounting records and comply with generally accepted accounting principles.

Directors' responsibilities

The directors are required by UK company law to prepare accounts for each financial year that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that period.



Corporate governance statement continued

The directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the accounts for the year ended 31st March 2001. The directors also confirm that applicable accounting standards have been followed and that the accounts have been prepared on the going concern basis.

The directors are responsible for keeping proper accounting records, for taking reasonable steps to safeguard the assets of the Company and the Group, and to prevent and detect fraud and other irregularities.

Going concern

The directors consider that the Group has adequate resources to continue operations for the foreseeable future. Accordingly, the accounts continue to be prepared on the going concern basis.

Re-appointment of directors

The articles of association require one third of the directors to retire by rotation at each Annual General Meeting, in addition to the requirement for the re-appointment of directors appointed during the year.



Remuneration report

Membership of the remuneration committee

The members of the Committee, who have held office throughout the year are Mr A. E. Watson (Chairman of the Committee), Mr P. A. Gartside (Executive Chairman) and Mr J. M. Southworth. Since the Executive Chairman is a member of the Committee it does not comply with the requirement that the Committee should be made up entirely of non-executive members. However Mr Gartside does not determine his own remuneration package.

Remit

The remit of the Committee is:

- (i) to consider and review the scale and structure of the remuneration of the executive directors and the terms of their Service Agreements in relation to ensuring that high standards of financial probity are maintained giving full consideration to best practice;
- (ii) to make recommendations to the Board based on its findings;
- (iii) to make awards under share incentive schemes to both directors and other employees.

Current practice on executive directors' remuneration

The executive directors each receive a base salary on which pension contributions are based. With the exception of the awards made to Mr Dalzell under the Long Term Incentive Plan in previous years, which are described below, no other incentive or bonus payments are payable.

Remuneration policy

In framing its remuneration policy the Committee has given full consideration to Section B of the best practice provisions annexed to the listing rules.

The Committee seeks to develop a package of remuneration and benefits for executive directors which should seek to attract and retain directors of the highest quality and to motivate them to achieve the highest level of performance, consistent with the best interests of shareholders.

The Committee considers the design and overall value of equivalent packages provided by other companies competing to recruit from the same pool of potential directors. It seeks to reflect the annual and longer term performance of the Company as measured against targets



Remuneration report continued

agreed by the Committee. It encourages individual shareholdings. It also seeks to be seen to be fair by comparison with the packages of other employees within the Group.

Emoluments of directors

The total emoluments of the directors of the Company for the year are set out below:

| | Salary and fees £ | Benefits £ | Sub-total £ | Pension Contribs £ | Total 2001 £ | Total 2000 £ |
|-------------------------|-------------------------|---------------|----------------|--------------------------|--------------------|--------------------|
| Executive directors | | | | | | |
| P. A. Gartside | 145,833 | 17,667 | 163,500 | 15,625 | 179,125 | 154,266 |
| M. F. Seymour | 145,833 | 13,447 | 159,280 | 15,625 | 174,905 | 153,905 |
| J. G. Dalzell | 82,000 | 12,310 | 94,310 | 7,568 | 101,878 | 94,903 |
| H. W. Platt | 83,025 | 12,644 | 95,669 | 4,880 | 100,549 | 89,291 |
| Non-executive directors | | | | | | |
| A. E. Watson | 23,500 | | 23,500 | | 23,500 | 16,000 |
| J. M. Southworth | 13,500 | | 13,500 | | 13,500 | 13,500 |
| | 493,691 | 56,068 | 549,759 | 43,698 | 593,457 | 521,865 |

Mr Gartside, Mr Seymour, Mr Dalzell and Mr Platt have service contracts terminable by the Company on the giving of 12 months' notice. Mr Watson's service contract falls due for renewal in January 2002 and Mr Southworth's service contract falls due for renewal in December 2001.

All pension contributions for directors are paid to money purchase schemes.



Remuneration report continued

Directors' interests in shares

| | 31st March 2001 Ordinary Shares | 31st March 2000 Ordinary Shares |
|-------------------------|------------------------------------|------------------------------------|
| Interested beneficially | | |
| P. A. Gartside | 8,808,471 | 8,808,471 |
| M. F. Seymour | 8,808,553 | 8,808,553 |
| J. G. Dalzell | 30,000 | 30,000 |
| H. W. Platt | 1,036,689 | 1,036,689 |
| A. E. Watson | 620,559 | 370,559 |
| J. M. Southworth | 135,880 | 95,380 |

Since 31st March 2001 there have been no changes up to 2nd July 2001.

None of the directors had a beneficial interest in the shares of any subsidiary undertaking of Locker Group plc at either 31st March 2001 or 31st March 2000.

Directors' interests in share options

Options to acquire shares

| | At start of year | Lapsed on 2nd October 2000 | At end of year | Exercise price | Date from which exercisable | Expiry date |
|----------------|---------------------|----------------------------------|-------------------|-------------------|-----------------------------------|-------------|
| P. A. Gartside | 4,371 | (4,371) | | 42.0p | 1.10.2000 | 31.3.2001 |
| M. F. Seymour | 4,371 | (4,371) | | 42.0p | 1.10.2000 | 31.3.2001 |
| J. G. Dalzell | 100,000 | | 100,000 | 5.0p | 26.8.2000 | 25.8.2004 |
| H. W. Platt | 4,371 | (4,371) | | 42.0p | 1.10.2000 | 31.3.2001 |

The market price of shares at 31st March 2001 was 10.00p and the range during the financial year was 18.75p to 10.00p with an average price over the period of 15.65p.

The share options held by Mr Gartside, Mr Seymour and Mr Platt were under the terms of the Share Save Scheme open to all UK employees of the Group. There were therefore no performance conditions attached to these options.

The share options held by Mr Dalzell are under the terms of the Long Term Incentive Plan and are subject to the performance conditions. The performance conditions on this award have not been met and the award will lapse on the approval of the accounts to 31st March 2001.



Remuneration report continued

Employee share ownership plan

The trustee of the ESOP is Locker Trustees Limited, a subsidiary company. The directors of this company are the current members of the remuneration committee. At the direction of the Company the trustee has waived the proposed final dividends in excess of 0.01 pence per share in respect of all 2,475,000 shares (2000 2,475,000 shares) held. The trust deed prohibits the trustees from voting on shares beneficially held by the trust. On 7th July 1998 a conditional award of 100,000 shares was made to Mr Dalzell under the terms of the Long Term Incentive Plan. The performance conditions on this award have not been met and the award will lapse on the approval of the accounts to 31st March 2001.

A. E. Watson

Chairman of the Remuneration Committee



Report of the auditors

To the Shareholders of Locker Group plc:

We have audited the accounts on pages 25 to 57 which have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 29 to 30. We have also examined the amounts disclosed relating to the emoluments, share options, long-term incentive scheme interests and pension benefits of the directors which form part of the remuneration report on pages 20 to 23.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report, including as described on page 18, preparing the accounts in accordance with United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and by our profession's ethical guidance.

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

We review whether the corporate governance statement on page 17 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the Board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company and of the group, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 31st March 2001 and of the group's loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Arthur Andersen
Chartered Accountants and Registered Auditors
Bank House
9 Charlotte Street
Manchester M1 4EU
2nd July 2001



Consolidated profit and loss account

For the year ended 31st March 2001

| | Notes | 2001 £000 | 2000 Restated £000 |
|--|-------|--------------|--------------------------|
| Turnover | | | |
| Existing operations | | 58,397 | 57,235 |
| Acquisitions | | 5,968 | — |
| Continuing operations | | 64,365 | 57,235 |
| Discontinued operations | | 2,367 | 3,189 |
| Total turnover | 1 | 66,732 | 60,424 |
| Operating (loss)/profit | | | |
| Existing operations | | (3,206) | 1,605 |
| Acquisitions | | 347 | — |
| Continuing operations | | (2,859) | 1,605 |
| Discontinued operations | | (629) | (1,123) |
| | 2 | (3,488) | 482 |
| Loss on termination of discontinued operation | 3 | (625) | |
| Profit on sale of land and buildings | 3 | | 1,008 |
| (Loss)/profit on ordinary activities before interest | | (4,113) | 1,490 |
| Interest payable and similar charges (net) | 4 | (1,294) | (720) |
| (Loss)/profit on ordinary activities before taxation | 5 | (5,407) | 770 |
| Taxation | 7 | 75 | (495) |
| (Loss)/profit on ordinary activities after taxation | | (5,332) | 275 |
| Minority interests | 23 | (11) | (10) |
| (Loss)/profit for the financial year | 8 | (5,343) | 265 |
| Dividends | 9 | (466) | (893) |
| Loss for the year | 21 | (5,809) | (628) |
| (Loss)/earnings per share | 10 | (6.89p) | 0.34p |
| Diluted (loss)/earnings per share | 10 | (6.89p) | 0.34p |

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



Statement of total recognised gains and losses

For the year ended 31st March 2001

| | Notes | 2001 £000 | 2000 Restated £000 |
|---|-------|--------------|--------------------------|
| (Loss)/profit for the financial year | | (5,343) | 265 |
| Other recognised gains and losses relating to the year: | | | |
| Currency translation differences on foreign currency net assets | 22 | (266) | (545) |
| Total recognised gains and losses relating to the year | | (5,609) | (280) |
| Prior year adjustment | 19 | (6) | |
| Total gains and losses recognised since last annual report and accounts | | (5,615) | |

The accompanying notes form an integral part of this statement of total recognised gains and losses.

Note of historical cost profits and losses

For the year ended 31st March 2001

| | 2001 £000 | 2000 Restated £000 |
|--|--------------|--------------------------|
| Reported (loss)/profit on ordinary activities before taxation | (5,407) | 770 |
| Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount | (5) | 4 |
| Realisation of property gains of previous years | | 646 |
| Historical cost (loss)/profit on ordinary activities before taxation | (5,412) | 1,420 |
| Historical cost (loss)/profit for the year retained after taxation, minority interests and dividends | (5,814) | 22 |

The accompanying notes form an integral part of this note of historical cost profits and losses.



Balance sheets

At 31st March 2001

| | Notes | Group | | Company | |
|--|-------|---------------|--------------------------|---------------|--------------------------|
| | | 2001 £000 | 2000 Restated £000 | 2001 £000 | 2000 Restated £000 |
| Fixed assets | | | | | |
| Intangible assets | 11 | 1,244 | 509 | | |
| Tangible assets | 12 | 18,637 | 19,438 | 1,798 | 1,757 |
| Investments | 13 | 374 | 374 | 5,033 | 10,646 |
| | | <u>20,255</u> | <u>20,321</u> | <u>6,831</u> | <u>12,403</u> |
| Current assets | | | | | |
| Stocks | 14 | 8,392 | 8,647 | | |
| Debtors | 15 | 15,781 | 13,978 | 28,654 | 25,610 |
| Cash at bank and in hand | | 2,381 | 1,376 | 29 | 3 |
| | | <u>26,554</u> | <u>24,001</u> | <u>28,683</u> | <u>25,613</u> |
| Creditors: amounts falling due within one year | 16 | (24,975) | (19,013) | (15,884) | (12,378) |
| Net current assets | | <u>1,579</u> | <u>4,988</u> | <u>12,799</u> | <u>13,235</u> |
| Total assets less current liabilities | | <u>21,834</u> | <u>25,309</u> | <u>19,630</u> | <u>25,638</u> |
| Creditors: amounts falling due after more than one year | 16 | (7,555) | (5,709) | (4,615) | (4,816) |
| Provisions for liabilities and charges | 18 | (2,205) | (1,458) | (72) | (66) |
| Net assets | | <u>12,074</u> | <u>18,142</u> | <u>14,943</u> | <u>20,756</u> |
| Capital and reserves | | | | | |
| Called up share capital | 20 | 4,004 | 4,004 | 4,004 | 4,004 |
| Revaluation reserve | 21 | 2,453 | 2,526 | 1,758 | 1,758 |
| Other reserves | 21 | 1,052 | 1,016 | 6,682 | 6,682 |
| Profit and loss account | 21 | 4,517 | 10,555 | 2,499 | 8,312 |
| Equity shareholders' funds | | <u>12,026</u> | <u>18,101</u> | <u>14,943</u> | <u>20,756</u> |
| Equity minority interests | 23 | <u>48</u> | <u>41</u> | | |
| Total capital employed | | <u>12,074</u> | <u>18,142</u> | <u>14,943</u> | <u>20,756</u> |

The accompanying notes are an integral part of the above balance sheets.

The accounts on pages 25 to 57 were approved by the Board on 2nd July 2000 and were signed on its behalf by:

P. A. Gartside, Director



Consolidated cash flow statement

For the year ended 31st March 2001

| | Notes | 2001 £000 | 2000 Restated £000 |
|--|-------|--------------|--------------------------|
| Net cash flow from operating activities | 24 | 956 | 3,386 |
| Interest received | | 465 | 63 |
| Interest paid | | (1,639) | (788) |
| Interest element of finance lease rentals | | (85) | (53) |
| Net cash outflow from returns on investments and servicing of finance | | (1,259) | (778) |
| Taxation paid | | (362) | (849) |
| Purchase of tangible fixed assets | | (728) | (2,368) |
| Sale of tangible fixed assets | | 1,639 | 2,070 |
| Capital expenditure and financial investments | | 911 | (298) |
| Purchase of business | 28 | (3,935) | (101) |
| Purchase of subsidiary undertaking | 28 | (363) | |
| Acquisitions and disposals | | (4,298) | (101) |
| Equity dividends paid | | (893) | (893) |
| Cash inflow/(outflow) before management of liquid resources and financing | 25 | (4,945) | 467 |
| Financing | 27 | 2,490 | (1,052) |
| Decrease in cash in the year | 26 | (2,455) | (585) |

The accompanying notes are an integral part of this consolidated cash flow statement.



Accounting policies

The accounts are prepared in accordance with applicable United Kingdom accounting standards on the historical cost basis modified to include the revaluation of certain tangible fixed assets. A summary of the principal accounting policies is set out below. With the exception of deferred taxation, these accounting policies have been consistently applied throughout the year.

Basis of consolidation

The consolidated accounts incorporate the accounts of Locker Group plc and all its subsidiary undertakings for the year ended 31st March.

The results of subsidiaries sold or acquired are included in the consolidated profit and loss account up to, or from, the date control passes. Inter group sales and profits are eliminated fully on consolidation.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date. All changes to those assets and liabilities, and the resulting gains and losses, that arise after the Group has gained control of the subsidiary are charged to the post acquisition profit and loss account.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration given over the fair value of the identifiable net assets acquired. Goodwill arising on the acquisition of subsidiaries prior to 31st March 1998 was written off immediately against reserves. On disposal or closure goodwill is reinstated and then taken into account. After that date goodwill is capitalised and amortised on a straight line basis over 20 years.

Turnover

Turnover represents the total amount receivable for goods sold to customers outside the Group, exclusive of turnover taxes.

Pension costs

Contributions are charged against profits in the period in which they accrue (See note 31(c)).

Taxation

Corporation tax payable is provided on taxable profits at tax rates based upon tax rates and laws that have been enacted or substantially enacted at the balance sheet date.

Deferred taxation

Provision for deferred taxation is made on the liability method on all timing differences except the revaluation of land and buildings to the extent that it is probable that a liability or asset will crystallise. Full provision is made for deferred taxation on timing differences arising from the provision of employee pensions and other post-retirement benefits. Deferred taxation is not provided on the retained earnings of overseas subsidiary undertakings unless dividends have been accrued as receivable. Deferred taxation is measured at tax rates based upon tax rates and laws that have been enacted or substantially enacted at the balance sheet date. Deferred taxation is measured on a non-discounted basis.



Accounting policies continued

Tangible fixed assets

The Group has elected to treat valuations of properties recorded in the balance sheet at 31st March 1999 as though they were at cost as allowed by Financial Reporting Standard 15. Expenditure on tangible fixed assets is capitalised. Land and buildings are stated at valuation made by independent professionally qualified valuers before 31st March 1999. Depreciation is calculated at rates estimated to write off the valuation or cost of tangible fixed assets by equal instalments over their anticipated useful lives, the principal lives being:

| | |
|---------------------|--|
| Buildings | 50 years or the period of the lease if shorter |
| Plant and equipment | 5 to 25 years |
| Motor vehicles | 4 years |
| Land | No depreciation provided |

Leases

Tangible fixed assets held under the terms of finance leases are capitalised at a value equal to the cost incurred by the lessor in acquiring the relevant assets and are depreciated over the lower of their anticipated useful lives or the lease term. Leases are regarded as finance leases where their terms give rights approximating to ownership. The capital element of future lease payments is included in creditors. The interest element is charged to the profit and loss account using the annuity method.

All other leases are operating leases and the annual rentals payable are charged to the profit and loss account.

Investments

Investments are included at cost less provisions for impairment in value in the accounts of the parent company.

Stocks

Stocks are stated at the lower of cost and net realisable value. Cost, where appropriate, includes all overheads, based on normal levels of activity, incurred in bringing the stocks to their present condition and location. Certain contracts with a shorter duration than one year are accounted for as long term contracts, and are stated at cost incurred net of amounts transferred to the profit and loss account in respect of work carried out to date, less foreseeable losses and applicable payments on account. Profits on such contracts are accounted for on an ongoing basis from inception of the contract.

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction or, if hedged, at the contracted rate. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date or, if hedged, at the contract rate. The results of overseas operations are translated at average rates of exchange during the year and their balance sheets at the rate of exchange at the ruling balance sheet date. Exchange differences arising on translation of the opening net assets and results of overseas operations and on foreign currency borrowings, to the extent that they hedge the Group's investments in such operations, are dealt with through reserves. All other exchange profits or losses, which arise from trading activities, are included in the profit and loss account.



Notes on the accounts

For the year ended 31st March 2001

1. Segmental information

Turnover, operating (loss)/profit and net assets are analysed as follows:

By activity

| | 2001 | | | | 2000 | | | |
|--------------------------------|---------------|---|----------------------------|---------------|---------------|---|----------------------------|------------------------|
| | Turnover | Operating (loss)/profit before exceptional expenses | Operating (loss)/profit | Net assets | Turnover | Operating (loss)/profit before exceptional expenses | Operating (loss)/profit | Net assets restated |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Existing operations | | | | | | | | |
| Reels and drums | 29,325 | 2,817 | 2,490 | 14,057 | 29,137 | 3,015 | 3,015 | 14,315 |
| Process machinery | 9,204 | (2,435) | (4,290) | 1,427 | 9,080 | (1,123) | (1,994) | 3,829 |
| Air filtration products | 11,833 | 574 | 574 | 3,883 | 10,966 | 695 | 695 | 3,772 |
| International | 8,035 | 768 | 768 | 3,403 | 8,052 | 719 | 719 | 3,386 |
| Head office costs | | (1,104) | (2,748) | 398 | | (830) | (830) | 637 |
| | <u>58,397</u> | <u>620</u> | <u>(3,206)</u> | <u>23,168</u> | <u>57,235</u> | <u>2,476</u> | <u>1,605</u> | <u>25,939</u> |
| Acquisitions | | | | | | | | |
| Reels and drums | 321 | 45 | 45 | 262 | | | | |
| International | 5,647 | 302 | 302 | 2,293 | | | | |
| | <u>64,365</u> | <u>967</u> | <u>(2,859)</u> | <u>25,723</u> | <u>57,235</u> | <u>2,476</u> | <u>1,605</u> | <u>25,939</u> |
| Discontinued operations | | | | | | | | |
| Process machinery | 2,367 | (629) | (629) | 61 | 3,189 | (508) | (1,123) | 1,054 |
| | <u>66,732</u> | <u>338</u> | <u>(3,488)</u> | <u>25,784</u> | <u>60,424</u> | <u>1,968</u> | <u>482</u> | <u>26,993</u> |



Notes on the accounts continued

By country of manufacture

| | 2001 | | | | 2000 | | | |
|--------------------------------|---------------|---|----------------------------|---------------|---------------|---|----------------------------|------------------------|
| | Turnover | Operating (loss)/profit before exceptional expenses | Operating (loss)/profit | Net assets | Turnover | Operating (loss)/profit before exceptional expenses | Operating (loss)/profit | Net assets restated |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Existing operations | | | | | | | | |
| United Kingdom | 39,534 | (764) | (4,254) | 16,159 | 39,165 | 1,065 | 417 | 18,279 |
| Rest of Europe | 10,828 | 616 | 280 | 3,606 | 10,018 | 692 | 469 | 4,274 |
| South Africa | 2,851 | 253 | 253 | 891 | 2,214 | 25 | 25 | 827 |
| Australia | 5,184 | 515 | 515 | 2,512 | 5,838 | 694 | 694 | 2,559 |
| | <u>58,397</u> | <u>620</u> | <u>(3,206)</u> | <u>23,168</u> | <u>57,235</u> | <u>2,476</u> | <u>1,605</u> | <u>25,939</u> |
| Acquisitions | | | | | | | | |
| Rest of Europe | 321 | 45 | 45 | 262 | | | | |
| Australia | 5,647 | 302 | 302 | 2,293 | | | | |
| Continuing operations | <u>64,365</u> | <u>967</u> | <u>(2,859)</u> | <u>25,723</u> | <u>57,235</u> | <u>2,476</u> | <u>1,605</u> | <u>25,939</u> |
| Discontinued operations | | | | | | | | |
| United Kingdom | 2,367 | (629) | (629) | 61 | 3,189 | (508) | (1,123) | 1,054 |
| | <u>66,732</u> | <u>338</u> | <u>(3,488)</u> | <u>25,784</u> | <u>60,424</u> | <u>1,968</u> | <u>482</u> | <u>26,993</u> |

Net assets comprise shareholders' funds plus net borrowings less investments and goodwill.

Exceptional expenses are detailed in note 3 below.

By geographical markets supplied

| | Turnover | |
|----------------|---------------|---------------|
| | 2001 | 2000 |
| | £000 | £000 |
| United Kingdom | 28,805 | 30,444 |
| Rest of Europe | 18,049 | 16,815 |
| Australia | 11,109 | 6,042 |
| America | 3,809 | 2,926 |
| Africa | 3,035 | 2,281 |
| Other | 1,925 | 1,916 |
| | <u>66,732</u> | <u>60,424</u> |



Notes on the accounts continued

2. Operating (loss)/profit

| | 2001 | | | | 2000 | | | |
|-----------------------------------|--------------------------------|--------------------------------|----------------------------------|---|---------------|----------------------------------|---|---------------|
| | Acquired activities £000 | Existing activities £000 | Continuing activities £000 | Dis- continued activities £000 | Total £000 | Continuing activities £000 | Dis- continued activities £000 | Total £000 |
| Turnover | 5,968 | 58,397 | 64,365 | 2,367 | 66,732 | 57,235 | 3,189 | 60,424 |
| Cost of sales | (4,317) | (41,628) | (45,945) | (2,389) | (48,334) | (39,438) | (2,955) | (42,393) |
| Gross Profit | 1,651 | 16,769 | 18,420 | (22) | 18,398 | 17,797 | 234 | 18,031 |
| Selling and distribution costs | (809) | (6,870) | (7,679) | | (7,679) | (6,157) | | (6,157) |
| Administrative expenses | (610) | (13,738) | (14,348) | (607) | (14,955) | (10,363) | (1,357) | (11,720) |
| | (1,419) | (20,608) | (22,027) | (607) | (22,634) | (16,520) | (1,357) | (17,877) |
| Other operating income | 115 | 633 | 748 | | 748 | 328 | | 328 |
| Operating expenses (net) | (1,304) | (19,975) | (21,279) | (607) | (21,886) | (16,192) | (1,357) | (17,549) |
| Operating (loss)/profit | 347 | (3,206) | (2,859) | (629) | (3,488) | 1,605 | (1,123) | 482 |



Notes on the accounts continued

3. Exceptional expenses

| | 2001 £000 | 2000 £000 |
|---|--------------|----------------|
| Cost of sales | | |
| Restructuring costs mainly in Process machinery | 210 | 877 |
| Restructuring costs in Reels and drums | 326 | |
| Warranty costs in Process machinery | 260 | |
| Stock write off in Process machinery | 1,110 | |
| | <u>1,906</u> | <u>877</u> |
| Administrative expenses | | |
| Abortive acquisition costs | 1,584 | |
| Restructuring costs mainly in Process machinery | 336 | 609 |
| | <u>1,920</u> | <u>609</u> |
| Operating exceptional items | <u>3,826</u> | <u>1,486</u> |
| Termination of discontinued operations | | |
| Impairment loss on goodwill | 446 | |
| Restructuring costs | 179 | |
| | <u>625</u> | |
| Profit on sale of land | | <u>(1,008)</u> |
| Total | <u>4,451</u> | <u>478</u> |

4. Interest payable and similar charges (net)

| | 2001 £000 | 2000 £000 |
|------------------------------|----------------|--------------|
| Interest receivable | 465 | 63 |
| Less interest payable: | | |
| On bank loans and overdrafts | (1,674) | (730) |
| On finance leases | (85) | (53) |
| | <u>(1,294)</u> | <u>(720)</u> |



Notes on the accounts continued

5. (Loss)/profit on ordinary activities before taxation

| | 2001 £000 | 2000 £000 |
|--|--------------|--------------|
| (Loss)/profit on ordinary activities before taxation is stated after charging: | | |
| Operating leases: | | |
| Plant and machinery | 246 | 268 |
| Land and buildings | 737 | 672 |
| Depreciation of tangible fixed assets: | | |
| Owned | 2,218 | 1,955 |
| Held under finance leases | 248 | 67 |
| Amortisation of goodwill | 564 | 38 |
| Auditors' remuneration: | | |
| Audit fees (Company £15,000 (2001 £15,000)) | 127 | 106 |
| Other fees in the United Kingdom | 77 | 32 |

6. Employees

| | 2001 | 2000 |
|--|---------------|---------------|
| Information relating to directors and employees: | | |
| The average number of persons employed by the Group during the year was: | | |
| United Kingdom | 736 | 779 |
| Overseas | 376 | 308 |
| | <u>1,112</u> | <u>1,087</u> |
| | 2001 | 2000 |
| | £000 | £000 |
| Staff costs during the year: | | |
| Wages and salaries | 16,360 | 17,375 |
| Social security costs | 2,187 | 2,007 |
| Other pension costs | 605 | 461 |
| | <u>19,152</u> | <u>19,843</u> |

Details of directors' remuneration and details of shareholdings and options are given in the Report of the Remuneration Committee on pages 20 to 23.



Notes on the accounts continued

7. Taxation

| | 2001 | 2000 |
|--|--------------|------------------|
| | £000 | Restated £000 |
| United Kingdom corporation tax on (loss)/profit for the year | 16 | (152) |
| Advance corporation tax written off | | 127 |
| (Over)/under provision in prior years | (239) | 77 |
| | <u>(223)</u> | <u>52</u> |
| Overseas taxation on the profits for the year | 784 | 586 |
| Under/(over) provision in prior years | 31 | (5) |
| | <u>815</u> | <u>581</u> |
| Total current taxation | <u>592</u> | <u>633</u> |
| Deferred taxation | | |
| Origination and reversal of timing differences | (675) | (103) |
| Effect of changes in tax rates on opening liability | 8 | (35) |
| | <u>(667)</u> | <u>(138)</u> |
| | <u>(75)</u> | <u>495</u> |
| Factors affecting the taxation charge for the year | | |
| Profit on ordinary activities before taxation | (5,407) | 770 |
| Profit on ordinary activities multiplied by the standard rate of corporation tax | | |
| in the UK of 30% | (1,622) | 231 |
| Tax loss not utilised | 1,403 | 371 |
| Tax losses from previous years utilised on disposal of property | | (302) |
| Non deductible expenses primarily goodwill amortisation and depreciation | 274 | 120 |
| Timing differences primarily in respect of tangible fixed assets | 675 | 103 |
| Higher rates of taxes on overseas earnings | 70 | 38 |
| Adjustments in respect of prior years | (208) | 72 |
| Total current taxation as above | <u>592</u> | <u>633</u> |

The Group has substantial tax losses in the UK and overseas of £7,971,000 (2000 £2,776,000). However with the exception of those losses which can be utilised against gains on the sale of property £1,929,000 (2000 £1929,000) in the UK most of these losses are not expected to be recoverable within the foreseeable future.

Land and buildings are valued at £1,840,000 (2000 £1,903,000) in excess of tax values. However it is not expected that there will be a tax charge on realisation of land and buildings within the foreseeable future.

During the year there have been timing differences totalling £675,000 (2000 £103,000). This is principally due to the fact that in the UK there are unrecoverable losses. This is not expected to continue.



Notes on the accounts continued

8. (Loss)/profit for the financial year

(Loss)/profit for the financial year attributable to shareholders of Locker Group plc is as follows:

| | 2001 | 2000 |
|-------------------------|----------------|------------------|
| | £000 | Restated £000 |
| Parent Company | (5,347) | 1,852 |
| Subsidiary undertakings | 4 | (1,587) |
| | <u>(5,343)</u> | <u>265</u> |

The Company has taken advantage of the exemption in Section 230 of the Companies Act 1985, from presenting its own profit and loss account.

9. Dividends

| | 2001 | 2000 |
|--|------------|------------|
| | £000 | £000 |
| Interim 0.3p (2000 0.3p) per share paid 17th January 2001 | 233 | 233 |
| Proposed final 0.3p (2000 0.85p) per share payable 10th August 2001 to shareholders on the register on 13th July 2001 | 233 | 660 |
| | <u>466</u> | <u>893</u> |

10. Earnings per share

| | 2001 | 2000 |
|---|--------------------|--------------------|
| | £000 | Restated £000 |
| (Loss)/profit attributable to shareholders | <u>(5,343)</u> | <u>265</u> |
| Ordinary shares of 5p each in issue at the end of each year | 80,076,952 | 80,076,952 |
| Less: | | |
| Weighted average number of shares held by the employees share ownership plan | <u>(2,475,000)</u> | <u>(2,475,000)</u> |
| | <u>77,601,952</u> | <u>77,601,952</u> |
| (Loss)/earnings per share | <u>(6.89p)</u> | <u>0.34p</u> |

There is no difference between the basic earnings per share and diluted earnings per share.



Notes on the accounts continued

11. Intangible fixed assets

| | Group Goodwill £000 |
|-------------------------|---------------------------|
| Cost | |
| At start of year | 560 |
| Additions (see note 28) | 1,411 |
| Exchange difference | (118) |
| At end of year | <u>1,853</u> |
| Amortisation | |
| At start of year | 51 |
| Charge | 118 |
| Impairment losses | 446 |
| Exchange difference | (6) |
| At end of year | <u>609</u> |
| Net book value | |
| At end of year | <u>1,244</u> |
| At start of year | <u>509</u> |



Notes on the accounts continued

12. Tangible fixed assets

| | Group | | | |
|--------------------------------------|--|---|--------------------------------|---------------|
| | Freehold land and buildings £000 | Leasehold land and buildings £000 | Plant and equipment £000 | Total £000 |
| Cost or valuation | | | | |
| At start of year | 10,172 | 1,646 | 22,619 | 34,437 |
| Exchange differences | 24 | | (360) | (336) |
| Acquired companies | 109 | | 1,843 | 1,952 |
| Additions | 57 | 3 | 1,612 | 1,672 |
| Disposals | (1,809) | | (1,066) | (2,875) |
| At end of year | <u>8,553</u> | <u>1,649</u> | <u>24,648</u> | <u>34,850</u> |
| Depreciation | | | | |
| At start of year | 1,141 | 377 | 13,481 | 14,999 |
| Exchange differences | 10 | | (143) | (133) |
| Acquired companies | 20 | | 39 | 59 |
| Charge | 122 | 64 | 2,280 | 2,466 |
| Disposals | (211) | | (967) | (1,178) |
| At end of year | <u>1,082</u> | <u>441</u> | <u>14,690</u> | <u>16,213</u> |
| Net book value | | | | |
| At end of year | <u>7,471</u> | <u>1,208</u> | <u>9,958</u> | <u>18,637</u> |
| At start of year | <u>9,031</u> | <u>1,269</u> | <u>9,138</u> | <u>19,438</u> |
| Cost or valuation is represented by: | | | | |
| Valuation in: | | | | |
| 1993 | 1,928 | | | 1,928 |
| 1996 | 721 | | | 721 |
| Cost | <u>5,904</u> | <u>1,649</u> | <u>24,648</u> | <u>32,201</u> |
| | <u>8,553</u> | <u>1,649</u> | <u>24,648</u> | <u>34,850</u> |

Freehold land and buildings includes £845,000 (2000 £859,000) which is long leasehold. At 31st March 2001 the net book value of tangible fixed assets held under finance leases and hire purchase contracts amounted to £1,053,000 (2000 £168,000)



Notes on the accounts continued

12. Tangible fixed assets continued

| | Freehold land and buildings £000 | Company Plant and equipment £000 | Total £000 |
|--------------------------------------|--|---|---------------|
| Cost or valuation | | | |
| At start of year | 1,725 | 571 | 2,296 |
| Additions | | 286 | 286 |
| Disposals | | (115) | (115) |
| At end of year | <u>1,725</u> | <u>742</u> | <u>2,467</u> |
| Depreciation | | | |
| At start of year | 192 | 347 | 539 |
| Charge | 27 | 206 | 233 |
| Disposals | | (103) | (103) |
| At end of year | <u>219</u> | <u>450</u> | <u>669</u> |
| Net book value | | | |
| At end of year | <u>1,506</u> | <u>292</u> | <u>1,798</u> |
| At start of year | <u>1,533</u> | <u>224</u> | <u>1,757</u> |
| Cost or valuation is represented by: | | | |
| Valuation in 1993 | 1,725 | | 1,725 |
| Cost | | 742 | 742 |
| | <u>1,725</u> | <u>742</u> | <u>2,467</u> |

If land and buildings had not been revalued they would have been included at the following amounts:

| Land and buildings | Group | | Company | |
|------------------------|--------------|--------------|------------|------------|
| | 2001 | 2000 | 2001 | 2000 |
| | £000 | £000 | £000 | £000 |
| Cost | 8,649 | 10,347 | 844 | 844 |
| Aggregate depreciation | (1,810) | (1,950) | (495) | (468) |
| Net book value | <u>6,839</u> | <u>8,397</u> | <u>349</u> | <u>376</u> |



Notes on the accounts continued

13. Fixed asset investments

Group

| | Own shares £000 |
|-------------------------------|--------------------|
| Cost at start and end of year | 416 |
| Amounts written off | |
| At start and end of year | (42) |
| Net book value | |
| At start and end of year | 374 |

Company

| | Subsidiary undertakings £000 | Loans £000 | Loans to subsidiary undertakings £000 | Total £000 |
|------------------------------------|------------------------------------|---------------|--|---------------|
| Cost | | | | |
| At start of year | 11,331 | 294 | 621 | 12,246 |
| Transfer to subsidiary undertaking | (118) | | | (118) |
| At end of year | 11,213 | 294 | 621 | 12,128 |
| Amounts written off | | | | |
| At start of year | 1,054 | | 546 | 1,600 |
| Charge | | | 6 | 6 |
| Impairment loss | 5,607 | | | 5,607 |
| Transfer to subsidiary undertaking | (118) | | | (118) |
| At end of year | 6,543 | | 552 | 7,095 |
| Net book value | | | | |
| At end of year | 4,670 | 294 | 69 | 5,033 |
| At start of year | 10,277 | 294 | 75 | 10,646 |

Loans comprise an advance to a subsidiary company which acts as the trustee of the Locker Group plc Employee Share Ownership Plan. This loan is repayable on demand but repayment is limited to the proceeds of sale of the shares held. At 31st March 2001 the trust held 2,475,000 (2000 2,475,00 shares) with a market value of £247,500 (2000 £489,000).

The principal subsidiary and associated undertakings are listed on page 58.



Notes on the accounts continued

14. Stocks

| | Group | |
|------------------|--------------|--------------|
| | 2001 | 2000 |
| | £000 | £000 |
| Stocks comprise: | | |
| Raw materials | 4,318 | 4,768 |
| Work in progress | 1,644 | 2,110 |
| Finished goods | 2,430 | 1,769 |
| | <u>8,392</u> | <u>8,647</u> |

The replacement cost of stocks is not significantly greater than their balance sheet value at either 31st March 2001 or 31st March 2000.

15. Debtors

| | Group | | Company | |
|---|---------------|---------------|---------------|---------------|
| | 2001 | 2000 | 2001 | 2000 |
| | £000 | £000 | £000 | £000 |
| Amounts falling due within one year: | | | | |
| Trade debtors | 13,795 | 11,357 | | |
| Amounts owed by subsidiary undertakings | | | 27,687 | 24,479 |
| Other debtors | 563 | 571 | 373 | 543 |
| Taxation recoverable | 396 | 1,047 | 36 | 248 |
| Prepayments and accrued income | 1,027 | 1,003 | 558 | 340 |
| | <u>15,781</u> | <u>13,978</u> | <u>28,654</u> | <u>25,610</u> |



Notes on the accounts continued

16. Creditors

| | Group | | Company | |
|--|---------------|---------------|---------------|---------------|
| | 2001 | 2000 | 2001 | 2000 |
| | £000 | £000 | £000 | £000 |
| Amounts falling due within one year: | | | | |
| Obligations under finance leases | 349 | 210 | 348 | 150 |
| Bank overdrafts | 7,915 | 4,378 | 5,431 | 2,476 |
| Loans | 2,365 | 854 | 1,701 | 660 |
| Payments received on account | 64 | 473 | | |
| Trade creditors | 8,411 | 6,903 | 576 | 402 |
| Amounts owed to subsidiary undertakings | | | 6,524 | 6,873 |
| Corporation tax | 716 | 1,282 | | 314 |
| Taxation and social security | 1,304 | 1,059 | 483 | 347 |
| Other creditors | 1,138 | 583 | 136 | 19 |
| Accruals and deferred income | 2,480 | 2,611 | 452 | 477 |
| Dividends payable | 233 | 660 | 233 | 660 |
| | <u>24,975</u> | <u>19,013</u> | <u>15,884</u> | <u>12,378</u> |
| Amounts falling due after more than one year: | | | | |
| Obligations under finance leases | 770 | 248 | 762 | 240 |
| Secured bank loans | 6,785 | 5,461 | 3,853 | 4,576 |
| | <u>7,555</u> | <u>5,709</u> | <u>4,615</u> | <u>4,816</u> |
| Borrowings: | | | | |
| Overdrafts secured on assets of Group | 7,915 | 4,378 | 5,431 | 2,476 |
| Unsecured loans repayable by instalments over two to five years | 73 | 119 | 73 | 119 |
| Secured loans: | | | | |
| Bank loan repayable over 10 years by instalments at 8.625% fixed | 1,905 | 2,176 | 1,905 | 2,176 |
| Bank loan repayable over 10 years by instalments at 6.875% variable | 1,799 | 2,074 | 1,799 | 2,074 |
| Bank loan repayable over 10 years by instalments at 6.75% variable | 777 | 867 | 777 | 867 |
| Bank loan repayable out of the proceeds of sale of the freehold site in Warrington at 6.75% variable | 1,000 | | 1,000 | |
| Bank loan in Australian dollars repayable by instalments over two years at 8.85% variable | 2,404 | | | |
| Various loans repayable by instalments within two to five years at 5% to 10% | 1,192 | 1,079 | | |
| Finance leases | 1,119 | 458 | 1,110 | 390 |
| | <u>18,184</u> | <u>11,151</u> | <u>12,095</u> | <u>8,102</u> |



Notes on the accounts continued

16. Creditors continued

| | Group | | Company | |
|---|---------------|---------------|---------------|--------------|
| | 2001 | 2000 | 2001 | 2000 |
| | £000 | £000 | £000 | £000 |
| These loans and overdrafts are repayable: | | | | |
| on demand | 7,915 | 4,378 | 5,431 | 2,476 |
| one year or less | 2,366 | 854 | 1,701 | 660 |
| between one and two years | 3,031 | 893 | 752 | 702 |
| between two and five years | 2,838 | 2,754 | 2,404 | 2,281 |
| after five years | 915 | 1,814 | 697 | 1,593 |
| | <u>17,065</u> | <u>10,693</u> | <u>10,985</u> | <u>7,712</u> |
| These loans and overdrafts comprise: | | | | |
| loans at fixed rates of interest in Sterling | 1,904 | 3,204 | 1,904 | 3,162 |
| loans and overdrafts at variable rates of interest: | | | | |
| in Sterling | 8,162 | 4,992 | 6,193 | 3,183 |
| in Australian dollars | 2,737 | | | |
| in Euro currencies | 2,469 | 1,348 | 1,543 | 642 |
| in US Dollars | 1,216 | 593 | 1,216 | 592 |
| in Danish Kroner | 577 | 556 | 129 | 133 |
| | <u>17,065</u> | <u>10,693</u> | <u>10,985</u> | <u>7,712</u> |
| Finance leases are repayable: | | | | |
| one year or less | 349 | 210 | 348 | 150 |
| between one and two years | 302 | 137 | 300 | 133 |
| between two and five years | 468 | 111 | 462 | 107 |
| | <u>1,119</u> | <u>458</u> | <u>1,110</u> | <u>390</u> |
| | <u>18,184</u> | <u>11,151</u> | <u>12,095</u> | <u>8,102</u> |

The secured loans are secured on the assets of the Company and certain subsidiary companies.

Locker Group plc has guaranteed, by a charge on its assets, the borrowings of certain subsidiaries. At the end of the year the amount outstanding was £2,151,000 (2000 £1,902,000).

In the UK interest rates on the variable rate borrowings are based on bank base rates or LIBOR.

The Group's UK overdraft facilities are due for renewal in December 2001. However, the bank has indicated its intention to renew the facilities at that time.

Borrowing facilities

| | Group | |
|--|--------------|--------------|
| | 2001 | 2000 |
| | £000 | £000 |
| Undrawn committed borrowing facilities available to the Group at 31st March 2001 are as follows: | | |
| Expiring within one year or less | <u>2,405</u> | <u>5,670</u> |



Notes on the accounts continued

17. Currency Exposure

The Group's objectives in managing currency exposures arising from trading transactions by its subsidiary companies is to hedge those transactions by using a combination of foreign currency overdrafts, forward contracts and other instruments.

The Group's currency exposures at the end of the year were:

| | Net foreign currency monetary assets/(liabilities) | | | | |
|------------------------|--|--------------------|--------------|------------------|------------|
| | Sterling | Euro currencies | US Dollars | Danish Kroner | Others |
| Functional currency of | 2001 | 2001 | 2001 | 2001 | 2001 |
| Group operation | £000 | £000 | £000 | £000 | £000 |
| Sterling | | (1,589) | 264 | (32) | 102 |
| Euro | 267 | | | | |
| South African Rand | (100) | | | | |
| Australian Dollars | (64) | | | | (2) |
| Others | (5) | 25 | | (5) | |
| | <u>98</u> | <u>(1,564)</u> | <u>264</u> | <u>(37)</u> | <u>100</u> |
| | 2000 | 2000 | 2000 | 2000 | 2000 |
| | £000 | £000 | £000 | £000 | £000 |
| Sterling | | (1,626) | (617) | (143) | 236 |
| Euro | 251 | | | | |
| South African Rand | (72) | | | | |
| Australian dollars | (18) | | (7) | | |
| | <u>161</u> | <u>(1,626)</u> | <u>(624)</u> | <u>(143)</u> | <u>236</u> |

The above does not take into account future sales and purchases which have been hedged by forward contracts or other instruments but does include borrowings in foreign currencies which are made to hedge those future transactions.



Notes on the accounts continued

17. Currency Exposure continued

The differences between the fair values of financial instruments and book values of the Group's financial instruments are:

| | 2001 | 2001 | 2000 | 2000 |
|--------------------------|-----------------|-----------------|----------------|----------------|
| | Fair value | Book value | Fair value | Book value |
| | £000 | £000 | £000 | £000 |
| Trade debtors | 13,795 | 13,795 | 11,357 | 11,357 |
| Cash in hand and at bank | 2,381 | 2,381 | 1,376 | 1,376 |
| Bank overdrafts | (7,915) | (7,915) | (4,378) | (4,378) |
| Trade creditors | (8,411) | (8,411) | (6,903) | (6,903) |
| Bank loans | (9,293) | (9,150) | (6,468) | (6,315) |
| Finance leases | (1,119) | (1,119) | (458) | (458) |
| | <u>(10,562)</u> | <u>(10,419)</u> | <u>(5,474)</u> | <u>(5,321)</u> |

There are no material unrealised gains on hedging instruments at 31st March 2001 or 31st March 2000.

The Group does not take steps to hedge its investment, denominated in foreign currency, in its foreign businesses although it does encourage those businesses to borrow in their local currencies to provide part of the foreign investment.

The Group's investments in foreign currency denominated assets are:

| | Group | |
|--------------------|--------------|--------------|
| | 2001 | 2000 |
| | £000 | £000 |
| Euro currencies | 4,082 | 4,251 |
| Czech Crown | 303 | |
| Danish Kroner | 261 | 395 |
| South African Rand | 767 | 1,037 |
| Australian Dollars | 3,100 | 3,092 |
| | <u>8,513</u> | <u>8,775</u> |



Notes on the accounts continued

18. Provisions for liabilities and charges

| | Deferred taxation £000 | Other provisions £000 | Total £000 |
|--|------------------------------|-----------------------------|---------------|
| Group | | | |
| At start of year | 989 | 463 | 1,452 |
| Restatement on change in basis of accounting (note 19) | 6 | | 6 |
| Restated at the start of the year | 995 | 463 | 1,458 |
| Exchange differences | (57) | (50) | (107) |
| Acquired company | (58) | 183 | 125 |
| Profit and loss account | (668) | 1,667 | 999 |
| Utilised | | (270) | (270) |
| At end of year | 212 | 1,993 | 2,205 |
| Company | | | |
| At start of year | 237 | | 237 |
| Restatement on change in basis of accounting (note 19) | (171) | | (171) |
| Restated at the start of the year | 66 | | 66 |
| Profit and loss account | (54) | 60 | 6 |
| At end of year | 12 | 60 | 72 |
| Other provisions comprise: | | | |
| | | 2001 £000 | 2000 £000 |
| Group | | | |
| Cost of restructuring | | 676 | 75 |
| Provision for vacant leasehold property | | 154 | 63 |
| Leave pay | | 302 | 223 |
| Warranty | | 861 | 102 |
| | | 1,993 | 463 |



Notes on the accounts continued

18. Provisions for liabilities and charges continued

Deferred Taxation

The potential total liability for deferred taxation and the amount provided in the accounts at appropriate rates of taxation are as follows:

| | 2001 | | 2000 Restated | |
|---|---|----------------------------|---|----------------------------|
| | Potential total liability £000 | Amount provided 3000 | Potential total liability £000 | Amount provided £000 |
| Group | | | | |
| Excess of book values over tax values of tangible fixed assets | 911 | 514 | 1,463 | 1,393 |
| Other timing differences | (397) | (302) | (398) | (398) |
| | <u>514</u> | <u>212</u> | <u>1,065</u> | <u>995</u> |
| Company | | | | |
| Excess of book values over tax values of tangible fixed assets | 107 | 12 | 237 | 237 |
| Other timing differences | | | (171) | (171) |
| | <u>107</u> | <u>12</u> | <u>66</u> | <u>66</u> |



Notes on the accounts continued

19. Prior Year Adjustment

The group's accounting policy for deferred taxation was changed during the year in order to comply with Financial Reporting Standard 19. The comparative figures in the primary statements and notes have been restated to reflect the new policy.

The change in policy has had no material effect on the Group or Company profit and loss account for the year ended 31st March 2001.

The effects of the changes in policy are summarised below:

| | Group | | Company | |
|--|-------|------|---------|------|
| | 2001 | 2000 | 2001 | 2000 |
| | £000 | £000 | £000 | £000 |
| Profit and loss account | | | | |
| Taxation — deferred taxation | | (12) | | (6) |
| Decrease in profit for the year | — | (12) | — | (6) |
| Balance Sheet | | | | |
| Provisions for liabilities and charges — deferred taxation | (6) | (6) | 171 | 171 |
| (Decrease)/increase in net assets | (6) | (6) | 171 | 171 |



Notes on the accounts continued

20. Called up share capital

| | 2001 £000 | 2000 £000 |
|---|--------------|--------------|
| Authorised | | |
| 100,000,000 (2000 100,000,000) ordinary shares of 5p each | 5,000 | 5,000 |
| Allotted, called up and fully paid | | |
| 80,076,952 (2000 80,076,952) ordinary shares of 5p each | 4,004 | 4,004 |

Share options

At the end of the year share options granted to employees were:

| | 2001 ordinary shares | 2000 ordinary shares |
|--|----------------------------|----------------------------|
| Options granted to employees under the Sharesave scheme exercisable at 42p per share between 1st October 2000 and 31st March 2001 or earlier on the employee leaving the Group in certain circumstances. | | 519,340 |
| Options granted to employees under the Executive Share Option Schemes exercisable at 43p per share between 26th August 2001 and 25th August 2007 subject to the achievement of certain performance criteria. | | 590,000 |
| An option granted to a director under the Long Term Incentive Plan exercisable at 5p per share between 26th August 2001 and 25th August 2004 subject to the achievement of certain performance criteria. | | 100,000 |
| Total options outstanding at end of the year | | 1,209,340 |



Notes on the accounts continued

21. Reserves

| | Revaluation reserve £000 | Other non- distributable reserves £000 | Profit and loss account £000 | Total £000 |
|---|--------------------------------|---|---------------------------------------|---------------|
| Group | | | | |
| At start of year | 2,526 | 1,016 | 10,561 | 14,103 |
| Restatement on change in basis of accounting (note 19) | | | (6) | (6) |
| Restated at the start of the year | 2,526 | 1,016 | 10,555 | 14,097 |
| Unrealised exchange adjustment (net of tax) | (72) | 17 | (211) | (266) |
| Retained profit for the year | | 19 | (5,828) | (5,809) |
| Transfers | (1) | | 1 | |
| At end of year | 2,453 | 1,052 | 4,517 | 8,022 |
| Company | | | | |
| At start of year | 1,758 | 6,682 | 8,141 | 16,581 |
| Restatement on change in basis of accounting (note 19) | | | 171 | 171 |
| Restated at the start of the year | 1,758 | 6,682 | 8,312 | 16,752 |
| Retained profit for the year | | | (5,813) | (5,813) |
| At end of year | 1,758 | 6,682 | 2,499 | 10,939 |

The Group reserves include £4,837,000 (2000 £5,083,000) in respect of certain subsidiary undertakings operating overseas which, if distributed as dividends, would involve additional taxation liabilities for which no provision has been made. Provision for these taxation liabilities has not been made as there is neither intention of remitting these profits to the United Kingdom at this time nor a contractual obligation to do so.



Notes on the accounts continued

22. Reconciliation of movements in Group shareholders' funds

| | 2001 £000 | 2000 Restated £000 |
|---|--------------|--------------------------|
| Profit for the financial year | (5,343) | 265 |
| Dividends | (466) | (893) |
| | (5,809) | (628) |
| Other recognised gains and losses relating to the year (net) | (266) | (545) |
| | (6,075) | (1,173) |
| Opening shareholders' funds (originally £18,107,000 before deducting prior year adjustment of £6,000) | 18,101 | 19,274 |
| Closing shareholders' funds | 12,026 | 18,101 |

23. Equity minority interests

| | 2001 £000 | 2000 £000 |
|--|--------------|--------------|
| At start of year | 41 | 33 |
| Exchange differences | (4) | (2) |
| Minorities' share of profit for the year | 11 | 10 |
| At end of year | 48 | 41 |

24. Net cash flow from operating activities

| | 2001 £000 | 2000 £000 |
|---|--------------|--------------|
| Operating (loss)/profit | (3,488) | 482 |
| Loss on termination of discontinued operations | (625) | |
| Depreciation | 2,466 | 2,022 |
| Loss/(profit) on sale of tangible fixed assets | 58 | (17) |
| Goodwill amortisation | 564 | 38 |
| Own shares written off | | 25 |
| Decrease/(increase) in stocks | 1,212 | (630) |
| (Increase)/decrease in debtors | (1,269) | 2,106 |
| Increase/(decrease) in creditors and provisions | 2,038 | (640) |
| | 956 | 3,386 |



Notes on the accounts continued

24. Net cash flow from operating activities continued

The acquisitions during the year contributed £1,984,000 to the Group's net cash flow from operating activities, paid £207,000 in respect of returns on investment and servicing of finance, paid £13,000 in respect of taxation and utilised £201,000 in respect of capital expenditure.

The discontinued operations absorbed £1,686,000 (2000 £640,000) of the Group's net cash flow from operating activities, paid £55,000 (2000 £77,000) in respect of returns on investment and servicing of finance, received £331,000 (2000 £58,000) in respect of taxation and received £827,000 (2000 £165,000) in respect of capital expenditure and sales of assets.

25. Analysis of net debt

| | At start of year £000 | Cash flow £000 | New finance leases £000 | Other non cash changes £000 | Exchange differences £000 | At end of year £000 |
|--|-----------------------------|-------------------|----------------------------------|--------------------------------------|---------------------------------|---------------------------|
| Cash at bank and in hand | 1,376 | 1,079 | | | (74) | 2,381 |
| Overdrafts | (4,378) | (3,534) | | | (3) | (7,915) |
| | <u>(3,002)</u> | <u>(2,455)</u> | | | <u>(77)</u> | <u>(5,534)</u> |
| Loans amounts falling due within one year | (854) | (600) | | (879) | (33) | (2,366) |
| Finance leases amounts falling due within one year | (210) | 283 | | (422) | | (349) |
| Loans amounts falling due after more than one year | (5,461) | (2,173) | | 879 | (29) | (6,784) |
| Finance leases amounts falling due after more than one year | (248) | | (944) | 422 | | (770) |
| | <u>(9,775)</u> | <u>(4,945)</u> | <u>(944)</u> | <u>—</u> | <u>(139)</u> | <u>(15,803)</u> |



Notes on the accounts continued

26. Reconciliation of net cash flow to movement in net debt

| | 2001 | 2000 |
|---|----------|----------|
| | £000 | £000 |
| Decrease in cash in the year | (2,455) | (585) |
| Cash (inflow)/outflow from debt and lease financing | (2,490) | 1,052 |
| Change in net debt resulting from cash flows | (4,945) | 467 |
| New finance leases | (944) | (97) |
| Exchange differences | (139) | 133 |
| Movement in net debt in the year | (6,028) | 503 |
| Net debt at start of year | (9,775) | (10,278) |
| Net debt at end of year | (15,803) | (9,775) |

27. Net cash inflow/(outflow) from financing

| | 2001 | 2000 |
|---|-------|---------|
| | £000 | £000 |
| New bank loans | 3,692 | 1,158 |
| Repayment of loans | (919) | (1,946) |
| Capital element of finance lease payments | (283) | (264) |
| Net cash inflow/(outflow) from financing | 2,490 | (1,052) |



Notes on the accounts continued

28. Acquisition

On 1st May 2000 the Group acquired the assets and business of Expamet (Pty) Limited in Australia for a consideration of £4,447,000 and on 18th April 2000 the Group acquired Kovotechnik spol. s. r.o. in the Czech Republic for a consideration of £451,000. The Group has used acquisition accounting to account for the purchases. There were no fair value adjustments and the pre acquisition profits of Kovotechnik spol. s. r. o. were not material to the Group.

The assets and liabilities acquired are set out below:

| | |
|--------------------------|-------|
| | £000 |
| Tangible fixed assets | 1,893 |
| Current assets | |
| Stocks | 1,071 |
| Debtors | 1,128 |
| Cash | 88 |
| Creditors and provisions | (693) |
| | <hr/> |
| | 3,487 |
| Goodwill | 1,411 |
| | <hr/> |
| | 4,898 |
| | <hr/> |
| Satisfied by | |
| Cash paid | 4,027 |
| Expenses of acquisition | 359 |
| Deferred consideration | 512 |
| | <hr/> |
| | 4,898 |
| | <hr/> |

Analysis of the net outflow of cash in respect of the acquisitions:

| | |
|--|-------|
| | £000 |
| Cash consideration paid | 4,027 |
| Acquisition expenses | 359 |
| Cash acquired | (88) |
| | <hr/> |
| Net outflow of cash in respect of the acquisitions | 4,298 |
| | <hr/> |



Notes on the accounts continued

29. Subsidiary not consolidated

Whilst on 3rd April 2001 the Group acquired 51% of the share capital of Pentre Askern Group Limited the Competition and Consumer Affairs Minister subsequently decided not to permit the joint venture. Given the nature of the Minister's decision, conditions in the acquisition agreement, and the subsequent unwinding of the acquisition of Askern Group Limited on 2nd February 2001 the consolidated accounts have been prepared excluding Pentre Askern Group Limited, Askern Group Limited and its subsidiaries but including Pentre Group Limited and its subsidiaries. At 31st March 2001 the Group's investment in Pentre Askern Group Limited is £4,000,000 and the Group is owed £4,000,000 by Pentre Askern Group Limited. The investment in Pentre Askern Group Limited is held for sale and the disposal of this investment is not expected to result in either profit or loss to the Group.

30. Related party transactions

Transactions with related parties outside the Group during the year were as follows:

Burnden Leisure plc

Mr P. A. Gartside (Chairman) is also a non-executive director of Burnden Leisure plc. Directors fees amounting to £nil (2000 £2,500) have been received by the Company. During the year the Group made payments of £21,650 (2000 £5,995) to Bolton Wanderers Football & Athletic Co. Ltd, a subsidiary company of Burnden Leisure plc, in respect of tickets to football matches and associated corporate entertainment services.

31. Financial commitments

(a) Contingent liabilities

Contingent liabilities arising in the normal course of business in the subsidiary undertakings of the Group are £784,000 (2000 £816,000) for performance and bank guarantees.

It is not expected that any of these contingencies will result in a loss.

(b) Capital commitments

| | Group | | Company | |
|---|-------|------|---------|------|
| | 2001 | 2000 | 2001 | 2000 |
| | £000 | £000 | £000 | £000 |
| Contracts placed for future expenditure | 35 | 12 | | |

(c) Pensions

The total pension charge to the profit and loss account in the year to 31st March 2001 was £605,000 (2000 £461,000) of which £296,000 (2000 £171,000) relates to overseas schemes.

The Group Personal Pension Plan is a series of individual personal pension plans each of which is invested according to the wishes of the employee by a Life Assurance Company independent of the Group. The Group makes agreed contributions to eligible UK participating employees' individual plans and makes a contribution to the administration costs of the plan for all participating employees.



Notes on the accounts continued

31. Financial commitments continued

There are separate defined contribution schemes in Australia, South Africa and Belgium.

(d) Commitments under operating leases

Annual commitments under non-cancellable operating leases:

| | 2001 | | 2000 | |
|-------------------------------------|-------------------------------|--------------------------------|-------------------------------|--------------------------------|
| | Land and buildings £000 | Plant and equipment £000 | Land and buildings £000 | Plant and equipment £000 |
| Group | | | | |
| Expiring within one year | 92 | 59 | 2 | 80 |
| Expiring between two and five years | 268 | 196 | 125 | 97 |
| Expiring after five years | 406 | 4 | 513 | 3 |
| | <u>766</u> | <u>259</u> | <u>640</u> | <u>180</u> |
| Company | | | | |
| Expiring within one year | 36 | | | 2 |
| Expiring between two and five years | | 3 | 36 | 3 |
| | <u>36</u> | <u>3</u> | <u>36</u> | <u>5</u> |



Principal subsidiary undertakings

The principal subsidiary undertakings at 31st March 2001, all wholly owned except as otherwise indicated are:

| Country of principal operations If not England and Wales | Class of shares held | Principal activities |
|---|-------------------------|---|
| REELS AND DRUMS | | |
| Industrial Reels Limited | Ordinary | Plastic reels for the wire and cable industry and other injection moulded products. |
| Pentre Engineering Limited | Ordinary | Large specialist steel drums, precision process steel reels and lightweight steel reels |
| Pentre Group A/S Denmark | Ordinary | Steel process reels and drums |
| Pentre Group Limited | Ordinary | Administration |
| Pentre Reels Limited | Ordinary | Timber, plywood and cardboard reels for packaging of wire and cable |
| Pentre Finland OY Finland | Ordinary | Timber and plywood reels and plywood boxes |
| Kovotechnik Spol. s r. o. Czech Republic | Ordinary | Steel reels |
| PROCESS MACHINERY | | |
| Locker Process Solutions Limited | *Ordinary | Machinery for the screening, conveying, processing and general handling of materials |
| Meltech-Larmuth Limited | *Ordinary | Machinery for winding and other specialist applications for processing wire and cable |
| Northern Conveyors Limited | *Ordinary | Machinery for the conveying and handling of solid bulk materials |
| Thomas Locker S.A. Belgium | Ordinary | Machinery for the screening, conveying, processing and general handling of materials |
| AIR FILTRATION PRODUCTS | | |
| Locker Filtration Limited | *Ordinary | Air filtration equipment |
| Locker Wire Weavers Limited | *Ordinary | Woven wire, metal pressings and synthetic screens |
| INTERNATIONAL | | |
| Expamet Pty Limited Australia | Ordinary | Expanded metals |
| Locker Cambridge Metal Belt Co. Pty Limited Australia | Ordinary 80% | Wire conveyor belts |
| Lockers Pty Limited Australia | Ordinary | Perforated metals, metal pressings, woven wire, wire products and machinery for the screening, conveying, processing and general handling of materials. |
| Lockers Engineers South Africa (Pty) Limited South Africa | *Ordinary | Machinery for the screening, conveying, processing and general handling of materials and perforated metals. |
| *Held by Locker Group plc | | |



Five year review

| | 2001 £000 | 2000 Restated £000 | 1999 Restated £000 | 1998 Restated £000 | 1997 Restated £000 |
|--|---------------|--------------------------|--------------------------|--------------------------|--------------------------|
| Turnover | | | | | |
| Continuing activities | 64,365 | 57,235 | 59,953 | 63,292 | 64,468 |
| Discontinued activities | 2,367 | 3,189 | 3,114 | | |
| | <u>66,732</u> | <u>60,424</u> | <u>63,067</u> | <u>63,292</u> | <u>64,468</u> |
| Profits and earnings | | | | | |
| Group profit on ordinary activities: | | | | | |
| Operating (loss)/profit | | | | | |
| Continuing activities | (2,859) | 1,606 | 4,445 | 4,777 | 4,035 |
| Discontinued activities | (629) | (1,124) | 77 | | |
| Loss on termination of business | (625) | | | | |
| Profit on sale of land and buildings | | 1,008 | | | |
| Profit on sale of operation | | | | | 145 |
| Shares of (loss)/profit of associated undertakings | | | | (111) | (170) |
| Interest | (1,294) | (720) | (819) | (861) | (814) |
| Profit before taxation | (5,407) | 770 | 3,703 | 3,805 | 3,536 |
| Taxation | 75 | (495) | (911) | (1,053) | (1,052) |
| Minority interests | (11) | (10) | (6) | (20) | (108) |
| (Loss)/profit attributable to shareholders | (5,343) | 265 | 2,786 | 2,732 | 2,376 |
| Dividends | (466) | (893) | (901) | (801) | (801) |
| (Loss)/profit retained for the year | (5,809) | (628) | 1,885 | 1,931 | 1,575 |
| Assets employed | | | | | |
| Tangible fixed assets | 18,637 | 19,438 | 20,484 | 18,874 | 20,103 |
| Investments and intangible assets | 1,618 | 883 | 896 | | 968 |
| Current assets (net) | 1,579 | 4,988 | 6,277 | 7,086 | 6,104 |
| Long term liabilities | (9,760) | (7,167) | (8,350) | (8,396) | (9,288) |
| | <u>12,074</u> | <u>18,142</u> | <u>19,307</u> | <u>17,564</u> | <u>17,887</u> |
| Financed by | | | | | |
| Share capital | 4,004 | 4,004 | 4,004 | 4,004 | 4,004 |
| Reserves | 8,022 | 14,097 | 15,270 | 13,526 | 13,396 |
| Share capital and reserves | 12,026 | 18,101 | 19,274 | 17,530 | 17,400 |
| Minority interests in subsidiary undertakings | 48 | 41 | 33 | 34 | 487 |
| | <u>12,074</u> | <u>18,142</u> | <u>19,307</u> | <u>17,564</u> | <u>17,887</u> |
| (Loss)/earnings per share | (6.89p) | 0.34p | 3.51p | 3.41p | 2.97p |
| Dividends per share | 0.60p | 1.15p | 1.15p | 1.00p | 1.00p |
| Assets per share | 15.02p | 22.60p | 24.06p | 21.89p | 21.73p |

There is no difference between basic (loss)/earnings per share and diluted (loss)/earnings per share in any year.

The figures for 1997 to 2000 have been restated following changes in accounting policies in respect of deferred taxation.



Financial diary

| | | |
|------------------------|-------------|--------------------|
| Interim dividend | Announced | 12th December 2000 |
| | Paid | 17th January 2001 |
| Final dividend | Recommended | 2nd July 2001 |
| | Payable | 10th August 2001 |
| Full year's results | Announced | 2nd July 2001 |
| Annual Report | Issued | 4th July 2001 |
| Annual General Meeting | | 26th July 2001 |

Scrip issue on 26th March 1996

Ordinary share certificates issued as a result of the scrip issue were posted to members on Friday, 29th March 1996. Share certificates for 'A' Ordinary shares converted into Ordinary shares remain valid. It is not proposed to re-issue share certificates as a result of the change of name on 17th July 1998.

Capital gains tax

The market values of the Company's shares at 31st March 1982, for the purposes of capital gains tax, were:

Ordinary shares of 5p each 9.42p

Ordinary shares derived from 'A' Ordinary shares of 5p each 12.25p

Close company

The close company provisions of the Income and Corporation Taxes Act 1988 do not apply to the Company.



Notice of Meeting

Notice is given that the fifty fourth Annual General Meeting of the Company will take place on Thursday 26th July 2001 at 10.30 am at the Locker Process Solutions Conference Room, Locker Group plc, Church Street, Warrington WA1 2SU for the following purposes:

Ordinary Business

1. To receive and adopt the accounts for the year ended 31st March 2001 and the reports on the accounts of the directors and auditors.
2. To declare a final dividend.
3. To re-elect Mr. M. F. Seymour as a director of the Company.
4. To re-elect Mr. H. W. Platt as a director of the Company.
5. To re-appoint Arthur Andersen as auditors of the Company to hold office until the completion of the next General Meeting at which accounts are laid before the Company and to authorise the directors to fix their remuneration.

Special Business

To consider and, if thought fit, pass the following resolutions which will be proposed as special resolutions:

Special Resolution

6. That the directors be and are hereby empowered pursuant to Section 95 of the Companies Act 1985 "the Act" to allot equity securities (within the meaning of Section 94 of that Act) for cash pursuant to the authority conferred by resolution passed on 21st July 1997 as if Section 89 (1) of that Act did not apply to such allotment, provided that the power conferred by this resolution shall be limited to:
 - (1) the allotment of equity securities in connection with rights issues in favour of the holders of ordinary shares where the equity securities respectively attributable to the interests of all the holders of ordinary shares are proportionate (as nearly as may be) to the respective numbers of ordinary shares held by them subject to such exclusions or other arrangements as the directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory; and



Notice of Meeting continued

- (2) the allotment of equity securities (otherwise than pursuant to paragraph (1) above) up to an aggregate nominal amount of £200,000;

and shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2002 or, if earlier, on 23rd October 2002, except that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and the directors may allot equity securities in pursuance of such offer or agreement as if the power had not expired.

Dated 4th July 2001

Registered office:
Church Street
Warrington
Cheshire WA1 2SU

By order of the Board
J. G. Dalzell
Secretary

Pursuant to regulation 34 of the Uncertified Securities Regulations 1995 the Company specifies that only those shareholders registered in the Register of Members of the Company as at close of business on 24th July 2001 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after close of business on 24th July 2001 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

A member entitled to attend and vote at the meeting may appoint one or more proxies to attend and vote instead of him. A proxy need not be a member of the Company. To be valid forms of proxy which are enclosed must be received at the offices of the Registrar 48 hours before the time appointed for the holding of the meeting. Members who have lodged proxy forms are not prevented from attending at the meeting and voting in person if they so wish.

The Register of directors' interests and copies of the directors' service contracts are available for inspection at the Company's registered office during normal business hours on any weekday (Saturdays excepted) from the date of this Notice until the conclusion of the Annual General Meeting.