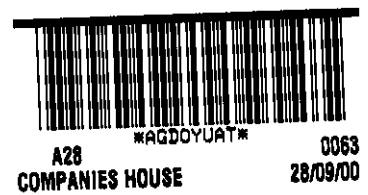
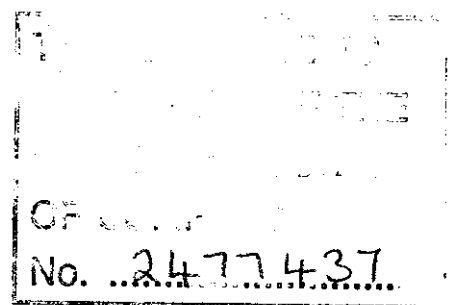


**NEW UNION HOLDINGS LIMITED**

**Directors' Report & Accounts**

**for the 52 weeks ended 1 April 2000**

**Registered No. 2477437**



## **NEW UNION HOLDINGS LIMITED**

### **Directors' report**

The directors present their report and the audited accounts for the 52 weeks ended 1 April 2000.

### **Principal activity and fixed assets**

The company is a holding and investment company with subsidiary undertakings engaged principally in the manufacture, sale and servicing of plant and equipment for non-destructive testing, and in the provision of non-destructive testing laboratory services.

The company did not trade during the period and, therefore, no profit and loss account is included in the financial statements.

The directors consider the company's financial position to be satisfactory.

### **Dividend**

The directors do not recommend a dividend.

### **Directors**

RD Armitage, RL Todd and F Blurton served as directors during the period. On 1 May 1999 Mr Armitage resigned as director, and was replaced on that date by Mr RL Todd.

### **Directors' interests**

Mr Blurton held 340 ordinary shares of 25p each in the parent company Staveley Industries plc at the beginning (but not end) of the period.

Options to subscribe for such ordinary shares granted to and exercised by the directors during that period were as follows:

	at 4 April 1999	options granted	options cancelled /lapsed	at 1 April 2000	exercise price: pence per share
F Blurton	5,000	-	-	5,000	160
	5,000	-	-	5,000	168
	3,786	-	3,786	-	164
	5,000	-	-	5,000	117
		5,000	-	5,000	69
	<hr/> 18,786	<hr/> 5,000	<hr/> 3,786	<hr/> 20,000	
	<hr/>	<hr/>	<hr/>	<hr/>	

## **NEW UNION HOLDINGS LIMITED**

### **Directors' Report (continued)**

#### **Directors' interests (continued)**

No options were exercised during the period.

Mr Todd was a director of Staveley Industries plc at the period end and his interests are shown in that company's financial statements.

No other notifiable interests were held at the beginning or end of the period.

#### **Year 2000**

To ascertain the impact of the date change, an audit of information technology, spanning mainframe, desktop and embedded chip (process control) systems was set in motion. This analysis was used to identify the extent of the systems requiring attention in order to become compliant with the next century date control. The cost of updating these systems was borne by the parent company. No significant difficulties have been encountered to date.

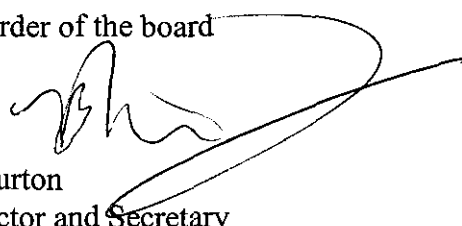
#### **Elective resolution**

The company has, by elective resolution passed on 5 September 1991, elected to dispense with the holding of an annual general meeting, the annual laying of accounts before the members in general meeting and the annual appointment of auditors. A member is nevertheless entitled, by virtue of Section 253 (2) of the Companies Act 1985, to require the company in any year to lay the accounts and accompanying reports before a general meeting of members.

#### **Auditors**

PricewaterhouseCoopers will be deemed to be reappointed auditors for the next financial period in the absence of a notice proposing that the appointment be terminated.

By order of the board

  
F Blurton  
Director and Secretary

#### **Registered Office**

Staveley House  
11 Dingwall Road  
Croydon  
Surrey CR9 3DB

22 August 2000

## **NEW UNION HOLDINGS LIMITED**

### **Statement of Directors' responsibilities**

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

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 financial statements for the 52 week period ended 1 April 2000. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

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

By order of the Board

A handwritten signature in black ink, appearing to be 'F Blurton', written over a large, faint, oval-shaped stamp or watermark.

F Blurton  
Director and Secretary  
22 August 2000

**REPORT OF THE AUDITORS TO THE MEMBERS OF**  
**NEW UNION HOLDINGS LIMITED**

We have audited the financial statements on pages 5 to 9.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the Report and Accounts. As described on page 3, this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

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

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

**Basis of opinion**

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

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

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 1 April 2000 and have been properly prepared in accordance with the Companies Act 1985.

*PricewaterhouseCoopers.*

PricewaterhouseCoopers  
Chartered Accountants and Registered Auditors  
London 19 September 2000.

**NEW UNION HOLDINGS LIMITED****Statement of Total Recognised Gains and Losses  
for the 52 weeks ended 1 April 2000**

	Notes	2000	1999 (53 weeks)
		£	£
Result for the financial period		-	-
Deficit on the valuation of investments	4	-	(21,130,952)
Currency translation adjustments		-	198,413
Total gains and losses recognised since last annual report		<u>-</u>	<u>(20,932,539)</u>

**Reconciliation of Movements in Shareholders' Funds**

	2000	1999 (53 weeks)
	£	£
At the beginning of the period	3,035,671	23,968,210
Other recognised gains and losses	-	(20,932,539)
At the end of the period	<u>3,035,671</u>	<u>3,035,671</u>

The notes on pages 7 to 9 form part of these accounts.  
Report of the auditors - page 4.

# NEW UNION HOLDINGS LIMITED

## Balance Sheet

1 April 2000

	Notes	2000 £	1999 £
FIXED ASSETS			
Investments	4	28,677,648	28,677,648
CREDITORS : Amounts falling due within one year	5	(25,641,977)	(25,641,977)
NET ASSETS		<u>3,035,671</u>	<u>3,035,671</u>
CAPITAL and RESERVES			
Called up share capital	6	3	3
Revaluation reserve	7	2,837,255	2,837,255
Profit and loss account	8	198,413	198,413
Equity shareholders' funds		<u>3,035,671</u>	<u>3,035,671</u>

The company was inactive in the period. No profit and loss account has, therefore, been prepared.

The accounts were approved by the board on 22 August 2000 and signed on its behalf by

  
F Blurton  
Director

The notes on pages 7 to 9 form part of these accounts.  
Report of the auditors - page 4.

## **NEW UNION HOLDINGS LIMITED**

### **Notes to the Accounts**

**1 April 2000**

#### **1. ACCOUNTING POLICIES**

##### **Basis of preparation**

The accounts have been prepared under the historical cost convention modified to include the revaluation of investments in overseas subsidiaries and in accordance with applicable Accounting Standards in the United Kingdom.

A summary of the more important accounting policies, which have been applied consistently, is set out below.

##### **Investments**

Investments in overseas subsidiaries are stated at market value. The valuation is hedged by a foreign currency loan from the parent company.

##### **Cash flow statement**

As permitted by financial reporting standard FRS1, a cash flow statement is not included in the financial statements because of the exemption available to wholly owned subsidiaries.

##### **Related party transactions**

As permitted by financial reporting standard FRS8, disclosures regarding related party intra group transactions are not included in the financial statements because of the exemption available to wholly owned subsidiaries.

##### **Deferred taxation**

Provision is made for deferred tax using the liability method but not where, in the opinion of the directors, the potential tax liability is remote.

##### **Foreign currency translation**

Translation differences on investments in overseas subsidiaries are taken directly to reserves where they are matched by equal and opposite translation differences on the borrowing from the parent company to finance them.

#### **2. DIRECTORS AND EMPLOYEES**

None of the company's directors received any emoluments from the company during the period (1999 : Nil). Their remuneration was borne by the parent company.

The company had no employees during the period (1999 : Nil).

#### **3. AUDITORS**

The remuneration of the auditors is borne by the parent company.



## **NEW UNION HOLDINGS LIMITED**

### **Notes to the Accounts (continued)**

**1 April 2000**

#### **4. FIXED ASSET INVESTMENTS**

	<b>2000</b>	<b>1999</b>
	<b>£</b>	<b>£</b>
Directors' valuation	<u>28,677,648</u>	<u>28,677,648</u>

There was no change in the value of investments in the period.

The decrease of £19,940,476 in 1999 comprised:

Currency translation surplus (see note 1)	-	1,190,476
Deficit on revaluation	<u>-</u>	<u>(21,130,952)</u>
	<u>-</u>	<u>(19,940,476)</u>

The currency translation surplus arose from the fact that the directors' valuation of the shares in the principal subsidiary company is expressed in U.S. dollars. This company is Staveley Investments Inc a holding company incorporated in the U S A whose common stock is wholly owned by the company. The other investments are also in subsidiary companies and these are:

	<b><u>Country of incorporation</u></b>	<b><u>Class of capital</u></b>	<b><u>Activity</u></b>
Arcona Verbrauchsguter GmbH	Germany	ordinary	Land holding
Centaurea Holdings BV	Netherlands	ordinary	Dormant
Conam Inspection (Canada) Inc	Canada	preference	Materials testing
Staveley SA	Luxemburg	ordinary	Holding company

Indirectly held subsidiary and associated companies are:

Conam Inspection (Canada) Inc	Canada	common
Griffin Assets Inc	U S A	common
Sanmar Weighing Systems Limited (40% owned)	India	ordinary
Staveley Inc	U S A	common
Staveley Instruments Inc	U S A	common
Staveley NDT Technologies Inc	U S A	common
Staveley Sensors Inc	U S A	common
Staveley Services North America Inc	U S A	common
Staveley Systems Inc	U S A	common
K-Maintain LLC	U S A	common
Tucan Financial Inc	U S A	common
WHS Hong Kong Limited	Hong Kong	ordinary

With the one exception noted above these companies are wholly owned.

## **NEW UNION HOLDINGS LIMITED**

### **Notes to the Accounts (continued)**

**1 April 2000**

#### **4. FIXED ASSET INVESTMENTS continued**

The company is itself the wholly owned subsidiary of a company incorporated in the European Union and is included in the group accounts of the parent, Staveley Industries plc, which is registered in England and Wales. By virtue of this and compliance with the other requirements of section 228 of the Companies Act 1985, the company is exempt from the obligation to prepare and deliver group accounts.

<b>5. CREDITORS : Amounts falling due within one year</b>	<b>2000</b>	<b>1999</b>
	£	£
Amount due to parent undertaking	<u>25,641,977</u>	<u>25,641,977</u>

<b>6. SHARE CAPITAL</b>	<b>2000</b>	<b>1999</b>
	£	£
Authorised :		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid :		
3 ordinary shares of £1 each	<u>3</u>	<u>3</u>

#### **7. REVALUATION RESERVE**

	<b>2000</b>
	£
Balance at the beginning and end of the period	<u>2,837,255</u>

#### **8. PROFIT and LOSS ACCOUNT**

	<b>2000</b>
	£
Balance at the beginning and end of the period	<u>198,413</u>

#### **9. ULTIMATE HOLDING COMPANY**

The company's ultimate holding company and controlling party is Staveley Industries plc, which is incorporated in Great Britain and registered in England and Wales. Staveley Industries plc also heads the largest and smallest group of undertakings for which consolidated financial statements are prepared. Consolidated financial statements may be obtained from The Secretary, Staveley Industries plc, 11 Dingwall Road, Croydon CR9 3DB.

**Company No 2477437**

**Accounts of parent undertaking  
(Company No 866) filed under  
s228(2)(e) of Companies Act  
1985 (Not for filing on 866)**

# **STAVELEY**

**Annual Report and Accounts 2000**

**01** Corporate statement  
**02** Chairman's statement  
**04** Operating review  
**06** Financial review  
**08** Board of directors  
**09** Directors' report  
**14** Remuneration report  
**19** Report of the auditors

**20** Consolidated profit and loss account  
**21** Consolidated statement of total  
recognised gains and losses  
**21** Consolidated profit/loss on an  
unmodified historical cost basis  
**21** Reconciliation of movements in  
consolidated shareholders' funds  
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**23** Consolidated cash flow statement  
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**26** Notes to the accounts  
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**38** Notice of annual general meeting  
**39** Form of proxy  
**41** Five year record

Following the successful sale of British Salt the board believes that there is considerable scope to improve further the performance of the Services division. Significant progress has already been made in addressing the issues that face the group and the board will continue to secure stability and growth.

### Highlights

- Turnover on continuing operations £253m (1999: £263m)
- Operating profit £3.8m (1999: £1.5m loss)
- Pre-tax profit £2.4m (1999: £6.2m loss)
- Cash flow from operating activities of continuing operations £9.7m (1999: £3.7m)
- Successful sale of British Salt for £77.5m in April 2000

# Chairman's Statement

## RESULTS

Turnover in the 52 weeks to 1 April 2000 was £281.9 million (1999: £295.0 million). Operating profit was £3.8 million (1999 loss: £1.5 million) after exceptional charges of £6.0 million relating to the write-down in value of the group's investment in Chronos Richardson, the former subsidiary sold to its management in 1998. The net interest charge in the period was £1.9 million (1999: £2.6 million) and the profit before tax was £2.4 million (1999 loss: £6.2 million). Earnings per share were 0.6p compared with a loss per share of 7.2p in the previous period.

## STRATEGIC REVIEW AND SALE OF BRITISH SALT

I stated last year that the board had concluded that maximum value for shareholders would be obtained through the disposal of both the British Salt business and Staveley Services and subsequently a return of cash to shareholders. An exhaustive auction process of the British Salt business was conducted at the end of the calendar year with the result that the business was sold on 7 April 2000 to UK Salt Holdings Ltd, a subsidiary of US Salt Holdings Inc, for a net consideration before expenses of £77.5 million. The board considers this to be a good price, particularly in view of the highly competitive trading conditions for British Salt and the continuing decline in its operating profit. In the year to 1 April 2000 British Salt reported an operating profit of £9.6 million compared to £11.2 million in the previous year.

A similar process was undertaken in the case of the Services businesses and after considerable marketing effort and careful evaluation of the alternative proposals put forward, on 26 May 2000 we announced the end of the sale process for the Services division as no offer had been forthcoming on terms satisfactory to the board. We confirmed the intention to continue to manage the Services division for the benefit of all shareholders, customers and employees and to return to shareholders the net disposal proceeds from the sale of British Salt not required for the working capital and effective management of the group.

The board is determined to return these proceeds by the most efficient method and it is reviewing with its advisors the most appropriate and timely method to achieve this. Meanwhile the net proceeds are lodged in interest bearing deposit accounts.

As a result of the intention to return proceeds to shareholders, the board is not recommending the payment of a dividend in respect of the 52 weeks ended 1 April 2000.

## SERVICES DIVISION'S PERFORMANCE IN THE YEAR

All the UK Services operations have achieved the management objectives set for them in the period.

The Contracting businesses in the UK have performed well by achieving higher margin, lower risk work.

The new management team at Integral, the building maintenance and facilities management business, has made significant progress in addressing the issues that the business faces, particularly in improving customer service.

In the US, the manufacturing operation, Staveley Non-Destructive Testing, has performed significantly better than in the prior year based on sales to both the military and commercial markets. While sales turnover was in line with the previous year the performance of SSNA, the US testing services business, has been adversely affected by higher than expected IT development costs, higher than expected costs in integrating two of its laboratories and an increase in medical insurance expenses following an exceptional level of claims during the year.

Following an extended contribution holiday, company contributions to the UK pension scheme recommenced in January 2000 after a new actuarial valuation. This has led to an increase in central costs.

## CHRONOS RICHARDSON

Following the sale of Chronos Richardson to its management in 1998 Staveley retained an investment of £5 million and agreed to provide working capital and performance bond facilities of

## Chairman's Statement

£6.5 million. On 21 June 2000 we announced that we had sold this investment for £1 to Babcock International Group PLC. As part of the sale arrangements the obligations of Staveley to provide working capital and performance bond facilities have been cancelled, thereby relieving the company of a significant financial burden.

### BOARD CHANGES

On 3 November 1999 Blake Nixon, a director of Guinness Peat Group plc (which owns 29.02% of Staveley's share capital) joined the board as a non-executive director. Following the year end Moger Woolley retired from the board after 10 years of service. On behalf of the board I would like to thank him for his long and valuable contribution to Staveley.

### PROSPECTS

Since the end of the year, changes in senior management at SSNA have been made and the major issues that impacted the business during the last year are being addressed. As a result, the board is more confident about the outlook for SSNA in the current financial year.

In the UK, Integral continues to improve its operating performance and is building important new customer relationships for its maintenance and facilities management business. The Contracting businesses are all expected to improve their performance in the current year.

Following the successful sale of British Salt and the decision to retain the Services businesses, we are continuing the process of rationalising the operating businesses and the head office support functions. Significant progress has already been made in addressing the issues that face the Services businesses and the board will continue to secure stability and growth for them, as it also seeks to improve further their performance.

### DIVIDEND POLICY

It is anticipated that in future years, barring unforeseen circumstances, the board will apply a distribution policy based on a dividend covered not less than three times by earnings.

### EMPLOYEES AND CUSTOMERS

I would like to thank all our employees and customers in the UK and USA for their continuing support during the past year when the sale process has presented particular challenges and led to inevitable uncertainty. Following the end of the disposal process the board is fully committed to building the Staveley businesses and exploiting all the opportunities that exist in order to create shareholder value.



**GRAHAM WILSON, CHAIRMAN**

...the board is fully committed to building the Staveley businesses and exploiting all the opportunities that exist in order to create shareholder value.

## Operating Review

Highlights in the period were:

### INTEGRAL

- significant further reduction in central and branch overhead costs
- further development of Private Finance Initiative (PFI) based facilities maintenance contracts, five contracts now secured
- focus given to enlarged business development team to secure new profitable business
- introduction of new business management system providing improved controls and a platform for controlled growth

### HALL & KAY

- improved performance from core business of fire protection
- introduction of in-house pipe welding and fabrication and multi-colour powder coating facility at Warrington factory
- successful performance on flagship projects of Marks and Spencer Manchester and Niketown at Oxford Circus, London
- successful launch of fire detection operation

### EI-WHS

- improved profit performance from established national network of 10 offices concentrating on retail sector including Tesco and ASDA and long established industrial client base
- withdrawal from high risk tunnel design and construct business
- successful conclusion of significant contract disputes

### MJN COLSTON

- integration of two separate operations successfully completed
- improved bottom line performance and cash flow from effective contract management
- successful resolution of majority of long standing contractual disputes
- involvement in several flagship projects including the refurbishment of Admiralty Arch, Project Eden in Cornwall and Royal Albert Hall

### SNDT

- significantly improved operating profit despite a difficult year for Staveley Sensors business
- successful introduction of second stage of new integrated product range
- new military orders won

### SSNA

- significant new contract in materials analysis group won
- introduction of new internet based business system in fluids analysis division with high initial costs but offering major customer development opportunities in the medium term
- new management team appointed to continue introduction of improved controls and provide platform for future development

### SNDT

(Staveley Non-Destructive Testing)  
Manufacture of non-destructive test equipment and sensors on two sites.

### SSNA

(Staveley Services North America)  
Provision of laboratory testing of oil and fuel samples. Testing of materials in laboratories or on customers' sites.

### Integral

Provides facilities management together with mechanical, electrical and fabric maintenance services to a wide variety of commercial, retail, industrial, local authority and MoD premises and undertakes PFI contracts.

### EI-WHS

Undertakes a wide variety of electrical, mechanical and instrumentation installation work in offices, banks, factories and retail premises.

### MJN Colston

Installs building services in offices, retail premises and public buildings.

### Hall & Kay

Designs, manufactures, installs and maintains fire prevention and detection systems in offices, factories and retail premises.

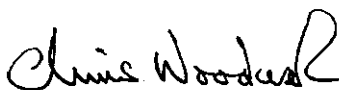


The keynote during the year to 1 April 2000 has been a continuation of the process begun in the previous year of improving operational performance across the group by focusing on reducing risk, improving controls, removing costs and winning new business at higher margins. British Salt performed well in continuing difficult market conditions and a sale to US Salt was achieved following the year end. In the UK Services businesses both the facilities services operation (Integral) and the Contracting division achieved their targets based on better working capital management giving improved cash generation and bottom line performance.

Integral's losses reduced from £6.0 million before exceptional items to £1.7 million as a result of actions taken to exit from unprofitable contracts and reduce overhead costs. In the Contracting businesses MJN Colston and EI-WHS improved operating margins and recorded increased operating profits. Hall & Kay achieved another very satisfactory performance in its core fire protection activity and invested in a new fire detection operation which will provide significant growth opportunities in the future.

In the US, SNTD performed very well as a result of strong commercial sector demand and also significant military sales. SSNA had a poor year as a result of several factors highlighted in the chairman's statement on page 2. New management appointments have now been made and the new management team has already made progress in addressing the issues. Prospects for improved performance from SSNA in the current period are therefore much brighter.

The group's central operations have been further streamlined during the year and good progress has been made in dealing with long standing legal, contractual, property and pension issues.



**CHRIS WOODWARD**, CHIEF EXECUTIVE

**...a continuation of the process begun in the previous year of improving operational performance across the group by focusing on reducing risk, improving controls, removing costs and winning new business at higher margins.**

**PROFIT AND LOSS**

Turnover from continuing activities has reduced from £262.5 million to £252.6 million principally due to the cessation of loss making contracts in the facilities services business. The testing services and Contracting divisions have maintained volumes at levels consistent with the prior year.

Group operating profit on continuing activities before exceptional items of £0.2 million in the year under review compares with a loss of £3.9 million in 1998/9. As reported at the half year, despite maintaining revenues at levels consistent with the prior year, continuing market pressures in fluids testing from oil industry consolidation and materials analysis from import pressures together with restructuring and system implementation costs have resulted in reduced profitability in the testing services division. Losses in the facilities services business were greatly reduced as certain loss making contracts expired and others were renegotiated at more favourable rates and new management took the steps necessary to reduce the cost base of the business. The Contracting division returned to profitability with an operating profit margin of 2.0% on sales.

As a result of the uncertainty resulting from the sale process for the Salt and Services divisions the trustees of the company's UK pension scheme increased the proportion of scheme assets invested in fixed interest government securities.

Partly as a result of this action the preliminary findings of an actuarial valuation of the scheme as at April 1999 have resulted in an increase in the pension scheme contribution rate charged in the year and hence in a reduction in the SSAP 24 credit included within central costs. Company cash contributions to the pension scheme recommenced in January 2000. Following the end of the sale process the trustees are reviewing the scheme's investment policy.

The exceptional charge of £6 million is made up of a £5 million write-down in the group's investment in Chronos Richardson and a £1 million write-down in the value of the Nottingham property leased to Chronos Richardson.

The sale of Hastings Catering Spares referred to in the annual report and accounts last year resulted in a profit of £0.5 million after deducting goodwill of £1.2 million charged against reserves at the time of the original acquisition. This profit has been included within disposals of fixed assets in the profit and loss account.

The consolidated tax rate before exceptional items is 21% reflecting the use of accumulated tax losses in the USA. The asset write downs relating to Chronos Richardson are not deductible for corporation tax as a result of which the effective tax rate is 75%.

The British Salt business was disposed of on 7 April 2000 and is treated as a discontinued operation in these accounts.

**Group operating profit on continuing activities before exceptional items of £0.2 million compares with a loss of £3.9 million in 1998/9.**

**CASH FLOW AND GROUP FUNDING**

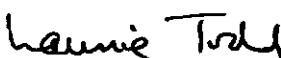
Cash inflow from operating activities of continuing operations totalled £9.7 million, an improvement of £6.0 million on the prior year due to improved operating performance and management of working capital. Cash flow from operating activities of discontinued operations amounted to £11.7 million (1999: £13.6 million).

Net debt reduced from £20.1 million to £0.9 million during the year as a consequence of the strong operating cash flow, recovery of advance corporation tax paid in prior periods and the dividend holiday. Group gearing has been further reduced to 1.7% (1999: 38.7%) at the year end.

Borrowings of \$40 million were maintained throughout the year as a hedge against the net assets of the group's US operations, principally the testing services division. The US dollar/sterling exchange rate used to translate the US earnings and balance sheet was \$1.60, the same as the prior year. Following the sale of British Salt and the repayment of the multi-currency revolving credit facilities in April 2000, the board has taken the decision not to replace this hedging loan.

**DISPOSAL OF BRITISH SALT BUSINESS**

Included in note 26 on page 37 is a pro-forma balance sheet of the group as if the sale of the British Salt business had been completed on 1 April 2000. On this basis group net assets would have amounted to £75.4 million.



**LAURIE TODD**, DIRECTOR AND SECRETARY

**Cash inflow from operating activities of continuing operations totalled £9.7 million, up £6.0 million on the prior year due to improved operating performance and working capital management.**

**GRAHAM WILSON (57)****CHAIRMAN**

Graham Wilson was first finance director, then from 1991 to 1996 managing director of United News & Media plc. From 1996 to 1998 he was chairman at branded drinks group Matthew Clark plc and is presently a non-executive director of Legal & General UK Select Investment Trust plc, chairman of the Policy Committee of Theodore Goddard and a trustee of the NSPCC. Mr Wilson joined the Staveley board as non-executive director in March 1999 and was appointed chairman in June 1999.

**RICHARD FORTIN (59)****NON-EXECUTIVE DIRECTOR**

Richard Fortin is a non-executive director of Britannic plc and Heywood Williams Group PLC and is non-executive chairman of TIS Software Holdings Limited. He joined the Staveley board in March 1999.

**BLAKE NIXON (39)****NON-EXECUTIVE DIRECTOR**

Blake Nixon is an executive director of Guinness Peat Group plc, the company's largest shareholder. He was appointed to the board in November 1999 and is also a director of The Groucho Club London plc.

**CHRIS WOODWARD (53)****CHIEF EXECUTIVE**

Appointed chief executive in May 1998. Chris Woodward was previously chief operating officer and a director of Vickers plc with responsibility for the five operating divisions which included Rolls Royce Motor Cars and Cosworth. Prior to that he was a main board director of Rover Group Holdings plc, where he managed Rover International and Land Rover. In March 2000 Mr Woodward joined the board of construction materials and specialised vehicle manufacturer Johnston Group PLC as a non-executive director.

**LAURIE TODD (51)****FINANCE DIRECTOR AND SECRETARY**

Laurie Todd held a number of finance director positions including CCA Publications plc, Innovations Group plc and Ronson plc before joining Staveley in January 1999.

**COMMITTEES****REMUNERATION COMMITTEE**

The remuneration committee was formed in 1979.

It consists of the three non-executive directors:

Graham Wilson (who is chairman), Richard Fortin and Blake Nixon. The committee makes recommendations to the board on executive remuneration policy and determines specific remuneration packages for each of the executive directors on behalf of the board.

**AUDIT COMMITTEE**

Formed in 1994 the audit committee consists of the non-executive directors and is chaired by Richard Fortin. The purpose of the committee includes reviewing the scope and results of internal and external audits of the group, together with the cost effectiveness of the group's auditors PricewaterhouseCoopers.

**NOMINATION COMMITTEE**

The nomination committee was formed in 1995 and consists of Richard Fortin, Graham Wilson and Chris Woodward. The committee is responsible for submitting recommendations to the board on all executive and non-executive board positions. It is chaired by Richard Fortin.

The directors present their report and accounts for the 52 weeks ended 1 April 2000.

#### **ACTIVITIES OF THE GROUP**

The main businesses of the group are reviewed on pages 2 to 7. The company's principal subsidiaries are shown in note 10 on page 30. Following approval by shareholders given at an extraordinary general meeting held on 5 April 2000 the company disposed of its salt manufacturing interests, British Salt, on 7 April 2000. The terms of sale were contained in a circular sent to shareholders on 21 March 2000. Please see also note 26 on page 37.

#### **RESULTS AND DIVIDENDS**

The results for the period are shown in the consolidated profit and loss account on page 20.

The directors do not recommend a final dividend for the period (1999: £nil). No interim dividend was paid for the period (1999: 2.5p).

#### **CHARITABLE AND POLITICAL DONATIONS**

Donations of £3,001 (1999: £3,233) were made during the period for charitable purposes in the United Kingdom. No political donations were made (1999: £nil).

#### **DIRECTORS**

The following directors held office during the period:

RD Armitage (resigned 1 May 1999), RCG Fortin, BA Nixon (appointed 3 November 1999), RL Todd, H Tuley (resigned 3 June 1999), GJS Wilson, CJS Woodwark (chief executive) and JM Woolley (resigned 1 June 2000).

Harry Tuley was chairman until his resignation on 3 June 1999, on which date Graham Wilson became chairman.

Blake Nixon retires at the forthcoming annual general meeting in accordance with the provisions of the articles of association governing newly appointed directors, and Chris Woodwark retires by rotation. Both directors offer themselves for re-election. Blake Nixon is a non-executive director, but with no current indicated term of appointment. Chris Woodwark is an executive director and the terms governing his period of notice and compensation are given under the heading 'Notice period' on page 15. Further details for the directors being proposed for re-election are given on pages 16 and 17.

Details of the committees on which directors serve are given on page 8.

#### **SHARE CAPITAL**

An ordinary resolution will be proposed at the forthcoming annual general meeting renewing the directors' annual authority to issue shares in the company. This is Resolution No 5 in the notice of meeting. The authority under the resolution lapses at next year's annual general meeting, or 6 December 2001 if earlier, and is limited to shares of a nominal value of £9,698,000. This equates to 38,792,000 ordinary shares of 25p each, being 33% of currently issued share capital.

**SHARE CAPITAL (CONTINUED)**

Resolution No 6 in the notice of meeting is a special resolution for the renewal of the directors' authority (i) to make a rights issue and (ii) to issue a limited number of shares for cash without first offering them to shareholders pro rata to their holdings. In the latter case the authority is limited to shares of a nominal value of £1,454,000, which is the equivalent of 5,816,000 ordinary shares or 5% of currently issued ordinary share capital. The authority contained in the resolution expires at the earlier of next year's annual general meeting and 6 December 2001.

The directors have no current intention of exercising either authority contained in Resolutions 5 or 6.

Further information about the company's share capital is given in note 16 on page 32.

**CORPORATE GOVERNANCE****Board responsibilities and structure**

The board recognises the principles and purport of the Combined Code incorporated into the Listing Rules of the UK Listing Authority and considers that it has complied during the period with all its principles. It also considers that it complied during the period with all its provisions other than those noted below, which reflect the composition and size of the board:

- A.2.1 requiring the identification of a senior independent non-executive director
- A.6.1 requiring the appointment of non-executive directors for specified terms, which had not been applied in the case of Blake Nixon or Moger Woolley and
- A.6.2 regarding directors' rotation, which is explained in more detail below

The board is responsible for the company's corporate governance, in which it is assisted by certain board committees notably the audit and remuneration committees. There is a formal schedule of matters reserved for the approval of the board, as a means of control for strategic and other vital areas and as a reference document for other control mechanisms.

There has been a significant non-executive presence on the board for some years. The board considers that of the five non-executive directors who held office during the period as a whole Graham Wilson, Harry Tuley, Richard Fortin and Moger Woolley were independent. The fifth, Blake Nixon, is non-executive but is not regarded as independent under the terms of the code since he is also a director and employee of the company's largest shareholder, Guinness Peat Group plc. The current board of five is made up of two independent non-executive directors (Graham Wilson and Richard Fortin), Blake Nixon and two executive directors (Chris Woodwark and Laurie Todd). The non-executive directors have full access to the external auditors and management, and a standing resolution provides a procedure for directors to obtain independent professional advice if required.

Since the period end Blake Nixon has been appointed a member of the remuneration committee.

As explained, Mr Nixon is not regarded as an independent non-executive director. As such his appointment fails to comply with code provision B.2.2 which requires that members of that committee be independent.

Board meetings are held on a scheduled basis and an agenda and supporting papers are supplied as soon as figures and other data are available. Additional meetings are convened as required.

Monthly management accounts are supplied to the directors as soon as prepared, irrespective of the board meeting calendar.

**Board responsibilities and structure (continued)**

Meetings with the company's institutional shareholders are held when results are published and at other times whenever called for. The members of the board are open to dialogue with the private shareholders at the AGM and during the year by correspondence.

Directors are appointed by the board on the recommendation of the nomination committee. They retire (i) automatically at the first annual general meeting following their appointment and (ii) by rotation.

The company's articles of association provide that one third of the directors retire by rotation at each AGM (excluding new directors automatically retiring) but that if such figure is not a whole number, the next lower figure. This fails to comply with provision A.6.2 of the Combined Code which requires that directors submit themselves for re-election every three years. There has in effect been no breach this year of this provision as no director has been in office for more than three years.

**GOING CONCERN**

After making reasonable enquiries, the directors believe that the company and the group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the accounts which are shown on pages 20 to 37.

**INTERNAL FINANCIAL CONTROL**

The Combined Code has extended the board's responsibilities to include a review of the effectiveness of all internal controls, including financial, operational, compliance and risk management. However, the board has taken advantage of the transitional rules published by the London Stock Exchange in September 1999, and for the current year continues to report solely on internal financial controls in accordance with the Rutterman guidance. To facilitate internal financial control, for which the board acknowledges overall responsibility, the group manages its business through a decentralised organisation structure, with clearly defined lines of responsibility, under which each operating unit has the maximum practicable responsibility for its own affairs.

The group exercises its control through a combination of:

- retaining responsibility for those matters which have overall group significance
- comparing monthly financial performance against annual budgets and updated quarterly forecasts
- regular contact with local management teams to obtain clear understanding of causes of any variations in historical performance and factors affecting future opportunities and risk
- establishment of financial authority levels for commitment of group resources through capital expenditure and major contracts
- establishment of financial authority levels for disposition of fixed assets and investments
- internal audit carried out by the group internal auditor reporting to the audit committee.

These measures must be considered against the background that any system of internal financial control will provide only reasonable and not absolute assurance against material mis-statement or loss. The directors have reviewed the effectiveness of internal financial controls.

**INTERNAL FINANCIAL CONTROL (CONTINUED)**

Furthermore, as a consequence of the sale process announced in July 1999 and concluded in May 2000, an extensive review of the entire business was launched. This review process enabled the board to consider the significant risks faced by the group and to monitor these at regular intervals. Following the cessation of the sale process further steps have been taken by the board to initiate a programme of regular risk assessments at business unit and group level which will enable the board continually to assess the internal control environment across the group. These risk assessments will confirm business objectives, identify significant risks attributable to these objectives and document the mitigating controls in place. The board is satisfied that these procedures will provide the appropriate framework for full compliance with the Turnbull guidance by 31 March 2001.

**CREDITOR PAYMENT POLICY**

The company's current policy on the payment of all its creditors is to follow the Better Payment Practice Code issued by the Better Payment Practice Group. Copies are available from the Secretary's Office at the registered office address at the foot of this report (tel: 020 8253 1808, fax: 020 8686 3534) or from the DTI (tel: 0870 150 2500, publication No URN98/965).

At the end of the period trade creditors were owed the equivalent of 99 days' total invoices received for the period as a whole.

**EMPLOYEE INVOLVEMENT**

The principle of employee involvement is supported by the board and divisional management is encouraged to involve personnel by such means as may best suit their operating environment. This normally takes the form of team briefings, consultative committees, problem solving teams and site notices or newsletters.

**EQUAL OPPORTUNITIES**

It is the company's policy to ensure that all employees, potential employees and other individuals receive equal treatment regardless of gender, race, religion or disability.

This applies to access to employment, training and development, opportunities for promotion and all selection decisions. Where an employee becomes disabled every effort is made to provide continuity of employment in the same job or a suitable alternative.

**ENVIRONMENT**

The company has an overall environmental policy approved by the board. The compliance of each business to appropriate regulatory standards and performance is monitored on a regular basis by US and European environmental committees, which are chaired by an executive director.

**YEAR 2000**

No significant problems arising from the date change have been encountered following the remedial programme carried out throughout the group before the end of 1999. The costs of the programme have been absorbed within ongoing maintenance and replacement schedules. Whilst any further problems cannot be wholly ruled out it is considered that significant loss from the date change problem has now been avoided.



## **AUDITORS**

A resolution to reappoint PricewaterhouseCoopers as the company's auditors and to authorise the directors to determine their remuneration will be proposed at the annual general meeting.

## **DIRECTORS' RESPONSIBILITIES**

The directors are required by UK company law to prepare financial statements 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.

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 financial statements for the 52 week period ended 1 April 2000. The directors also confirm that applicable accounting standards have been followed and that the financial statements have been prepared on the going concern basis.

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

By order of the board

**LAURIE TODD**, DIRECTOR AND SECRETARY

26 July 2000

Registered Office

Staveley House, 11 Dingwall Road, Croydon, Surrey CR9 3DB

The remuneration of the executive directors is determined by the remuneration committee. The remuneration of the non-executive directors is determined by the board as a whole. The remuneration committee is made up of Graham Wilson (chairman), Richard Fortin and Blake Nixon.

Information on each individual director's remuneration is given on page 16 and on their holdings in and options over the company's shares on pages 17 and 18.

#### **REMUNERATION POLICY FOR EXECUTIVE DIRECTORS AND SENIOR EXECUTIVES**

The company aims to attract, motivate and retain high calibre executives by rewarding them with competitive salary and benefit packages which are linked to both individual and business performance. These packages are reviewed each year to ensure that they are supportive of the company's business objectives and the creation of shareholder value. The components of the company's remuneration packages follow.

#### **SALARY**

Salary ranges are established by reference to independent data on salaries in the employment market generally for executives of comparable status, responsibility and skills. All senior positions are evaluated and graded using a job evaluation method from the Hay Group.

Individual salaries are then determined by personal factors. These include the individual's performance as measured by an appraisal process, the achievement of recognised job qualifications where relevant, international comparisons provided by the Hay Group and any other matters likely to affect a particular executive's value in the employment market, including the amount that may be required to attract an experienced executive from another company.

#### **BONUS**

In view of the special operating conditions imposed by the disposal process Chris Woodwark and Laurie Todd were subject to an incentive scheme made up of two main elements:

- a performance bonus based on the profit and cash flow of the 1999/2000 financial period; and
- a retention bonus made up of 50% of basic salary in respect of the sale of British Salt, and 50% in respect of the disposal of Services. These were payable by 31 March 2000 in respect of Salt and 31 May 2000 in respect of Services if the respective disposal had not completed by those dates.

The bonus for Salt has been included within directors' emoluments in the table on page 16.

The bonus for Services will be included within directors' emoluments for the 52 weeks ending 31 March 2001.

#### **SHARE OPTIONS**

The company has share option schemes under which executive directors and senior executives are granted options over the company's shares at prevailing market prices at the time of grant.

Options become exercisable three years, or in some earlier cases five years, after the date of grant. All options granted from December 1995, and all five year options granted before that date, are in normal circumstances exercisable subject to the company's earnings per share having achieved a certain percentage growth over inflation.

**SHARE OPTIONS (CONTINUED)**

The company also operates an Inland Revenue approved savings related share option scheme, which is open to all UK employees and directors who are paid and/or taxed in the UK. Under this scheme an employee agrees to save any amount up to a maximum of £250 a month over three or five years. An option over Staveley shares is granted to him or her at a discount of 20% to the market price at the time of grant, which becomes exercisable when the contractual savings period matures.

**PENSION**

The executive directors are members of the company's pension scheme, Staveley Industries Retirement Benefits Scheme (SIRBS), which is Inland Revenue approved. SIRBS has a contribution rate for members of 5% of pensionable salary and provides members with a pension of up to two-thirds of pensionable salary on retirement at pensionable age, subject to their having completed at least 20 years' service. In the case of Rod Armitage and Chris Woodward pensionable salary comprises salary and performance related bonus. The scheme also provides a lump sum death in service benefit and pensions for dependants of members on their death in service or following retirement.

Members who joined the scheme after May 1989 are subject to the salary cap (currently £91,800 a year) on Inland Revenue approved pension schemes. The company provides the executive directors with appropriate pension benefits outside SIRBS in relation to that part of their salary which exceeds the cap in order to match market practice (notes 7 and 8 on pages 16 and 17).

**NOTICE PERIOD**

Chris Woodward has a contract with a one year notice period, but which in the case of summary termination entitles him to 18 months' basic pay. In the event of his electing to leave within 28 days of a change in control, or if the company summarily terminates his appointment within 12 months of a change of control, he is entitled to a payment equal to 24 months of his total remuneration package including the fair value of contractual and pension benefits.

Laurie Todd has a contract with a one year notice period. In the event of his electing to leave within 28 days of a change in control, or if the company summarily terminates his appointment within 12 months of a change of control, he is entitled to a payment equal to 12 months of his total remuneration package including the fair value of contractual and pension benefits.

**REMUNERATION POLICY FOR NON-EXECUTIVE DIRECTORS**

The remuneration for non-executive directors consists of fees for their services in connection with board and board committee meetings and, where relevant, for additional services such as chairing the board or a board committee or devoting additional time and expertise for the benefit of the group. They do not have contracts of service, are not eligible for pension scheme membership and do not participate in any of the company's bonus or share option schemes.

## Remuneration Report

**DIRECTORS' REMUNERATION**

	Salaries/fees £000		Taxable benefits £000		Bonuses £000		Total £000	
	2000	1999	2000	1999	2000	1999	2000	1999
<b>Executive directors</b>								
RD Armitage (resigned 1.5.1999)	10	118	1	13	—	—	11	131
JPR Brown (resigned 11.1.1999)	—	124	—	5	—	—	—	129
RL Todd	154	28	10	2	153	—	317	30
CJS Woodwark	240	206	13	9	234	15	487	230
<b>Non-executive directors</b>								
RCG Fortin	27	—	—	—	—	—	27	—
RE Long (resigned 15.9.1998)	—	10	—	—	—	—	—	10
BA Nixon (appointed 3.11.1999)	8	—	—	—	—	—	8	—
H Tuley (resigned 3.6.1999)	10	55	2	9	—	—	12	64
RKA Wakeling (resigned 30.3.1999)	—	20	—	—	—	—	—	20
GJS Wilson	49	—	—	—	—	—	49	—
JM Woolley (resigned 1.6.2000)	25	19	5	11	—	—	30	30
<b>Total</b>	<b>523</b>	<b>580</b>	<b>31</b>	<b>49</b>	<b>387</b>	<b>15</b>	<b>941</b>	<b>644</b>

**PENSION BENEFITS**

	Increase in accrued pension during period £000	Increase in transfer value during period £000	Total accrued pension at 1 April 2000 £000
RD Armitage	9	152	94
RL Todd	3	40	3
CJS Woodwark	2	19	3

**NOTES**

- The figures set out above relate only to the period of each director's membership of the board.
- The total accrued pension at 1 April 2000 shown above is the annual pension to which each director would be entitled on leaving service at the period end excluding any increases that early leavers receive to compensate for inflation before retirement age.
- The increase in accrued pension and transfer value during the period excludes any increase for inflation.
- The transfer value has been calculated on the basis of actuarial advice in accordance with Actuarial Guidance Note GN11 issued by the Institute and Faculty of Actuaries, less directors' contributions.
- Inflation has been assumed to be equivalent to the actual rate of price inflation. For this purpose the company's actuaries have used the rate for the year to 30 September 1999, which was 1.1%.
- Rod Armitage, who left the board on 1 May 1999, was on a salary of £118,075 per annum and was a member of SIRBS in relation to salary and bonus. Upon leaving he was given enhanced pension benefit to equate to the remainder of his two year period of contractual notice at an actuarially calculated cost of £152,000. He was paid £263,320 in respect of compensation for loss of office and received other benefits of £3,000.
- Chris Woodwark commenced the period on a salary of £230,000 per annum, which was increased on 1 May 1999 to £241,500 per annum and on 1 April 2000 to £248,745 per annum. He is limited by the Inland Revenue earnings cap on approved pension benefits and is provided with unapproved benefits for salary and bonus in excess of the cap. Contributions into such funded unapproved retirement benefits scheme gross of income tax amounted to £129,222 in respect of the period (1999: £83,667).

**NOTES (CONTINUED)**

8. Laurie Todd commenced the period on a salary of £125,000 per annum, which was increased on 1 June 1999 to £160,000 per annum and on 1 April 2000 to £164,800 per annum. He is limited by the Inland Revenue earnings cap on approved pension benefits and is provided with unapproved benefits for salary in excess of the cap. Contributions into such funded unapproved retirement benefits scheme gross of income tax amounted to £15,615 in respect of the period (1999: £2,338).
9. Harry Tuley, who resigned on 3 June 1999, was in receipt of a fee as non-executive chairman of £55,000 per annum.
10. Graham Wilson commenced the period as non-executive director at a fee of £20,000 per annum. This was increased to £55,000 per annum upon his appointment as chairman of the board and of the remuneration committee on 3 June 1999 and adjusted to £45,000 on 1 July 2000.
11. Richard Fortin commenced the period as non-executive director at a fee of £20,000 per annum. This was increased to £28,000 per annum upon his appointment as chairman of the audit and nomination committees on 3 June 1999 and adjusted to £25,000 on 1 July 2000.
12. Blake Nixon was appointed to the board as a non-executive director with effect from 3 November 1999 at a fee of £20,000 per annum.
13. Moger Woolley commenced the period as non-executive director at a fee of £19,000 per annum with a company provided car and paid motoring expenses. In August 1999 his fee was increased to £28,000 per annum and the car benefits ceased. He resigned from the board on 1 June 2000.

**DIRECTORS' INTERESTS**

The directors in office at the end of the period had the following beneficial interests in the company's ordinary shares. The interests shown are those as at (i) the period end, and (ii) the beginning of the period or, for directors appointed during the period, their date of appointment. There were no non-beneficial interests at those dates. There were no changes in the interests of directors up to 10 July 2000.

**SHAREHOLDINGS**

	At 1 April 2000	At 4 April 1999
RCG Fortin	—	—
BA Nixon	—	—*
RL Todd	—	—
GJS Wilson	—	—
CJS Woodwark	30,000	30,000
JM Woolley	39,000	39,000

\* at date of appointment 3 November 1999

**SHARE OPTIONS**

Options held by the directors to subscribe for ordinary shares in the company were as follows:

	Share options			Exercise price: pence per share	Date on which option becomes exercisable	Expiry date
	Held at 4 April 1999	Granted during period	Held at 1 April 2000			
RL Todd	—	43,470	43,470	69	03.08.02 <sup>a</sup>	02.08.09
	—	356,530	356,530	69	03.08.02 <sup>a</sup>	02.08.06
	—	400,000	400,000			
CJS Woodwark	25,200	—	25,200	119	11.06.01 <sup>a</sup>	10.06.08
	374,800	—	374,800	119	11.06.01 <sup>a</sup>	10.06.05
	7,398	—	7,398	83	01.10.03 <sup>b</sup>	31.03.04
	—	797,100	797,100	69	03.08.02 <sup>a</sup>	02.08.06
	407,398	797,100	1,204,498			

**NOTES**

- a) a performance target attaches to these options. The option becomes exercisable if, on or after the date shown, the company's earnings per share have achieved an average percentage growth equal to the Retail Prices Index plus 15% over a 3 year period
- b) a share savings option linked to a 5 year Save-As-You-Earn contract
- c) no options lapsed, or were exercised, during the period
- d) the midmarket price of the company's ordinary shares at 1 April 2000 was 59p. During the 52 week period to 1 April 2000 the midmarket price varied between a highest closing price of 83p and a lowest closing price of 51½p
- e) certain events such as death or retirement may accelerate the dates on which the option becomes exercisable and expires.

**GRAHAM WILSON, CHAIRMAN**

26 July 2000

**TO THE MEMBERS OF STAVELEY INDUSTRIES plc**

We have audited the financial statements on pages 20 to 36 and note 26 on page 37.

**RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS**

The directors are responsible for preparing the annual report. As described on page 13 this includes responsibility for preparing the financial statements in accordance with applicable United Kingdom 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 our profession's ethical guidance.

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

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

We review whether the statement on page 10 reflects the company's compliance with those 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 form an opinion on the effectiveness of the company's or group's corporate governance procedures or its internal controls.

**BASIS OF AUDIT OPINION**

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

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

**OPINION**

In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 1 April 2000 and of the profit and cash flows of the group for the 52 week period then ended and have been properly prepared in accordance with the Companies Act 1985.

**PRICEWATERHOUSECOOPERS, CHARTERED ACCOUNTANTS AND REGISTERED AUDITORS**

London

26 July 2000

## Consolidated Profit and Loss Account

for the 52 weeks ended 1 April 2000

	Note	2000 £m	1999 £m
<b>Turnover</b>			
Continuing operations		252.6	262.5
Discontinued operations		29.3	32.5
<b>Total</b>	<b>1</b>	<b>281.9</b>	<b>295.0</b>
<b>Operating profit/(loss)</b>			
Continuing operations before exceptional items		0.2	(3.9)
Exceptional items		(6.0)	(8.4)
<b>Continuing operations</b>		<b>(5.8)</b>	<b>(12.3)</b>
Discontinued operations before exceptional items		9.6	11.1
Exceptional items		—	(0.3)
<b>Discontinued operations</b>		<b>9.6</b>	<b>10.8</b>
<b>Total</b>	<b>1</b>	<b>3.8</b>	<b>(1.5)</b>
Loss on sale or termination of discontinued operations		—	(2.1)
Profit on the disposal of fixed assets of continuing operations		0.5	—
<b>Profit/(loss) on ordinary activities before interest</b>		<b>4.3</b>	<b>(3.6)</b>
Net interest charge	3	(1.9)	(2.6)
<b>Profit/(loss) on ordinary activities before taxation</b>		<b>2.4</b>	<b>(6.2)</b>
Tax on profit/loss on ordinary activities	4	(1.8)	(2.2)
<b>Profit/(loss) on ordinary activities after taxation</b>	<b>5</b>	<b>0.6</b>	<b>(8.4)</b>
Dividends	6	—	(2.9)
<b>Retained profit/(deficit)</b>	<b>17</b>	<b>0.6</b>	<b>(11.3)</b>
<b>Earnings/(loss) per share</b>	<b>7</b>		
Basic		0.6p	(7.2p)
Adjusted basic		5.7p	1.2p
Diluted		0.6p	(7.2p)
Adjusted diluted		5.7p	1.2p

The notes on pages 24 to 37 form part of these accounts. Auditors' report page 19.



## Consolidated Statement of Total Recognised Gains and Losses

for the 52 weeks ended 1 April 2000

21

	2000 £m	1999 £m
Profit/(loss) for the period	0.6	(8.4)
Currency translation adjustments	—	(0.7)
Total gains and losses recognised since last annual report	0.6	(9.1)

## Consolidated Profit/Loss on an Unmodified Historical Cost Basis

for the 52 weeks ended 1 April 2000

	2000 £m	1999 £m
Profit/loss on ordinary activities before taxation		
As stated in these accounts	2.4	(6.2)
Revaluation surplus realised in the period	0.9	2.9
On the historical cost basis	3.3	(3.3)
Retained profit/(deficit) on the historical cost basis	1.5	(8.4)

## Reconciliation of Movements in Consolidated Shareholders' Funds

for the 52 weeks ended 1 April 2000

	2000 £m	1999 £m
Profit/(loss) for the period	0.6	(8.4)
Dividends	—	(2.9)
	0.6	(11.3)
Other recognised gains and losses relating to the period	—	(0.7)
Redemption of preference shares	—	(0.9)
Goodwill included in the profit on disposal of fixed assets of continuing businesses which has been written off to reserves in prior years (see note 17)	1.2	—
Net movement in shareholders' funds	1.8	(12.9)
Opening shareholders' funds	51.9	64.8
Closing shareholders' funds	53.7	51.9

The notes on pages 24 to 37 form part of these accounts. Auditors' report page 19.

Balance Sheet

1 April 2000

	Note	The group		The company	
		2000 £m	1999 £m	2000 £m	1999 £m
<b>Fixed assets</b>					
Intangible assets	8	—	—	56.6	—
Tangible assets	9	64.6	67.9	17.0	7.7
Investments	10	—	5.0	62.8	64.4
		64.6	72.9	136.4	72.1
<b>Current assets</b>					
Stocks	11	7.1	8.4	3.9	1.9
Debtors	12	64.8	69.8	80.2	88.3
Cash at bank		24.0	33.3	21.5	31.6
		95.9	111.5	105.6	121.8
<b>Creditors: amounts falling due within one year</b>					
Borrowings	13	24.9	24.9	4.5	27.0
Other	14	77.4	71.3	136.4	66.4
		102.3	96.2	140.9	93.4
<b>Net current (liabilities)/assets</b>		<b>(6.4)</b>	<b>15.3</b>	<b>(35.3)</b>	<b>28.4</b>
<b>Total assets less current liabilities</b>		<b>58.2</b>	<b>88.2</b>	<b>101.1</b>	<b>100.5</b>
<b>Creditors: amounts falling due after one year</b>					
Borrowings	13	—	28.5	22.1	22.1
Provisions for liabilities and charges	15	4.5	7.8	3.8	7.1
<b>Net assets</b>		<b>53.7</b>	<b>51.9</b>	<b>75.2</b>	<b>71.3</b>
<b>Capital and reserves</b>					
Called up share capital	16	29.1	29.1	29.1	29.1
Share premium account	17	4.4	4.4	4.4	4.4
Revaluation reserve	17	28.6	29.5	0.3	0.3
Other reserves	17	1.0	1.0	26.9	26.9
Profit and loss account	17	(9.4)	(12.1)	14.5	10.6
<b>Equity shareholders' funds</b>		<b>53.7</b>	<b>51.9</b>	<b>75.2</b>	<b>71.3</b>

Approved by the board on 26 July 2000 and signed on its behalf by

**RL TODD, DIRECTOR**

The notes on pages 24 to 37 form part of these accounts. Auditors' report page 19.

# Consolidated Cash Flow Statement

for the 52 weeks ended 1 April 2000

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	Note	2000 £m	1999 £m
Cash inflow from operating activities	19	21.4	17.3
Returns on investments and servicing of finance	20	(2.0)	(3.5)
Taxation		0.9	(3.5)
Capital expenditure	20	(1.1)	(6.5)
Acquisitions and disposals	20	—	34.6
Equity dividends paid		—	(10.4)
Cash inflow before use of liquid resources and financing		19.2	28.0
Management of liquid resources	20	(13.5)	2.0
Financing:	20		
Redemption of shares		—	(0.9)
Decrease in debt		(28.5)	(17.1)
		(28.5)	(18.0)
(Decrease)/increase in cash		(22.8)	12.0
Reconciliation of net cash flow to movement in net debt	21		
(Decrease)/increase in cash		(22.8)	12.0
Cash outflow from decrease in debt		28.5	17.1
Cash outflow/(inflow) from increase/(decrease) in liquid resources		13.5	(2.0)
Change in net debt resulting from cash flows		19.2	27.1
Currency translation difference		—	(1.2)
Movement in net debt in the period		19.2	25.9
Opening net debt		(20.1)	(46.0)
Closing net debt		(0.9)	(20.1)

The notes on pages 24 to 37 form part of these accounts. Auditors' report page 19.

The following is a summary of the principal accounting policies adopted in the preparation of these financial statements which have been consistently applied:

#### **BASIS OF CONSOLIDATION**

The financial statements are prepared in accordance with the historical cost convention modified by the revaluation of certain assets. They comply with accounting standards applicable in the UK and, where relevant, they reflect Financial Reporting Standards issued since the last period end.

The consolidated financial statements combine the financial statements of the parent and its subsidiary companies which are made up to the same date. The results of subsidiaries sold or acquired are consolidated up to, or from, the date control passes. In the case of acquisitions, any difference in the price paid for new interests over the fair value of the net tangible assets at that date is capitalised as goodwill which is depreciated over a maximum of twenty years.

#### **TURNOVER**

Turnover, which excludes value added tax and sales between group companies, represents the amounts receivable by the group in respect of goods supplied and services rendered.

#### **RESEARCH AND DEVELOPMENT**

Expenditure on research and development is written off when incurred, except for the cost of developing major new product lines which may be deferred to the periods which will benefit from the sales of those products.

#### **DEPRECIATION**

Depreciation is calculated to write off the costs or valuation of fixed assets on a straight line basis over the expected useful lives of the assets concerned. For this purpose the principal lives adopted are as follows:

Freehold buildings	50 years
Leasehold buildings	50 years maximum or over the term of the lease if shorter
General manufacturing plant	15 years maximum
Process plant	50 years maximum

The group undertakes a review for impairment of a fixed asset or goodwill if events or changes in circumstances indicate that the carrying amount of the fixed asset or goodwill may not be recoverable. To the extent that the carrying amount exceeds the recoverable amount, that is the higher of net realisable value and value in use, the fixed asset or goodwill is written down to its recoverable amount.

#### **MINERAL RESERVES**

Mineral reserves are carried in the balance sheet at valuation. No charge is made to the profit and loss account in respect of annual diminution as the expected future life of these reserves would make such a charge immaterial.

#### **PROVISIONS**

Provision is made on the basis of the present value of future cash flows whenever unavoidable losses are expected to arise from obligations which exist at the balance sheet date. These obligations take the form of leases of properties which are no longer occupied either by the group or by sub-tenants.

**LEASED ASSETS**

Assets acquired under finance leases, which transfer to the lessee substantially all benefits and risks of ownership, and the capital element of the related rental obligations, are included in the balance sheet. The interest element of rental obligations is charged against profit in proportion to the reducing capital element outstanding. Rentals in respect of operating leases are written off to the profit and loss account on a straight line basis over the period of the lease.

**STOCKS, WORK IN PROGRESS AND LONG-TERM CONTRACTS**

Stocks and work in progress are stated at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. In the case of manufactured products, cost includes all direct expenditure and production overheads based on the normal level of activity. Net realisable value is the price at which the stocks can be realised in the normal course of business after allowing for the costs of realisation and, where appropriate, the cost of conversion from their existing state to a finished condition. Provision is made for obsolete, slow moving and defective stocks.

Long-term contracts are generally those exceeding a year in duration and are valued at cost, comprising direct expenditure and the relevant production overheads, plus the profit attributable to the work performed to date. The amounts recoverable from such contracts, being the excess of their valuation over payments received and receivable are included in debtors. Provision is made for all losses expected to arise on completion of the contracts entered into at the balance sheet date, whether or not work on these has commenced.

**DEFERRED TAX**

Provision is made for deferred tax using the liability method but not where, in the opinion of the directors, the potential tax liability is remote.

**FOREIGN CURRENCY TRANSLATION**

Sales and results of overseas subsidiary companies and all foreign currency assets and liabilities are translated into sterling at the rates of exchange ruling at the balance sheet date. Translation differences on the opening net assets of these companies are taken directly to reserves and set off against differences arising on borrowings hedging this exposure. This hedging policy has since the year end been discontinued.

**PENSION COSTS**

The pension schemes of the group are classified as either defined-benefit or defined-contribution schemes. In the former case, the cost to the group is, with actuarial advice, spread over the employees' service lives. In the latter case, the charge for pension costs is equal to the contributions payable to the schemes.

**FINANCIAL INSTRUMENTS**

The group's only significant financial instruments are borrowings and liquid resources. The accounting treatment of financial instruments is explained in note 22.

**1 TURNOVER, PROFIT AND NET ASSETS**

	2000 £m	1999 £m
<b>Turnover by market supplied:</b>		
United Kingdom	221.4	229.2
USA	52.2	53.6
Europe	3.3	7.9
Rest of world	5.0	4.3
<b>Total</b>	<b>281.9</b>	<b>295.0</b>

	Continuing 2000 £m	Discontinued 2000 £m	Total 2000 £m	Continuing 1999 £m	Discontinued 1999 £m	Total 1999 £m
<b>Analysis of operating costs:</b>						
Cost of sales	199.4	11.5	210.9	215.1	12.1	227.2
Distribution costs	—	3.1	3.1	—	3.3	3.3
Administrative expenses	53.5	5.1	58.6	51.8	6.0	57.8
Other operating income	(0.5)	—	(0.5)	(0.5)	—	(0.5)
<b>Total</b>	<b>252.4</b>	<b>19.7</b>	<b>272.1</b>	<b>266.4</b>	<b>21.4</b>	<b>287.8</b>

	Turnover 2000 £m	Operating profit/(loss) 2000 £m	Net assets 2000 £m	Turnover 1999 £m	Operating profit/(loss) 1999 £m	Net assets 1999 £m
<b>Segmental analysis of results excluding exceptional items:</b>						
Testing services	58.0	0.8	21.6	59.1	4.0	20.0
Facilities services	54.5	(1.7)	4.0	65.5	(6.0)	7.4
Contracting	140.1	2.8	(18.6)	137.9	(2.6)	(8.3)
Central	—	(1.7)	(3.6)	—	0.7	1.4
Continuing operations	252.6	0.2	3.4	262.5	(3.9)	20.5
Discontinued operations	29.3	9.6	51.2	32.5	11.1	51.5
<b>Total</b>	<b>281.9</b>	<b>9.8</b>	<b>54.6</b>	<b>295.0</b>	<b>7.2</b>	<b>72.0</b>

<b>Segmental analysis of results including exceptional items:</b>						
Testing services	58.0	0.8	21.6	59.1	3.6	20.0
Facilities services	54.5	(1.7)	4.0	65.5	(9.7)	7.4
Contracting	140.1	2.8	(18.6)	137.9	(2.9)	(8.3)
Central	—	(7.7)	(3.6)	—	(3.3)	1.4
Continuing operations	252.6	(5.8)	3.4	262.5	(12.3)	20.5
Discontinued operations	29.3	9.6	51.2	32.5	10.8	51.5
<b>Total</b>	<b>281.9</b>	<b>3.8</b>	<b>54.6</b>	<b>295.0</b>	<b>(1.5)</b>	<b>72.0</b>

<b>Origin</b>						
UK and Europe	224.8	3.6	36.8	237.0	(5.0)	50.9
USA and other	57.1	0.2	21.4	58.0	3.5	19.7
<b>Total</b>	<b>281.9</b>	<b>3.8</b>	<b>58.2</b>	<b>295.0</b>	<b>(1.5)</b>	<b>70.6</b>
Staveley Central			(3.6)			1.4
Total capital employed			54.6			72.0
Net debt (see note 21)			(0.9)			(20.1)
Consolidated net assets			53.7			51.9

The exceptional items in 2000 are included in administrative expenses. £7.7 million of the exceptional items in 1999 are included in cost of sales and £1 million in administrative expenses.

**1 TURNOVER, PROFIT AND NET ASSETS (CONTINUED)**

	2000 £m	1999 £m
Operating profit/loss is stated after charging:		
Depreciation charge for the period		
Exceptional provision for impairment:		
Land and buildings	1.0	—
Fixed asset investments	5.0	—
Tangible fixed assets	6.0	5.7
Auditors' remuneration:		
For audit work	0.3	0.5
For other services in the UK	0.1	0.1
Research and development expenditure	—	0.7
Operating lease rentals:		
Hire of plant and equipment	3.4	3.3
Other	3.3	3.3

**2 DIRECTORS AND EMPLOYEES**

	2000	1999
The monthly average number of personnel employed in the business areas was:		
Testing services	1,380	1,247
Facilities services	1,085	1,377
Contracting	1,506	1,478
Central	19	22
	3,990	4,124
Discontinued operations	155	194
	4,145	4,318

	2000 £m	1999 £m
Staff costs were:		
Aggregate gross wages and salaries	96.9	97.0
National insurance contributions	7.5	6.7
Pension costs	3.3	1.0
	107.7	104.7

The remuneration report contains details of directors' remuneration and directors' interests in shares and share options on pages 14 to 18.

**3 INTEREST**

	2000 £m	1999 £m
Interest on bank loans and overdrafts	2.0	2.3
Interest on other loans	0.5	1.6
Interest payable and similar charges	2.5	3.9
Less: interest receivable	0.6	1.3
	1.9	2.6

**4 TAX ON PROFIT/LOSS ON ORDINARY ACTIVITIES**

	2000 £m	1999 £m
The charge for taxation is made up as follows:		
UK corporation tax at 30% (1999: 31%)	1.8	—
Advance corporation tax	—	2.6
Overseas taxation	0.3	0.3
Prior year adjustments for UK corporation tax	(0.3)	(0.7)
	1.8	2.2

**5 PROFIT/LOSS FOR THE PERIOD**

Of the consolidated profit/loss attributable to the shareholders of Staveley Industries plc, a profit of £4.0 million (1999: £19.2 million) has been taken up in the accounts of the parent company of which £3.0 million is considered distributable. As permitted by section 230 of the Companies Act 1985, the parent company's own profit and loss account has not been included in these accounts.

**6 DIVIDENDS**

	2000 £m	1999 £m
Interim Op (1999: 2.5p) per ordinary share	—	2.9

**7 EARNINGS/LOSS PER SHARE**

Basic earnings/loss per share is calculated by dividing the group's profit for the period of £0.6 million (1999: £8.4 million loss) by the weighted average number of ordinary shares in issue during the period of 116,378,258 (1999: 116,378,258). For the calculation of diluted earnings/loss per share the weighted average number is the same in 2000 but increased to 117,112,215 in 1999 by options on 654,833 shares under share savings schemes and on 79,124 shares under executive share option schemes. In addition, the directors consider it appropriate to show alternative calculations based on profits excluding the impact of exceptional items which can be reconciled to the basic calculation as follows:

	2000 £m	2000 Basic pence per share	2000 Diluted pence per share	1999 £m	1999 Basic pence per share	1999 Diluted pence per share
Earnings/(loss)	0.6	0.6	0.6	(8.4)	(7.2)	(7.2)
Add:						
Exceptional operating costs	6.0	5.1	5.1	8.7	7.5	7.5
Loss on the sale of discontinued operations	—	—	—	2.1	1.8	1.8
Tax relief thereon	—	—	—	(1.0)	(0.9)	(0.9)
	6.0	5.1	5.1	9.8	8.4	8.4
Adjusted earnings	6.6	5.7	5.7	1.4	1.2	1.2

**8 INTANGIBLE FIXED ASSETS**

The company	£m
Goodwill and intellectual property purchased from a subsidiary	61.5
Less: amount written off	4.9
	56.6

On 14 March 2000 the company purchased British Salt's business as a going concern for a total consideration of £77.5 million equating to the amount for which the business was subsequently sold to a third party.



**9 TANGIBLE FIXED ASSETS**

	Freehold properties £m	Long leases £m	Short leases £m	Plant and equipment £m	Total £m
<b>The group</b>					
Cost or valuation					
At 4 April 1999	38.2	1.7	2.9	65.9	108.7
Additions	—	—	0.1	5.2	5.3
Disposals	(1.8)	(0.2)	(0.6)	(3.1)	(5.7)
At 1 April 2000	36.4	1.5	2.4	68.0	108.3
Cost or valuation comprises					
Cost	0.6	0.4	2.4	68.0	71.4
1996 valuation	35.8	1.1	—	—	36.9
Accumulated depreciation					
At 4 April 1999	2.8	0.2	1.8	36.0	40.8
Charge for period	1.4	0.5	0.2	4.9	7.0
Disposals	(0.3)	(0.2)	(0.3)	(3.3)	(4.1)
At 1 April 2000	3.9	0.5	1.7	37.6	43.7
Net book value					
At 1 April 2000	32.5	1.0	0.7	30.4	64.6
At 3 April 1999	35.4	1.5	1.1	29.9	67.9
<b>The company</b>					
Cost or valuation					
At 4 April 1999	3.1	1.7	2.3	10.3	17.4
Additions	4.0	—	0.1	8.9	13.0
Group transfers	0.3	—	—	—	0.3
Disposals	(1.1)	(0.2)	(0.6)	(3.2)	(5.1)
At 1 April 2000	6.3	1.5	1.8	16.0	25.6
Cost or valuation comprises					
Cost	5.4	1.2	1.8	16.0	24.4
1996 valuation	0.9	0.3	—	—	1.2
Accumulated depreciation					
At 4 April 1999	0.2	0.2	1.4	7.9	9.7
Charge for period	0.8	0.5	0.1	1.0	2.4
Disposals	(0.2)	(0.2)	(0.3)	(2.8)	(3.5)
At 1 April 2000	0.8	0.5	1.2	6.1	8.6
Net book value					
At 1 April 2000	5.5	1.0	0.6	9.9	17.0
At 3 April 1999	2.9	1.5	0.9	2.4	7.7

a) Additions at cost in the company include freehold properties of £4 million and plant and equipment of £7.8 million purchased from British Salt in the transaction described in note 8.

b) The historical cost and related depreciation of those assets included at valuation are as follows:

	The group		The company	
	Freehold properties £m	Long leases £m	Freehold properties £m	Long leases £m
<b>Cost</b>				
At 1 April 2000	8.7	1.2	0.7	0.4
At 3 April 1999	9.8	1.2	1.6	0.4
<b>Depreciation</b>				
At 1 April 2000	3.5	0.3	0.2	0.2
At 3 April 1999	3.9	0.3	0.6	0.2
<b>Net book value</b>				
At 1 April 2000	5.2	0.9	0.5	0.2
At 3 April 1999	5.9	0.9	1.0	0.2

c) The transitional provisions of FRS 15 – Tangible Fixed Assets have been applied in these accounts such that the existing book amounts have been retained and the valuation of freehold properties and long leases is not being updated. The date of the most recent valuation was March 1996.

10 FIXED ASSET INVESTMENTS

	The group		The company	
	2000	1999	2000	1999
	£m	£m	£m	£m
Shares at cost	2.0	2.0	2.0	2.0
Loan	3.0	3.0	—	—
Subsidiary companies at cost	—	—	79.0	79.0
	5.0	5.0	81.0	81.0
Less: amounts written off	(5.0)	—	(18.2)	(16.6)
	—	5.0	62.8	64.4

The movements in the period were as follows:

At 4 April 1999	5.0	64.4
Amounts written off in the period (see page 6)	(5.0)	(1.6)
At 1 April 2000	—	62.8

The principal companies are British Salt, Staveley NDT Technologies Inc and Staveley Services North America Inc.

These companies are included in the consolidated accounts and their share capital of all classes is 100% owned. At the period end British Salt, which is incorporated in Great Britain and registered in England, had a share capital consisting of 'A' shares and 'B' shares held by Staveley Industries plc. The other two companies are incorporated in the USA and have a share capital consisting of common stock held by a subsidiary. Other subsidiaries are included in a full list to be filed with the company's annual return.

11 STOCKS

	The group		The company	
	2000	1999	2000	1999
	£m	£m	£m	£m
Raw materials and consumables	4.4	5.1	2.5	0.9
Work in progress	0.7	0.9	0.2	0.4
Finished goods and goods for resale	2.0	2.4	1.2	0.6
	7.1	8.4	3.9	1.9

12 DEBTORS

	The group		The company	
	2000	1999	2000	1999
	£m	£m	£m	£m
Amounts falling due within one year:				
Trade debtors	53.8	55.5	42.7	41.5
Amounts owed by subsidiaries	—	—	27.4	33.9
Amounts recoverable on contracts	6.0	7.5	6.0	7.6
Other debtors	1.9	3.1	1.6	2.3
Corporation tax recoverable	0.6	2.6	0.6	2.6
Prepayments and accrued income	2.5	1.1	1.9	0.4
	64.8	69.8	80.2	88.3

**13 BORROWINGS**

## Amounts falling due:

	2000		1999	
	Within one year £m	After one year £m	Within one year £m	After one year £m
<b>The group</b>				
6.64% senior notes	—	—	24.9	—
Bank loans and overdrafts	24.9	—	—	28.5
<b>Total</b>	<b>24.9</b>	<b>—</b>	<b>24.9</b>	<b>28.5</b>
<b>The company</b>				
6.64% senior notes	—	—	24.9	—
Bank loans and overdrafts	4.5	—	2.1	—
Loan from a subsidiary company	—	22.1	—	22.1
<b>Total</b>	<b>4.5</b>	<b>22.1</b>	<b>27.0</b>	<b>22.1</b>

The senior notes were repaid on 20 July 1999.

	The group		The company	
	2000 £m	1999 £m	2000 £m	1999 £m
<b>Bank loans and overdrafts are repayable:</b>				
Within one year	24.9	—	4.5	2.1
Between 2 and 5 years	—	28.5	—	—
<b>Total</b>	<b>24.9</b>	<b>28.5</b>	<b>4.5</b>	<b>2.1</b>

Bank loans of £24.9 million in the group bear interest at rates ranging from 6.97% to 7.06%. They were repaid on 10 April 2000 following the sale of the salt business.

The loan from a subsidiary company is repayable on 31 March 2005.

**14 OTHER CREDITORS**

	The group		The company	
	2000 £m	1999 £m	2000 £m	1999 £m
Payments received on account	13.6	11.5	13.6	11.5
Trade creditors	42.9	40.1	40.6	35.9
Amounts owed to subsidiaries	—	—	66.0	7.1
Other creditors including taxation and social security	7.4	6.3	6.7	5.5
Accruals and deferred income	13.5	13.4	9.5	6.4
<b>Total</b>	<b>77.4</b>	<b>71.3</b>	<b>136.4</b>	<b>66.4</b>

Other creditors including taxation and social security includes corporate taxation of £2.5 million (1999: £1.8 million) in the group and £1.9 million (1999: £1.2 million) in the company.

**15 PROVISIONS FOR LIABILITIES AND CHARGES**

	At 4 April 1999 £m	Transfer (to)/from P&L account £m	Utilised in the period £m	At 1 April 2000 £m
<b>The group</b>				
Pensions and similar obligations	0.7	0.1	(0.1)	0.7
Other provisions:				
Committed costs in respect of discontinued operations	1.0	—	(0.3)	0.7
Property leases expiring in years up to 2011	3.5	0.2	(1.3)	2.4
Onerous contracts	1.2	0.1	(0.9)	0.4
Reorganisation costs	1.4	0.2	(1.3)	0.3
<b>Total</b>	<b>7.8</b>	<b>0.6</b>	<b>(3.9)</b>	<b>4.5</b>
<b>The company</b>				
Committed costs in respect of discontinued operations	1.0	(0.3)	—	0.7
Property leases expiring in years up to 2011	3.5	(0.2)	(0.9)	2.4
Onerous contracts	1.2	0.1	(0.9)	0.4
Reorganisation costs	1.4	0.2	(1.3)	0.3
<b>Total</b>	<b>7.1</b>	<b>(0.2)</b>	<b>(3.1)</b>	<b>3.8</b>

The provision made for deferred taxation and other potential liabilities for deferred taxation are set out below:

	Amount unprovided 2000 £m	1999 £m	Provision made 2000 £m	1999 £m
<b>The group</b>				
Accelerated tax allowances	1.1	2.2	—	—
Revaluation	—	3.8	—	—
Other	(1.1)	(6.0)	—	—
	—	—	—	—
<b>The company</b>				
Accelerated tax allowances	1.1	(0.3)	—	—
Other	(1.1)	(1.3)	—	—
	—	(1.6)	—	—

The deferred tax asset shown under 'Other' arises principally from short term timing differences. The value of the asset has been restricted to the aggregate value of potential deferred liabilities.

**16 SHARE CAPITAL**

	2000 £m	1999 £m
<b>Authorised:</b>		
196,240,000 (1999: 196,240,000) ordinary shares of 25p each	49.1	49.1
<b>Allotted, called up and fully paid:</b>		
116,378,258 (1999: 116,378,258) ordinary shares of 25p each	29.1	29.1

- a) At 1 April 2000 there were options outstanding under the share savings scheme to subscribe for ordinary shares at prices of between 83p and 171p (1999: same) per share. The options are linked to a Save-As-You-Earn contract which matures upon the completion of either 36 or 60 months' payments deducted from pay. The options are exercisable for a six month period following maturity of the SAYE contract, and the earliest dates of exercise fall between the present time and 1 October 2003. At 1 April 2000 options were outstanding over a total of 1,331,212 (1999: 1,912,581) ordinary shares.
- b) At 1 April 2000 there were options outstanding under the executive share option schemes for a total of 3,591,559 (1999: 2,245,960) ordinary shares of the company at subscription prices of between 69p and 244p (1999: 75p and 244p) per share exercisable at various dates from the present time to 2 August 2009.
- c) A special resolution passed by members at the annual general meeting for 1999 authorised the company to make market purchases of up to 11,637,800 of the company's ordinary shares. The authority expires at this year's annual general meeting or 7 December 2000 if earlier. No such purchases were made during the period under review nor have any such purchases been made after the period end.

**17 RESERVES**

	Share premium account £m	Revaluation reserve £m	Other reserves £m	Profit and loss account £m	Total £m
<b>The group</b>					
At 4 April 1999	4.4	29.5	1.0	(12.1)	22.8
Retained profit for the period	—	—	—	0.6	0.6
Revaluation surplus now realised	—	(0.9)	—	0.9	—
Goodwill included in the profit on sale of fixed assets which was written off to reserves in prior years	—	—	—	1.2	1.2
<b>At 1 April 2000</b>	<b>4.4</b>	<b>28.6</b>	<b>1.0</b>	<b>(9.4)</b>	<b>24.6</b>
<b>The company</b>					
At 4 April 1999	4.4	0.3	26.9	10.6	42.2
Retained profit for the period	—	—	—	4.0	4.0
Currency translation adjustments	—	—	—	(0.1)	(0.1)
<b>At 1 April 2000</b>	<b>4.4</b>	<b>0.3</b>	<b>26.9</b>	<b>14.5</b>	<b>46.1</b>

Goodwill included in the profit on sale of fixed assets relates to Hastings Catering Spares which was sold during the year having been previously part of Facilities Services. Currency translation adjustments arise from the retranslation into sterling at closing rates of exchange of the opening net assets of overseas operations and the foreign currency borrowings financing them. Goodwill written-off on the acquisition of subsidiaries at 1 April 2000 amounted to £40.1million (1999: £41.3 million).

**18 LEASING OBLIGATIONS**

	Property leases		Other leases	
	2000 £m	1999 £m	2000 £m	1999 £m
Annual rentals payable by the group on operating leases expiring:				
Within 1 year	0.1	0.1	0.4	0.5
Between 2 and 5 years	0.5	0.3	1.9	2.5
Over 5 years	0.7	0.3	—	0.1
	<b>1.3</b>	<b>0.7</b>	<b>2.3</b>	<b>3.1</b>

**19 RECONCILIATION OF OPERATING PROFIT/LOSS TO OPERATING CASH FLOWS**

	Continuing operations		Discontinued operations		Total	
	2000 £m	1999 £m	2000 £m	1999 £m	2000 £m	1999 £m
Operating profit/(loss)	(5.8)	(12.3)	9.6	10.8	3.8	(1.5)
Depreciation charges	9.6	3.5	2.4	2.2	12.0	5.7
Decrease/(increase) in stocks	0.8	1.0	—	(0.2)	0.8	0.8
Decrease/(increase) in debtors	2.9	11.7	(0.6)	1.0	2.3	12.7
Increase/(decrease) in creditors	2.2	(0.2)	0.3	(0.2)	2.5	(0.4)
<b>Net cash inflow from operating activities</b>	<b>9.7</b>	<b>3.7</b>	<b>11.7</b>	<b>13.6</b>	<b>21.4</b>	<b>17.3</b>

**20 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT**

	2000 £m	1999 £m
<b>Returns on investments and servicing of finance</b>		
Interest received	0.6	1.3
Interest paid	(2.6)	(4.8)
	(2.0)	(3.5)
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	(5.3)	(6.7)
Sale of tangible fixed assets	4.2	0.2
Net cash outflow for capital expenditure	(1.1)	(6.5)
<b>Acquisitions and disposals</b>		
Sale and termination of businesses	—	34.6
<b>Management of liquid resources</b>		
Net cash (placed on)/withdrawn from term deposits	(13.5)	2.0
<b>Financing</b>		
Redemption of preference shares	—	(0.9)
Debt due within a year:		
Repayment of loan notes	(25.6)	—
Bank loans drawn down	26.1	—
Bank loans repaid	(29.0)	(9.0)
Debt due beyond a year: bank loans repaid	—	(8.0)
Capital element of finance lease rental payments	—	(0.1)
	(28.5)	(17.1)
Net cash outflow from financing	(28.5)	(18.0)

**21 ANALYSIS OF NET DEBT**

	At 4 April 1999 £m	Cash flow £m	Other changes £m	At 1 April 2000 £m
Cash at bank (excluding term deposits)	30.9	(22.8)	—	8.1
Term deposits	2.4	13.5	—	15.9
	33.3			24.0
Debt due after one year	(28.5)	—	28.5	—
Debt due within a year	(24.9)	28.5	(28.5)	(24.9)
	(20.1)	19.2	—	(0.9)

**22 FINANCIAL INSTRUMENTS**

The group's financial instruments, other than derivatives, comprise borrowings and liquid resources whose main purpose is to finance operations. The group also enters into derivative transactions in the form of forward foreign currency contracts to manage currency risks arising from the group's operations. It is, and has been throughout the period, the group's policy that no trading in financial instruments shall be undertaken. Short term debtors and creditors have been excluded from all the following disclosures other than currency risk disclosures.

The main risks arising from the group's financial instruments are interest rate risk, liquidity risk and foreign currency risk. The policies adopted throughout the period in respect of these risks are summarised below.

**Interest rate risk**

The group financed its operations through a mixture of bank borrowings, which are all at floating rates, and equity capital. The sale of the salt business after the year end financed the repayment of those borrowings.

**Liquidity risk**

Following the sale of the salt business, the company is currently reviewing methods by which surplus cash may be returned to shareholders.

**22 FINANCIAL INSTRUMENTS (CONTINUED)****Foreign currency risk**

The group's only significant overseas subsidiaries operate in the USA and their revenues and expenses are denominated in US dollars. In order to protect the group balance sheet from fluctuations in the sterling/US dollar exchange rate, the group's borrowings had the facility to be drawn in US dollars so that they could be used to hedge the net investment in those subsidiaries. Following repayment of those borrowings after the year end it was decided to discontinue this hedging policy.

The group's UK businesses operate mainly within the UK. To eliminate currency exposures that arise on business transacted in currencies other than sterling, forward currency contracts are taken out at the time of commitment to a transaction.

	2000 £m	1999 £m
<b>Financial assets</b>		
The group had the following financial assets at the period end		
Sterling deposits	19.2	26.7
Other deposits and bank balances	4.8	6.6
Total assets held at floating interest rates	24.0	33.3
Other assets on which no interest is paid:		
Loan to the purchaser of Chronos Richardson's US business	—	3.0
Redeemable preference shares in the purchaser of Chronos Richardson's European business	—	2.0
<b>Total</b>	<b>24.0</b>	<b>38.3</b>
<b>Financial liabilities</b>		
The group had the following financial liabilities at the period end		
Floating rate bank loans	25.0	28.5
Floating rate loan notes	—	12.5
Fixed rate loan notes	—	12.4
Financial liabilities which do not bear interest	0.5	0.1
<b>Total</b>	<b>25.5</b>	<b>53.5</b>

The financial liabilities at the period end were all payable in one year or less. With the exception of the floating rate bank loans in 1999 which were drawn in sterling, these liabilities were denominated in US dollars.

The group's undrawn committed borrowing facilities nominally available at the period end in respect of which all conditions precedent had been met totalled £17.5 million. These facilities expired on the sale of the salt business in April.

	2000 Book value £m	2000 Fair value £m	1999 Book value £m	1999 Fair value £m
<b>Fair values of financial assets and liabilities</b>				
Primary financial instruments held or issued to finance the group's operations:				
Short term financial liabilities	(25.5)	(25.5)	(25.0)	(25.1)
Long term borrowings	—	—	(28.5)	(28.5)
Interest bearing assets	24.0	24.0	33.3	33.3
Non-interest bearing assets	—	—	5.0	5.0
Derivative financial instruments held to manage the interest rate profile:				
Interest rate swaps	—	—	—	0.2

Interest bearing assets are short term money market deposits and the bank loans included in long term borrowings bear floating interest rates based on LIBOR. Consequently, in both cases, fair values closely approximate book values.

Gains and losses on derivative financial instruments used for hedging are not recognised until the exposure that is being hedged is itself recognised. The profits and losses arising from forward foreign currency contracts are incorporated in the value of the transaction being hedged.

**23 PENSION SCHEMES**

In the UK the group's pension schemes are of the defined-benefit type and are administered in accordance with the advice of independent, professionally qualified actuaries. Elsewhere, they are for the most part of the defined-contribution type. The UK scheme is externally funded. For the purpose of determining pension costs, an actuarial valuation was carried out on 6 April 1999 using the projected unit method. The main long-term assumptions were that the investment return for active members would be 6.7% per annum pre-retirement and 5.7% per annum post retirement and for existing pensioners 4.7% per annum and that annual increases in pensions and earnings would be 2.8% and 3.8% respectively. The market valuation of the scheme's assets at that date was £189 million and their actuarial valuation represented 107% of the value of the accrued benefits. The pension cost charge for the period in respect of all group pension schemes was £3.3 million (1999: £1 million), see note 2.

During the period, the Staveley Industries Retirement Benefits Scheme held on average 88,127 ordinary shares of the company. This holding represented less than 0.1% of both the scheme's total assets and of the company's issued ordinary share capital.

**24 CONTINGENT LIABILITIES**

- a) Contingent liabilities at 1 April 2000 in respect of performance bonds, tender bonds and guarantees for third parties amounted to £12.3 million for the company and group (1999: £16.1 million for the company and group). The company has also issued certain guarantees in respect of the liabilities of its subsidiary companies arising in the normal course of their trading activities.
- b) The company also guaranteed the bank borrowings of British Salt. These amounted at the end of the period to £25.0 million but have since been repaid following the disposal of the Salt division.
- c) The company and certain subsidiaries are parties to legal actions and claims arising in the ordinary course of business, which the directors are advised and believe are likely to be resolved without significant effect on the net assets of the business.

**25 RELATED PARTY TRANSACTIONS**

The disposals of the Weigh-Tronix group and Chronos Richardson in 1998 were to purchasers connected with senior members of their respective management teams. The Weigh-Tronix personnel concerned were J McCann (chief executive of the Weigh-Tronix group), D Castle (vice president of Weigh-Tronix Inc), L Gunning (managing director of Salter Weigh-Tronix) and R Evans (managing director of Salter Housewares Limited) who became shareholders in the purchasing company on completion. The Chronos Richardson management team comprised AM Sanderson and K Peach, both directors of Chronos Richardson Limited, and K Schroth, manufacturing director of Chronos Richardson, and they were the equity shareholders in the purchasing company.

In the case of Chronos Richardson, the consideration for the sale was £5 million comprising £2 million redeemable preference shares issued by the purchaser in exchange for the issued share capital of Chronos Richardson Limited and Chronos Richardson GmbH and £3 million cash to acquire the business of Chronos Richardson Inc. This sum was lent by a subsidiary to the purchaser and was repayable in April 2003. Staveley Industries also provided the purchaser with a working capital facility of £1.5 million and with facilities for the issue of performance bonds of up to £5.5 million until October 1998 and, subsequently, £5 million. Staveley Industries leases to Chronos Richardson Limited at £27,000 per annum the property in Nottingham, England, which is Chronos Richardson's headquarters' site. A subsidiary leases property in Hennef, Germany, to Chronos Richardson GmbH at a monthly rent of DM42,625. On 21 June 2000 Staveley Industries announced the sale for £1 of its £5 million investment in Chronos Richardson to Babcock International Group PLC. The working capital and performance bond facilities were cancelled as part of this transaction.



**26 POST BALANCE SHEET EVENTS**

On 7 April 2000 the sale of the salt business was completed and on 10 April bank borrowings of £25 million were repaid from the proceeds. The pro forma balance sheet set out below has been drawn up from the consolidated balance sheet at 1 April 2000 and the effect of the subsequent events:

	Group balance sheet £m	Effect of disposal £m	Pro forma balance sheet £m
Fixed assets	64.6	(46.8)	17.8
Net current assets:			
Stocks	7.1	(3.0)	4.1
Debtors	64.8	(6.1)	58.7
Cash at bank	24.0	52.5	76.5
Creditors excluding borrowings	(77.4)	0.2	(77.2)
Borrowings	(24.9)	24.9	—
Provisions for liabilities and charges	(4.5)	—	(4.5)
Net assets	53.7	21.7	75.4
Capital and reserves			
Share capital	29.1	—	29.1
Share premium	4.4	—	4.4
Revaluation reserve	28.6	(28.1)	0.5
Other reserves	1.0	—	1.0
Profit and loss account	(9.4)	49.8	40.4
	53.7	21.7	75.4

## Shareholder Information

**ANALYSIS OF ORDINARY SHAREHOLDINGS**

At 1 April 2000 there were 3,287 shareholders registered compared with 3,432 at 3 April 1999.

Category	Number	%	Holding	%
Individuals	2,798	85.1	6,276,450	5.4
Corporate and institutional holders	92	2.8	28,346,622	24.4
Nominee holdings	397	12.1	81,755,186	70.2
	3,287	100.0	116,378,258	100.0
<b>Holdings</b>				
1 to 2,000	2,197	66.8	1,566,939	1.3
2,001 to 10,000	825	25.1	3,779,258	3.3
10,001 to 50,000	167	5.1	3,449,557	3.0
50,001 to 100,000	29	0.9	2,083,173	1.8
100,001 to 500,000	34	1.0	6,886,230	5.9
500,001 and over	35	1.1	98,613,101	84.7
	3,287	100.0	116,378,258	100.0

**MAJOR SHAREHOLDERS**

At 10 July 2000 the following interests had been notified to the company for the purposes of the register kept under section 211 of the Companies Act 1985 (being material interests of 3% or more, or any interest of 10% or more whether including material interests or not, all as defined in the Act):

	Ordinary shares	%
Guinness Peat Group plc	33,774,594	29.0
Fidelity International Limited	9,412,000	8.1
Britannic Asset Management Limited	7,363,830	6.3
JO Hambro Capital Management Limited, North Atlantic Smaller Companies Investment Trust PLC and Oryx International Growth Fund Limited*	8,665,000	7.4
Prudential plc	6,440,764	5.5

\*parties to an agreement to which section 204 of the Act applies.

## Notice of Annual General Meeting

Notice is hereby given that the annual general meeting of Staveley Industries plc will be held at the offices of Theodore Goddard, 150 Aldersgate Street, London EC1A 4EJ on Wednesday 6 September 2000 at 12.30pm to consider and, if thought fit, to pass the following resolutions, of which Nos 1 to 5 will be proposed as Ordinary Resolutions and No 6 as a Special Resolution:

### Resolution No 1

To receive the directors' report and the accounts for the 52 weeks ended 1 April 2000.

### Resolution No 2

To re-elect Mr BA Nixon, a director appointed since the last annual general meeting.

### Resolution No 3

To re-elect Mr CJS Woodwark, a director retiring by rotation.

### Resolution No 4

To reappoint the auditors and to authorise the directors to fix their remuneration.

### Resolution No 5

That:

- (a) the directors be generally and unconditionally authorised pursuant to and in accordance with section 80 of the Companies Act 1985 to exercise for the period ending on the date of the next annual general meeting (or 6 December 2001 if earlier) all the powers of the company to allot relevant securities up to an aggregate nominal amount of £9,698,000
- (b) by such authority and power the directors may make offers or agreements which would or might require the allotment of relevant securities after the expiry of such period, and
- (c) words and expressions defined in or for the purposes of the said section shall bear the same meanings in this resolution.

### Resolution No 6 (Special Resolution)

That:

- (a) subject to the passing of Resolution No 5 above, during the period from the date hereof to the date of the next annual general meeting (or 6 December 2001 if earlier) the directors be empowered to allot equity securities wholly for cash pursuant to said Resolution No 5:
  - (i) in connection with a rights issue, and
  - (ii) otherwise than in connection with a rights issue, up to an aggregate nominal amount of £1,454,000 as if section 89(1) of the said Act did not apply to any such allotment
- (b) by such power the directors may during such period make offers or agreements which would or might require the allotment of equity securities after the expiry of such period; and
- (c) for the purposes of this resolution:
  - (i) "rights issue" means an offer of equity securities open for acceptance for a period fixed by the directors to holders of equity securities on the register on a fixed record date in proportion to their respective holdings of such securities or in accordance with the rights attaching thereto (for which purpose holdings in certificated and uncertificated form may be treated as separate holdings) but subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to 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;
  - (ii) the nominal amount of any securities shall be taken to be, in the case of rights to subscribe for or convert any securities into shares of the company, the nominal amount of such shares which may be allotted pursuant to such rights; and
  - (iii) words and expressions defined in or for the purposes of Part IV of the said Act shall bear the same meanings herein.

By order of the board

**RL TODD, DIRECTOR AND SECRETARY**

Staveley House  
11 Dingwall Road  
Croydon, Surrey CR9 3DB  
7 August 2000

A shareholder entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, to vote instead of him. A proxy need not be a shareholder of the company. The proxy card enclosed with this report is applicable to the annual general meeting and, to be effective, must be completed, signed and lodged with the company's registrars, Capita IRG plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than 48 hours before the time appointed for the meeting.

I/We (please enter full name and address in BLOCK CAPITALS) \_\_\_\_\_

of \_\_\_\_\_

being (a) member(s) of Staveley Industries plc hereby appoint the chairman of the meeting or<sup>1</sup>

\_\_\_\_\_ as my/our proxy to vote for me/us on my/our behalf at the annual general meeting of the company to be held on Wednesday 6 September 2000 and at any adjournment thereof.

Signature \_\_\_\_\_ Date \_\_\_\_\_

In respect of the numbered resolutions set out in the notice convening the said meeting I/we desire that my/our vote shall be exercised as follows:

RESOLUTION NO	1	2	3	4	5	6*
FOR						
AGAINST						

\* Special  
Resolution

#### NOTES

1. If you wish to appoint someone other than the chairman of the meeting as your proxy please delete the reference to the chairman and insert the name of the person you wish to appoint in the space provided and initial the alteration. A person appointed to act as a proxy need not be a member.
2. Please indicate how your votes are to be cast by placing an 'X' in the 'For' or 'Against' box for each resolution. If you do not indicate how your votes are to be cast the proxy will vote or abstain from voting as he thinks fit.
3. To be valid this form, and any power of attorney or other authority under which it is signed or a notarially certified or office copy thereof, must be lodged duly completed at the address shown overleaf not less than 48 hours before the time appointed for the meeting or adjourned meeting or (in the case of a poll taken otherwise than at or on the same day as the meeting or adjourned meeting) for the taking of the poll at which it is to be used.
4. The form of proxy must be signed by the member or his attorney. Where the member is a corporation this form must be either (i) under its common seal or (ii) signed by a director and the secretary, or by two directors, of the corporation and expressed to be given as a deed or (iii) signed by an attorney or duly authorised officer of the corporation.
5. In the case of joint holders the signature of any one of them will be accepted, but the signature of the senior joint holder will be accepted to the exclusion of the other joint holder or holders. Seniority will be determined by the order in which the names appear in the register of members in respect of the joint holding.

SECOND FOLD

BUSINESS REPLY SERVICE  
Licence No. MB122



Capita IRG plc (Proxies)  
PO Box 25  
Beckenham  
Kent  
BR3 4BR

FIRST FOLD

THIRD FOLD

CUT HERE

	2000 £m	1999 £m	1998 £m	1997 £m	1996 £m
<b>Turnover</b>	<b>281.9</b>	<b>295.0</b>	<b>393.8</b>	<b>399.8</b>	<b>372.9</b>
<b>Profit/(loss) before tax</b>	<b>2.4</b>	<b>(6.2)</b>	<b>(74.1)</b>	<b>16.6</b>	<b>23.2</b>
<b>Capital employed</b>					
Fixed assets	64.6	72.9	85.4	83.7	83.6
Working capital excluding borrowings	(10.0)	(0.9)	25.5	35.0	23.0
<b>Total capital employed</b>	<b>54.6</b>	<b>72.0</b>	<b>110.9</b>	<b>118.7</b>	<b>106.6</b>
<b>Funded by</b>					
Ordinary shares	29.1	29.1	29.1	29.1	28.9
Reserves	24.6	22.8	34.8	58.6	62.8
<b>Equity shareholders' funds</b>	<b>53.7</b>	<b>51.9</b>	<b>63.9</b>	<b>87.7</b>	<b>91.7</b>
Preference shares	—	—	0.9	0.9	0.9
Net borrowings	0.9	20.1	46.0	30.0	13.9
Deferred tax	—	—	0.1	0.1	0.1
	<b>54.6</b>	<b>72.0</b>	<b>110.9</b>	<b>118.7</b>	<b>106.6</b>
<b>Operating profit margin (%)</b>	<b>3.5</b>	<b>2.4</b>	<b>3.2</b>	<b>6.1</b>	<b>7.2</b>
<b>Dividends per share (p)</b>	<b>—</b>	<b>2.5</b>	<b>9.0</b>	<b>9.0</b>	<b>9.0</b>
<b>Earnings per share (p)</b>	<b>5.7</b>	<b>1.2</b>	<b>6.1</b>	<b>13.9</b>	<b>15.4</b>
<b>Return on capital (%)</b>	<b>17.9</b>	<b>10.0</b>	<b>11.3</b>	<b>20.5</b>	<b>25.0</b>
<b>Gearing (%)</b>	<b>1.7</b>	<b>38.7</b>	<b>72.0</b>	<b>34.2</b>	<b>15.2</b>

The figures in respect of operating profit margin, earnings per share and return on capital for all years are calculated after excluding exceptional operating and non-operating items.

Profit before tax in 1996, 1997, 1998, 1999 and 2000 is stated after exceptional items of £0.1 million, £4.7 million, £82.9 million, £10.8 million and £6 million respectively.

The basic earnings/(loss) per share in respect of 1996, 1997, 1998, 1999 and 2000 were 16.4p, 9.8p, (64.4p), (7.2p) and 0.6p respectively.

## **STAVELEY**

Registered in England number 866

Staveley Industries plc  
Staveley House  
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Surrey CR9 3DB  
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